PAPPACHAN muthoot
Blue is Belief

#MuthootBlue

EMPOWERING THROUGH DIGITAL INCLUSION

ANNUAL REPORT
2022-23

PAPPACHAN muthoot MICROFIN

INSIDE THE REPORT

Forward-looking statement

Some information in this report may contain forward-looking statements. We have based these forward looking statements on our current beliefs, expectations and intentions as to facts, actions and events that will or may occur in the future. Such statements generally are identified by forward-looking words such as "believe," "plan," "anticipate," "continue," "estimate," "expect," "may," "will" or other similar words. A forward-looking statement may include a statement of the assumptions or basis underlying the forward-looking statement. We have chosen these assumptions or basis in good faith, and we believe that they are reasonable in all material respects. However, we caution you that forward-looking statements and assumed facts or bases almost always vary from actual results, and the differences between the results implied by the forward-looking statements and assumed facts or bases and actual results can be material, depending on the circumstances.

Scan this QR code to see the online version of the Annual Report

VISION

To be the most innovative and successful financial institution serving life cycle needs of the underserved.

MISSION

To be the number one microfinance company by 2025, managing best portfolio quality, highest level of customer satisfaction and highest wallet share among our customers.

VALUES

We are committed to truth, transparency and fair dealing.

#PurposeMuthootBlue

To transform the life of the common man by improving their financial well-being

CORE VALUES

INTEGRITY

COLLABORATION

EXCELLENCE

CULTURE CODES

HONESTY

INCLUSION

EMPOWERMENT

EMPATHY

FRESH THINKING & CONTINUOUS RENEWAL

OWNERSHIP

HUMILITY

WORK-LIFE BALANCE

AGILITY

ACCOLADES

Awarded for the Mobility category at the Technology Senate Awards South, 2022

Awarded the 'Best Digital Transformation Initiative - Financial Services' at the India Devops Show 2022 organised by Quantic

Awarded the 'Best Employee-Driven CX' by the India Customer Excellence Summit and Awards, 2022

Certified as a 'Great Place to Work' by the Great Place to Work Institute, India with validity for the period between January, 2023 to January, 2024

EMPOWERING WOMEN, ELEVATING LIVES

We are empowering women and communities through financial and digital inclusion. With a strong emphasis on social impact and sustainable growth, we provide access to capital, foster entrepreneurship among women, and help uplift the quality of life of the underserved.

MILESTONES*

2011

- Muthoot Pappachan Group starts **microfinance business** as a division of the flagship company **Muthoot Fincorp Ltd.**

2013

- Microfinance division crosses **1,000** crore disbursement
- **2,000** employees
- **6 lakh** active customers

2014

- Emerged **No. 1** Microfinance NBFC in Kerala
- Emerges as one of the top **10 MFIs** in India as per MFIN
- Reached **1,000** crore AUM
- Crossed **3,000** employees

2015

- Receives **NBFC-MFI** license from RBI
- Hives off microfinance division into a company **"Muthoot Microfin Limited"**

2016

- Raised up to **₹50 crores** in private equity from the US based fund Creation Investments Capital Management.

2017

- Total employees crossed **5,000** mark.
- Raised **₹50 crores** of investment during the year from Creation.

2018

- Wins the **Golden Peacock Award** 2018 for Business Excellence.
- Received the highest grading in **Capacity Assessment** and **Code of Conduct Assessment of M1C1** by CRISIL
- Wins MFIN Award in **'Microfinance Plus Activities'** category.
- Won **"Finance Company of the Year – India"** award at the ABF Retail Banking Awards 2018.
- Awarded **'Best NBFC'** by CIMSME
- Muthoot Microfin certified **Great Place To Work**
- Economic Times recognised Muthoot Microfin by conferring **Champions of Rural Markets Award**
- Raised **₹55 crores** of investment for the year from Creation.

2022

- Started offering **digital healthcare** to customers through **e-clinics**
- Crossed **2 Million** active customers
- Crossed **7000 Crore** Asset Under Management
- Secures **$35 Million** additional capital investment from Greater Pacific Capital
- CEO received **"The Economic Times Inspiring CEOs 2022"** Award
- Entered **Uttarakhand**
- Entered **Himachal Pradesh**
- CRISIL reaffirms **M1C1** grading.
- Opens **1000th** branch.
- Raises **$25 Million** in External Commercial Borrowing
- Honoured with **IT innovation awards**.
- CRISIL upgraded the rating to **A+ Stable** for long-term **bank** facilities and **debt** programmes.

2020

- Wins **'Microfinance Company of the Year -2019'** award by Dhanam Business Magazine
- Launches new Website

2019

- Portfolio surpassed **4,000 Crores.**
- Crossed **600** branches
- Muthoot Microfin CFO, Praveen T selected to Annual CFO100 Roll of Honour
- Crosses **10,000 Crore** total disbursement
- Muthoot Microfin signs MoU with **Water.org**
- Muthoot Microfin certified **best place to work** in industry
- Muthoot Microfin signs MoU with **Indian Bank** to jointly lend to the MSME borrowers.
- Won **'Golden Peacock Global Award** for Corporate Governance Excellence.
- CRISIL upgraded the rating to A Stable for bank facilities and debt instruments

2021

- Secures **$25 Million** Private Equity investment from Greater Pacific Capital
- Received special honours from **Great Place To Work**® Institute
- Crosses **800** branches
- AUM Crossed **₹5,000 crores**
- Launches Customer App – **Muthoot Mahila Mitra**

2023

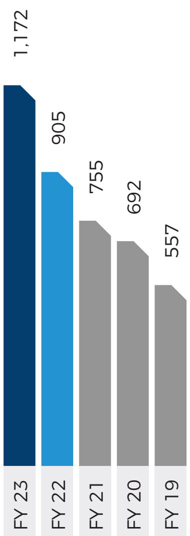
- **Great Place To Work**® certified for the 4th time.
- Crossed **10,000** employees.
- Crossed **9,000** crore Asset Under Management

*Year mentioned is calender year

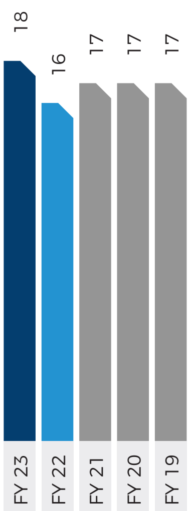
GROWTH IN A GLANCE

Operations Growth

Branches

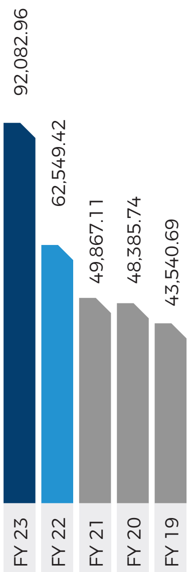


State

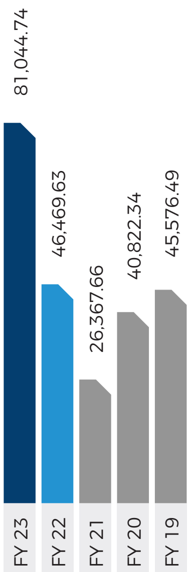


District

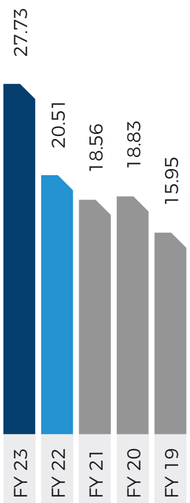
AUM
(in Millions)



Disbursements
(in Millions)



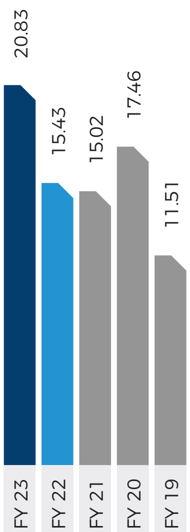
Active Borrowers
(in lakhs)



Zone wise exposure

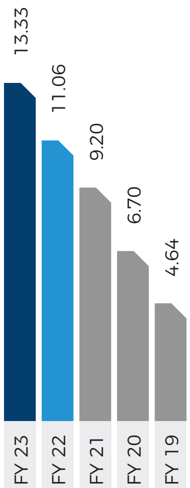
North

%



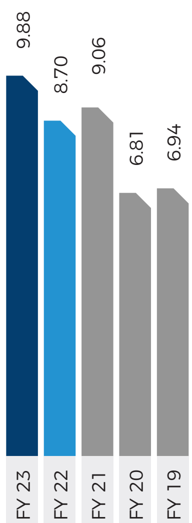
East

%



West

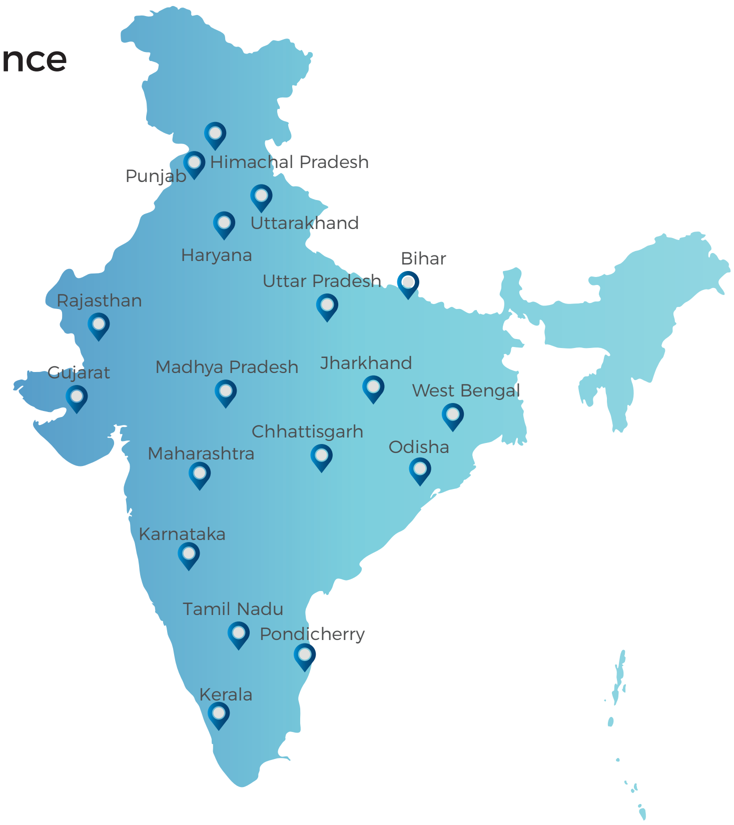
%



South

%

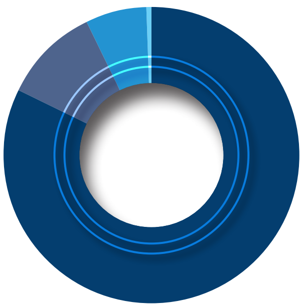
Our Presence



GROWTH IN A GLANCE (CONTD..)

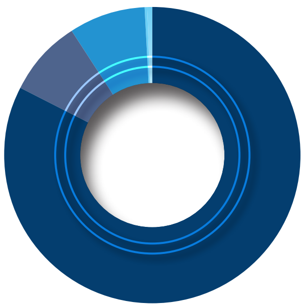
Exposure of Districts

FY 23



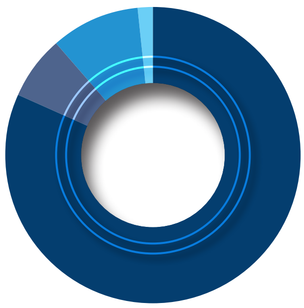
< 0.5 %	82.24%
0.5% - 1.0%	10.59%
1.0% - 3.0%	6.85%
3.0% - 5.0%	0.31%
> 5.0%	-

FY 22



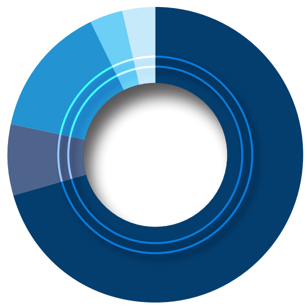
< 0.5 %	82.56%
0.5% - 1.0%	8.54%
1.0% - 3.0%	7.83%
3.0% - 5.0%	0.71%
> 5.0%	0.36%

FY 21



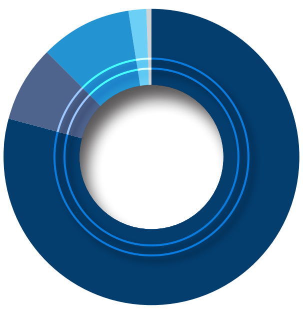
< 0.5 %	81.93%
0.5% - 1.0%	6.83%
1.0% - 3.0%	9.64%
3.0% - 5.0%	1.61%
> 5.0%	-

FY 20



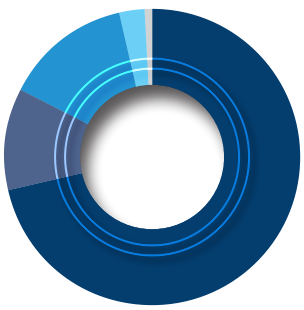
< 0.5 %	70.71%
0.5% - 1.0%	7.86%
1.0% - 3.0%	14.29%
3.0% - 5.0%	3.57%
> 5.0%	3.57%

FY 19



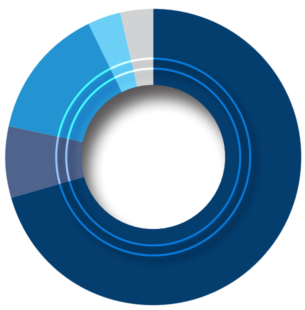
< 0.5 %	79.3%
0.5% - 1.0%	8.3%
1.0% - 3.0%	10.1%
3.0% - 5.0%	1.8%
> 5.0%	0.5%

FY 18



< 0.5 %	71.4%
0.5% - 1.0%	11.3%
1.0% - 3.0%	13.7%
3.0% - 5.0%	3.0%
> 5.0%	0.6%

FY 17



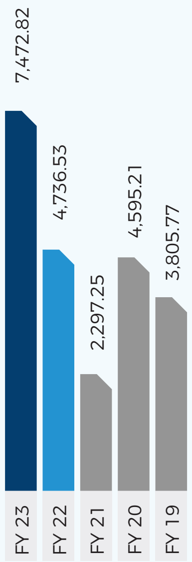
< 0.5 %	70.7%
0.5% - 1.0%	7.9%
1.0% - 3.0%	14.3%
3.0% - 5.0%	3.6%
> 5.0%	3.6%

FY 16

< 0.5 %	25.0%
0.5% - 1.0%	20.5%
1.0% - 3.0%	29.5%
3.0% - 5.0%	13.6%
> 5.0%	11.4%

Funds Raised

(in Crs.)



Institution Mix (%)

FY 23

Public Sector Banks	22.61%
Private Sector Banks	30.60%
Foreign Banks	14.48%
NBFC	3.82%
SFB	7.08%
DFIs	21.40%

FY 22

Public Sector Banks	23.36%
Private Sector Banks	20.62%
Foreign Banks	9.18%
NBFC	11.86%
SFB	4.01%
DFIs	30.96%

FY 21

Public Sector Banks	33.66%
Private Sector Banks	11.89%
Foreign Banks	8.47%
NBFC	0.55%
SFB	2.72%
DFIs	42.72%

FY 20

Public Sector Banks	33.97%
Private Sector Banks	17.63%
Foreign Banks	4.80%
NBFC	2.43%
SFB	1.42%
DFIs	39.74%

FY 19

Public Sector Banks	9.31%
Private Sector Banks	33.44%
Foreign Banks	7.69%
NBFC	5.33%
SFB	2.96%
DFIs	41.27%

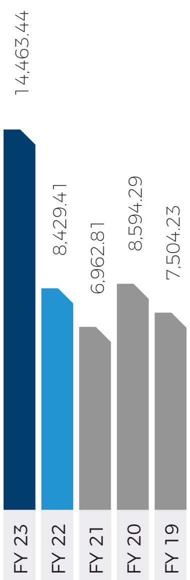
FY 18

Public Sector Banks	23.36%
Private Sector Banks	20.62%
Foreign Banks	9.18%
NBFC	11.86%
SFB	4.01%
DFIs	30.96%

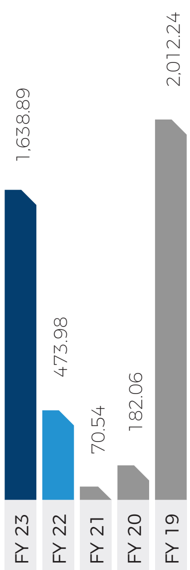
GROWTH IN A GLANCE (CONTD..)

Financial Highlights

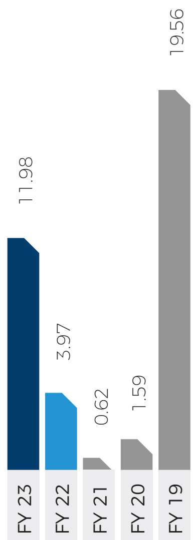
Revenue
(in Million)



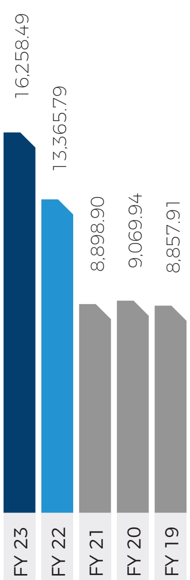
PAT
(in Million)



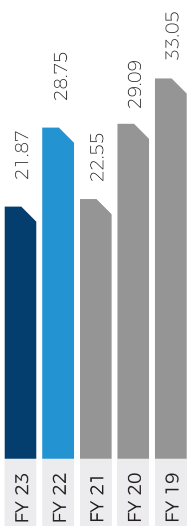
EPS
(Diluted)



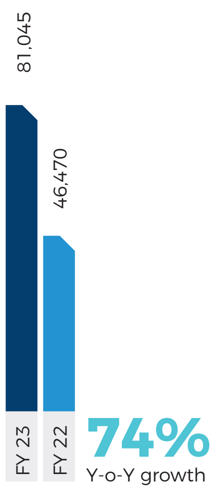
Net Worth
(in Million)



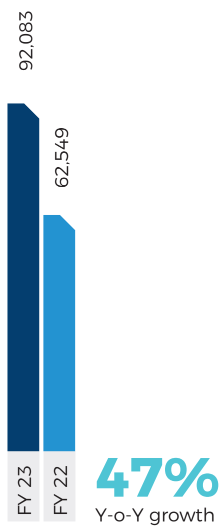
CAR
(in %)



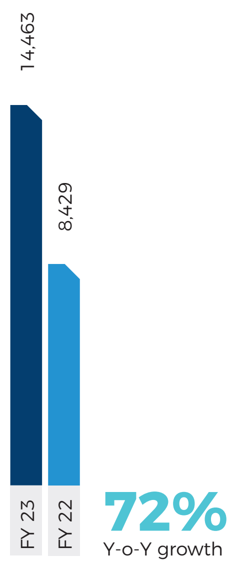
Disbursement



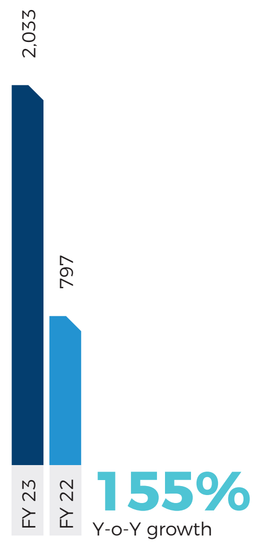
AUM



Revenue

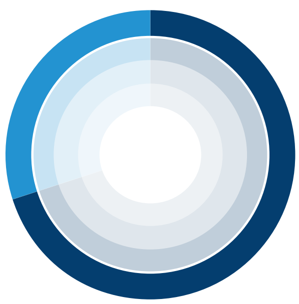


Total comprehensive Income



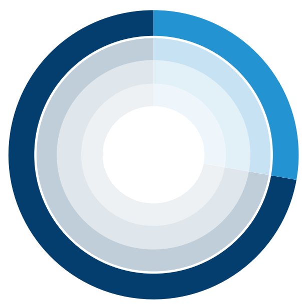
Branches

Return on Assets



FY 23	2.16%
FY 22	0.92%

Return on Equity



FY 23	11.06%
FY 22	4.26%

MANAGING DIRECTOR'S STATEMENT

"By leveraging technology, forging strategic collaborations, and nurturing a culture of responsible lending, we envisage to catalyse positive change through transforming lives and paving the way towards a more inclusive and equitable society."

There is no better way to start than by expressing my heartfelt gratitude to our dedicated team, whose unwavering commitment, passion, and expertise enabled your company to close the financial year 2022-23 with flying colours. In every way, from customer service, business performance, operational efficiency to entering untapped markets, the company has successfully achieved new milestones and registered growth in FY '23.

Over the past years, we have witnessed the transformative power of financial inclusion in the lives of individuals and communities across India. It gives me immense pride and joy that our commitment to providing access to finance to the unserved and underserved, fostering entrepreneurship among women and promoting sustainable livelihoods has yielded results in yet another financial year.

Customer focus has been the core value for us throughout these years and maintaining high standards in customer service has been the key to our success in this fiscal as well. By leveraging technology, forging strategic collaborations, and nurturing a culture of responsible lending, we envisage to catalyse positive change through transforming lives and paving the way towards a more inclusive and equitable society.

THE PERFORMANCE

After the pandemic impacted the last few years, financial year 2022-2023 was the year of revived hope and rebound. Positive macroeconomic outlook across industries and rural/urban sectors in India has been promising, and this has reflected in the financial results for the fiscal. Over the past year, your company has demonstrated notable growth, reflecting our commitment to financial inclusion and empowering underserved communities.

Your company reported a total comprehensive income of ₹ 2,033.06 million for the financial year ended March 31, 2023, against the total comprehensive income of ₹ 797.23 million in the previous financial year. Our total asset under management has witnessed an increase of 47.22%, reaching an impressive ₹ 92,082.96 million compared to the previous year's ₹ 62,549.42 million. This growth is attributed to our diligent efforts in expanding our outreach and strengthening our lending operations. Furthermore, our active customer base has expanded with a significant rise from 2.05 million to 2.77 million customers. This surge in clientele demonstrates the trust and confidence of our borrowers in the Muthoot Pappachan Group. Subsequently, our net profit has grown from ₹473.98 million to ₹1,638.89 million, indicating the effectiveness of our risk management strategies and efficient utilization of resources. These robust financial results underscore our position as one of the leading microfinance institutions dedicated to fostering sustainable economic development.

Your company continued to expand its operations fulfilling financial inclusion of the underserved and bottom of the pyramid population. Your company's overall branch network has grown to 1,172 branches spread in 18 states and union territories as of March 31, 2023.

TECHNOLOGY AT MAINSTAGE

With a sheer focus on leveraging technology, we have incorporated several IT-based services in our business and implemented innovative solutions to enhance our customers' experience, thereby boosting financial inclusion and literacy among the customers digitally. It continues to remain both the strength as well as an area of larger growth potential for our business. As of March 31, 2023, 1.18 million customers or 42.64% of our customers have installed Mahila Mitra App. From paperless loan processing to cashless collections, we have achieved new milestones in terms of digital adoption.

As we significantly improve the digitization of the business, we understand with utmost seriousness that protecting the customer as well as organization's data is of prime importance going forward.

PEOPLE

Your company has a talent pool of over 10,000 employees who are responsible for carrying out the purpose of the business, and a well-determined management nurturing the organisation and ensuring a great working environment. At Muthoot Microfin, we continuously measure employee satisfaction levels and keep listening to improve people management practices. This has resulted in Muthoot Microfin winning the Great Place To Work certification for the 4th year.

Muthoot Microfin has seen progress across our growth engines by leveraging the opportunity available in the vast microfinance sector of the country. The strength of these 10,000+ passionate people in the system will help us with customer acquisition, customer retention and extend the brand trust of Muthoot Pappachan Group.

CHANGING REGULATORY LANDSCAPES AND EVOLVING INDUSTRY HORIZONS

The RBI's new regulatory regime for microfinance loans effective April 2022 has done away with the interest rate cap applicable on loans given by NBFC-MFIs, and also supports growth by enabling players to calibrate pricing in line with customer risk. In February 2021, the RBI outlined the need to harmonise regulations governing the MFI lending industry, for which it had to reframe the regulatory framework. A potential harmonisation of regulations for MFI lending will positively impact NBFC-MFIs as banks and small finance banks (SFBs) will also be governed by the same regulations, hence eliminating the competitive edge they currently enjoy. The key proposals include (i) a common definition of microfinance loans for all regulated entities, (ii) a Board-approved policy for household income assessment, (iii) capping the outflow on account of repayment of loan obligations of a household to 50% of the household income, (iv) greater flexibility of repayment frequency for all microfinance loans, (v) no pre-payment penalty and no requirement of collateral, (vi) introduction of a standard simplified fact sheet on pricing of microfinance loans for better transparency, (vii) alignment of pricing guidelines for NBFC-MFIs with guidelines for NBFCs, and (viii) withdrawal of guidelines currently applicable to only NBFC-MFIs, including withdrawal of the two-lender norm for lending by NBFC-MFIs and withdrawal of all pricing-related instructions applicable to NBFC-MFIs. The RBI, in its master directions on microfinance loans, released in March 2022, has done away with the interest rate cap applicable on loans given by NBFC-MFIs. Entities providing microfinance loans will have to put in place a Board-approved policy for the pricing of loans. The policy should include the interest rate model, range of spread of each component for categories of borrowers, and ceiling on interest rate and all other charges on MFI loans.

The RBI's move levels the playing field, with both NBFC-MFIs and banks/SFBs providing microfinance loans now being subject to the same rules, which was not the case in the earlier regime. This move is expected to positively impact NBFC-MFIs.

DRIVEN BY PURPOSE

I am reiterating that we will remain steadfast in our mission, driven by our core values of integrity, collaboration, and excellence along with our belief that good corporate governance is a product of culture and conscience and for us, profitability and growth can never come at the cost of these. Our focus on compliance and assurance functions is firm and every aspect of compliance is adhered to with sincerity, completeness and in a timely manner. We strive to ensure that every commitment given to our regulators is done on time, in its full form and substance.

CONCLUSION

Through innovative approaches and a relentless pursuit of financial inclusion, your company envisions a future where every individual has equal opportunities to thrive and contribute to economic development. Lastly, I wish to extend my heartfelt appreciation to the entire staff and leadership for their unwavering dedication and exemplary commitment. Moreover, I am deeply grateful to our stakeholders, board members, investors, bankers, regulators, and our valued customer community of female entrepreneurs for their guidance and loyalty. Together let us forge ahead, empowered by our collective achievements and the vast opportunities that lie ahead, as we continue to transform lives and contribute to the socio-economic development of our great nation.

Thomas Muthoot

Managing Director

CEO'S STATEMENT

During the year while keeping our focus on rural customers, your company expanded its operations to 1,172 branches. This helped us further diversify our portfolio and expanding our outreach to 321 districts in 18 states and union territories in India.

I am grateful and pleased to inform you that your company has had a successful financial year ("FY") 22-23, we achieved good revenue, profit, and business growth while maintaining a high quality portfolio. During the financial year, your company made a leap of growth in all parameters with a special focus on technology and digital inclusion.

Your company has remained committed to its intrinsic goals of providing micro-loans to women customers with a focus on rural regions of India and streamlining the business model with developed technology-led systems and solutions thereby empowering women clients through financial and digital inclusion. With a strong emphasis on social impact and sustainable growth, our vision resonates with the core principles of microfinance, which is to provide ease of access to finance to village customers and rural households, promote entrepreneurship among women and inclusive growth.

Your company delivered an all round robust performance during the period with excellent operational and financial growth. Our gross loan portfolio stood at ₹92,082.96 million at the end of the FY 2023, recording a 47.22% growth from last FY. This milestone was achieved with disbursement of ₹81,044.74 million in FY 2023. During FY 2023, there were 3.34 million active accounts and 2.11 million loans were disbursed, catering to 2.77 million of active customers. This was achieved with the help of an employee base which has reached the mark of 10,227 as of March 31, 2023.

During the year while keeping our focus on rural customers, your company expanded its operations to 1,172 branches. This helped us further diversify our portfolio and expanding our outreach to 321 districts in 18 states and union territories in India. The company's revenue from operations increased by 71.62% to ₹14,287.64 million for the FY 2023 from ₹8,325.06 million for the FY 2022. The company's profitability also improved significantly with net profit increasing by 245.77% to ₹1,638.89 million in FY 2023 from ₹473.98 million in the previous financial year. Total comprehensive income for the FY 2023 reached to ₹ 2,033.06 million taking the overall net-worth to ₹16,258.49 million.

During the FY 2023 we added 7.2 lakh new customers, with this our number of active customers has reached to 2.77 million, an increase of 35.23% from 2.05 million active customers in FY22. This customer growth was increased by creating reach in new geographies, introducing innovative products focusing on customer need and enabling digital access for ease of transacting. The focus on streamlining the business model with developed technology-led systems has helped us retain our existing customers via customer app and at the same time gain new customers all this while reducing our turn around time and oprerating cost. Most importantly, this has helped us in increasing our asset quality, which has improved from 6.26% Gross NPA in FY 2022 to 2.97% in FY 2023 and Net NPA has reduced from 1.55% in FY 2022 to 0.60% in FY 2023.

This financial growth in FY 2023 showcases your company's resilient business model, effective management, and the ability to adapt to evolving market demands. Further, we have a history of serving rural markets with high growth potential in the microfinance segment, and have maintained a track record of financial performance and operational efficiency through consistent high rates of customer acquisition and retention and expansion into underpenetrated areas.

The Reserve Bank of India, pursuant to its master directions on microfinance loans, released in March 2022, introduced new guidelines to strengthen and harmonise regulations governing the microfinance sector. A potential harmonisation of regulations for MFI lending will positively impact NBFC-MFIs as banks and small finance banks (SFBs) will also be governed by the same regulations, hence eliminating the competitive edge they currently enjoy. The key proposals include (i) a common definition of microfinance loans for all regulated entities, (ii) a Board-approved policy for household income assessment, (iii) capping the outflow on account of repayment of loan obligations of a household to 50% of the household income, (iv) greater flexibility of repayment frequency for all microfinance loans, (v) no pre-payment penalty and no requirement of collateral, (vi) introduction of a standard simplified fact sheet on pricing of microfinance loans for better transparency, (vii) alignment of pricing guidelines for NBFC-MFIs with guidelines for NBFCs, and (viii) withdrawal of guidelines currently applicable to only NBFC-MFIs, including withdrawal of the two-lender norm for lending by NBFC-MFIs and withdrawal of all pricing-related instructions applicable to NBFC-MFIs. These regulations underscore the RBI's commitment to promoting sustainable microfinance practices that prioritize the welfare of borrowers while fostering the growth and stability of the microfinance industry in India. I personally believe that these developments will create humungous opportunities for the industry.

The harmonization of regulations by RBI, coupled with timely capital raise of ₹4,522miilion via Greater Pacific Capital WIV Ltd has put your company to sustainably and consistently grow the business. Further, our digital capabilities, which facilitate online onboarding, paperless loan processing, seamless cashless disbursements, cashless collections, timely query resolution and access to online financial literacy resources, among other things, have allowed your company to deliver superior customer services to rural customers. We have designed a streamlined and scalable operating model, starting from the use of credit scrore card for underwriting - developed with help of Equifax and credit bureau reports, developing Mahila Mitra customer app for digital collections infrastructure, your company has developed a robust internal software platform by leveraging the technology initiatives thereby achieving quicker turn-around time for our loan approval and disbursement processes.

Consequently, the company's digital collections were ₹10,955.40 million in FY 2023 which is a significant growth in digital collections year-on-year. The customer App of the company 'Mahila Mitra' has crossed 1.18 million downloads as of March 31, 2023.

We believe that these innovations can eliminate geographical risks at the times of crisis like a flood or covid like situation; it further helps in reducing operational costs, minimizing risk and improving convenience for our customers. Moreover, digitalization has enabled the institution to analyze data, empowering us to make data-driven decisions, personalize product offerings, and mitigate certain risks.

Your company has risk management practices in place to identify, assess, and mitigate the risks, and to ensure that they are promptly reviewed. Your company has a unique credit score card along with Equifax to evaluate creditworthiness of borrowers. Your company has a capital adequacy ratio of 21.87% as of March 31st, 2023. Your company has liquidity risk management framework in place to ensure sufficient liquidity and flow of funds for its operations. Further, our efficient internal audit system, digitalization measures and geographical diversification reduces the operational aspects of risks. Your company conducts regular risk assessments, reviewing the effectiveness of risk management controls, and making adjustments as and when needed.

During the fiscal, as a follow on capital infusion, your company secured an additional ₹818.12million private equity investment from Greater Pacific Capital (GPC). This is GPC's second round of capital infusion in the company and reiterates the investors trust on the company's scope and potential. GPC had invested ₹3,733.87 million in its first round of investment in December 2021. During the financial year your company has diversified its sources of funds further by adding new lenders and raising debts through NCDs.

Muthoot Microfin continues to script success stories on the back of wholehearted support received from our stakeholders, management, employees, and customers. Without the support of these four pillars, your company would not be where it is today. These successes would not have been achievable without the persistent efforts of our dedicated employees. As a result we have been recognized as a great place to work once again by Great Place to Work Institute, India.

I am excited and looking forward to the coming year as your company is well-positioned for continued growth in coming years. I would like to thank our employees for their hard work and dedication, our customers for their continued loyalty and our Board of Directors for their valuable guidance. I am confident that Muthoot Microfin will emerge to be a leader in microfinance industry in the years to come.

Sadaf Sayeed
Chief Executive Officer

DETERMINED TO EMBRACE A SUSTAINABLE FUTURE

We remain committed to empower rural women and improve the quality of their lives through continuous financial support, in the form of microloans. Our services are designed to assist women entrepreneurs involved in small income-generating ventures. As a responsible corporate, we realise the importance of fulfilling our environmental, social and governance obligations and align our operations with the United Nations Sustainable Development Goals (UNSDGs) to make holistic change a reality for communities we serve.

SMERA has awarded us a prestigious five-star medallion in recognition of our outstanding performance and commitment to sustainability. This medallion symbolizes our strong track record in effectively managing material risks and establishes us as a leader in sustainability. SMERA acknowledges that our five-star rating is indicative of our commitment to long-term sustainability. Additionally, we have attained an impressive sustainability score of 83 out of 100 for our overall sustainable business practices, as evaluated by SMERA.

5-star medallion
Sustainability grade by SMERA

83/100
Overall sustainability score by SMERA

Environment

Mitigating GHG Emissions

We have implemented a comprehensive Greenhouse gas (GHG) emissions policy to minimise our environmental footprint. To reduce emissions, we strive to limit business travel, staff transportation and energy consumption across our operations.

Encouraging the adoption of clean energy sources

Muthoot Pappachan Group has been actively involved in establishing wind farms in Tamil Nadu since 1993. Over the years, the group has expanded its portfolio of wind farms, and now, they have strategic plans in motion to double their capacity for generating wind power. Furthermore, the wind farm sector has received a significant investment of INR 125 crores from the Muthoot Pappachan Group, resulting in the installation of 25 MW of wind capacity.

Muthoot Pappachan Group has

₹ 125 Crores

investment in wind farms

25 MW

Installed wind capacity

Establishing urban forests using garden-like spaces.

As part of our decarbonisation efforts, the Muthoot Pappachan Group has created a Garden Forest at the 'Taj Green Cove Resort & Spa, Kovalam,' which is owned by Muthoot Hotels and operated by Taj Hotels. This

Forest Garden at Muthoot Hotels Property

initiative involves the planting and preservation of a wide variety of flora, including indigenous and imported trees, shrubs, vines, and creepers, using scientifically-backed methods.

3,67,790 tons of CO_2e

Emission reduction till date

Ensuring paperless operations

To ensure environmental sustainability, we have adopted paperless operations for processing loans. Besides, we undertake efforts to minimise waste generation at our offices. Along with the use of LED lights to reduce energy consumption, we have also implemented efforts to reduce water usage across our offices.

We also ensure proper disposal of e-waste to further limit our impact on the environment.

We have undertaken efforts to ensure proper disposal of e-waste. These measures include the implementation of a buy-back policy and the adoption of a digital mechanism for loan processing. Through these programs, we are actively working towards mitigating the environmental impact of E-waste by encouraging responsible handling and recycling practices.

Our sustainability efforts encompass the effective management of resources such as water and energy. When we conduct our operations, we strive to optimize resource usage, maximize output while minimizing inputs in order to promote resource utilization.

DETERMINED TO EMBRACE A SUSTAINABLE FUTURE (CONTD...)

Promoting water efficiency policy

We have shown our commitment to environmental responsibility by implementing a formal water conservation policy. By focusing on improving water efficiency practices, we can make significant improvement towards conserving this valuable resource and setting a positive example for sustainable business practices in the future.

Our environmental sustainability goals

- Ensuring efficient use of water through installation of sensors or bio-blocks in urinals & wash basins
- Usage of LED lights in offices
- Installation of solar roof tops

Social

Employee Safety & Wellbeing

Our Occupational Health and Safety (OHS) policy signifies our commitment to the well-being of our employees. To improve emergency response in case of fire incidents, we have installed smoke alarms at our branches and have made provision for fire extinguishers. We also regularly impart safety training to our people.

Training and development

We offer comprehensive training and development programmes that help to improve and upgrade the skillsets of our people. Additionally, our diversity policy helps to provide equal opportunities to every individual within the organisation. It has also resulted in an increase in the number of women employees.

Empowering women and people with disability

Our commitment to empower women from marginalised backgrounds enables us to undertake initiatives that make them self-sufficient and improve livelihood opportunities. We also try to make our offerings easily accessible to the visually impaired and people with disabilities.

Support for development of sports

We actively contribute to the development of sports infrastructure in rural areas. Our objective is to empower sports persons by creating a platform for talented individuals to excel. Besides, we encourage Paralympic athletes and promote Olympic sports to inspire a new generation of athletes who can represent the country in the international arena.

Prioritising human rights

We have established a robust policy to prevent sexual harassment at the workplace. Besides, our emphasis on respecting human rights enables us to promote a safe and equitable working environment.

Customer satisfaction

We aim to ensure customer satisfaction through service excellence. With a diverse range of financial solutions, tailored to the needs of our valued patrons, we provide customers with favourable terms and simplified loan processing formalities. It not only enables us to fulfil the promise of financial inclusion for marginalised women but, also enables us to consistently ensure business growth. We are also working towards obtaining the ISO 9000 certification for our internal quality management system.

5,50,681 households

Benefitted from clean energy

26,43,269

Individuals empowered

2,773,127

Active customers

Community and employee development goals

- Comprehensive policies to ensure the health and safety of employees, including the provision of a group Mediclaim policy to cover all employees and their dependents.
- Training programmes for employees to enhance skill sets and increase productivity.
- Provision for maternity, paternity, and bereavement leave for employees.
- Investments in community infrastructure to address health and safety needs, promote education of children and empower women.
- Incorporate an internal quality management system or implement Six Sigma practices to enhance product quality.
- Conduct customer surveys to gather feedback on customer satisfaction.
- Driven by a strong dedication to social responsibility, the Muthoot Pappachan Foundation (MPF), has positively impacted numerous lives through its wide-ranging programs. The foundation addresses various challenges faced by the communities where the group's businesses are located.

DETERMINED TO EMBRACE A SUSTAINABLE FUTURE (CONTD...)

Governance

Business Ethics

We have implemented policies to operate an ethical and responsible business. Our anti-corruption policy as well as the whistleblower policy ensures transparency and integrity within the organisation. It also allows employees to report any misconduct without the fear of consequences.

We also adhere to ISO guidelines to ensure statutory compliance. In addition, we implement policies that foster fair competition and enable us to operate in an ethical manner.

Ensuring data security

We place great emphasis on data security and ensure the privacy of confidential information. We control access to sensitive data, allowing only authorised personnel to handle and access data. To prevent cyber threats, we have also adopted stringent data security measures.

BOARD OF DIRECTORS

Mr. Thomas Muthoot
Managing Director

Mr. Thomas John Muthoot
Non-Executive Director

Mr. Thomas George Muthoot
Non-Executive Director

Mr. Akshaya Prasad
Non-Executive Director

Mr. John Tyler Day
Non-Executive Director

Mr. Alok Prasad
Independent Director

Mrs. Pushpy B Muricken
Independent Director

Mrs. Bhama Krishnamurthy
Independent Director

Mr. T S Vijayan
Independent Director

Mr. R Anand
Independent Director

KEY MANAGERIAL PERSONNEL & SENIOR MANAGEMENT

Key Managerial Personnel

Mr. Sadaf Sayeed
Chief Executive Officer

Mr. Praveen T
Chief Financial Officer

Ms. Neethu Ajay
Company Secretary and Compliance Officer

Senior management

Mr. Udeesh Ullas
Chief Operating Officer

Mr. Subhransu Pattnayak
Executive Vice President – HR & Products

Mr. Jinsu Joseph
Chief Risk Officer

Mr. Linson C Paul
Chief Technology Officer

CORPORATE INFORMATION

Board of Directors

Mr. Thomas Muthoot
- Managing Director

Mr. Thomas John Muthoot
- Non-Executive Director

Mr. Thomas George Muthoot
- Non-Executive Director

Mr. Akshaya Prasad
- Non-Executive Director

Mr. John Tyler Day
- Non-Executive Director

Mr. Alok Prasad
- Independent Director

Mrs. Pushpy B Muricken
- Independent Director

Mrs. Bhama Krishnamurthy
- Independent Director

Mr. T S Vijayan
- Independent Director

Mr. R Anand
- Independent Director

Key Managerial Personnel

Mr. Sadaf Sayeed
- Chief Executive Officer

Mr. Praveen T
- Chief Financial Officer

Ms. Neethu Ajay
- Company Secretary and Compliance Officer

Senior Managerial

Mr. Udeesh Ullas
- Chief Operating Officer

Mr. Subhransu Pattnayak
- Executive Vice President – HR & Products

Mr. Jinsu Joseph
- Chief Risk Officer

Mr. Linson C Paul
- Chief Technology Officer

Statutory Auditors

M/s. Sharp & Tannan
802 Lloyds Chambers, Dr. Ambedkar Road, Opp. Ambedkar Bhavan,
Pune 411 011

Secretarial Auditor

SEP&Associates
Company Secretaries, First Floor, Building No. C.C 56/172
K.C. Abraham Master Road, Panampilly Nagar, Kochi, Ernakulam, Kerala -682036

Internal Auditors

KPMG., 30/1366D1, 3rd Floor, Syama Business Center, NH Bypass Road, Vyttila, Kochi 682019

Debenture Trustees

Catalyst Trusteeship Limited
GDA House, Plot No. 85, Bhusari Colony (Right), Paud Road, Kothrud,
Pune – 411 038

+91 20 66807200 / 223 / 224
dt@ctltrustee.com.

Vardhman Trusteeship Pvt Ltd.
The Capital, A Wing, 412A, Bandra Kurla Complex, Bandra (East)
Mumbai 400 051.

Registrar & Transfer Agent

KFin Technologies Limited
Selenium Building, Tower-B, Plot No 31 & 32,

Financial District,Nanakramguda, Serilingampally, Hyderabad, Telangana, India - 500 032.

Our Financiers

- Aditya Birla Finance Limited
- AXIS Bank Ltd
- Bandhan Bank
- Bank of Baroda
- Bank of Behrain and Kuwait
- Bank of Maharashtra
- Blue Orchard
- Canara Bank
- Capri Global Capital Limited
- Catholic Syrian Bank
- Credit Saissosn
- DCB Bank Limited
- DBS Bank

- Dhanlaxmi Bank Ltd
- Federal bank Ltd
- HDFC Bank Ltd
- Hero Fincorp
- Hinduja Leyland Finance
- HSBC
- ICICI Bank
- ICBC Bank
- IDBI
- IDFC Bank
- Indian bank
- Indian Overseas Bank
- J M Finance Ltd
- Jana SFB
- Karnataka Bank
- Karur Vysya Bank
- Kookmin Bank
- Kotak Mahindra Bank
- L & T Finance
- Lakshmi Vilas Bank
- Mahindra Finance
- Manaveeya Development and Finance Private Limited
- MAS Financial Services
- Northern Arc Capital Limited
- MUDRA
- NABARD
- Nabkissan
- Nabfins
- Nabsamrudhhi
- Piramel Capital and Housing Finance
- Punjab National Bank
- Punjab and Sindh Bank
- ResponsAbility
- State Bank of India
- Standard Chartered Bank
- Sundaram Finance
- Suryoday SFB
- South Indian Bank
- SIDBI
- Tata Capital
- UCO Bank
- Union Bank of India
- Ujjivan SFB
- Utkarsh SFB
- Water Equity
- Woori Bank

Registered Office

13th Floor,Parinee Crescenzo,
Bandra Kurla Complex, Bandra East
Mumbai – 400051

Ph: +91 22-62728544
Email: info@muthootmicrofin.com
Website: www.muthootmicrofin.com

Administrative Office

5th Floor, Muthoot Towers, M.G
Road, Kochi 682035

Ph: +91 484 4277500
Email: info@muthootmicrofin.com
Website: www.muthootmicrofin.com

DIRECTORS' REPORT

To the Members of Muthoot Microfin Limited,

Your directors are pleased to present the 31st Annual Report along with the Audited Financial Statements of your Company for the year ended 31st March 2023.

1. Financial Highlights

Amount in Millions

Particulars	31.03.2023	31.03.2022
Revenue from operations	14,287.64	8,325.06
Other income	175.80	104.35
Profit/loss before depreciation, finance costs, exceptional items and tax expense	7,884.86	4,256.60
Less: Depreciation/ amortisation/ impairment	266.06	207.84
Profit /loss before finance costs, exceptional items and tax expenses	7,618.80	4,048.76
Less: Finance costs	5,490.10	3,401.55
Profit /loss before exceptional items and tax expenses	2,128.70	647.21
Add/(less): Exceptional items	-	-
Profit /loss before tax expenses	2,128.70	647.21
Less: Tax expenses (current & deferred)	489.81	173.23
Profit /loss for the year (1)	1,638.89	473.98
Total comprehensive income/loss (2)	394.17	323.25
Total comprehensive income/(loss) for the year (1+2)	**2,033.06**	**797.23**
Add: Balance of profit /loss for earlier years	2,787.60	2,070.53
Add: Consolidation of ESOP trust	(230.65)	14.60
Less: Transfer to debenture redemption reserve		-
Less: Transfer to reserves	327.78	94.80
Less: Dividend paid on equity shares	-	-
Less: Dividend paid on preference shares	-	-
Balance carried forward	**4,262.24**	**2,787.60**

2. State of affairs of the Company

As of March 31, 2023, the Company had 27.73 lakh active customers spread across 1,172 branches, with a gross loan portfolio of ₹ 9,208.28 crore as compared to ₹ 6,255.03 crore in the financial year 2021-22.

The net worth of the Company as on March 31, 2023 was ₹ 1,625.85 crore and capital adequacy as on March 31, 2023 was 21.87%, well in excess of the mandated 15%.

During the year, the Company's revenue from operations and other income was ₹ 1,446.34 crore with a net profit with other comprehensive income of ₹ 203.31 crore. The funding source for the Company was through private placement of Non-Convertible Debentures ("NCDs") and borrowings from banks/ financial institutions by way of Term Loans, PTCs, ECBs and CPs as summarized below

(₹ in Crore)

Financial Year	2022-23	2021-22
Privately placed Non-Convertible Debenture	1,333.60	635.40
Term Loan	4,114.35	2,897.17
Commercial Paper	48.48	49.68
Pass-Through Certificate	825.64	413.04
External Commercial Borrowings	205.48	0.00
Others	0.00	25.00
Total	**6,527.55**	**4,020.29**

Your Company's Operational Highlights for the financial year ended 31.03.2023 are as follows:

(₹ in Crore)

Particulars	31-03-2023	31-03-2022
Number of Branches	1,172	905
Amount disbursed	8,104.47	4,640.03
Number of active loans	33,36,821	27,17,521
Total Assets under management including securitized and assigned portfolio (Gross Loan Portfolio)	9,208.38	6,255.03
BC Portfolio (Managed for Yes Bank)	0.99	1.02
BC Portfolio (Managed for SIDBI)	91.04	3.56
MSGB (Managed for MFL)	11.78	25.06

Dividend

No dividend has been declared by the Company during the year.

3. Transfer to Investor Education and Protection Fund

During the period, the Company does not have any amount due to be credited to the Investor Education and Protection Fund as provided in the provisions of Section 125 of the Companies Act, 2013.

4. Amount transferred to Reserves

The Company proposes to transfer ₹ 32.78 crore to the statutory reserve out of the amount available for appropriation and an amount of ₹ 147.46 crore is proposed to be retained in the profit and loss account.

5. Share Capital

The issued, subscribed and paid-up Share Capital of the Company as on 31st March, 2023 was ₹ 140.20 crore comprising of:

Sl. No.	Type of share capital	Number of shares	Face value(₹)	Aggregate value(₹)
1.	Equity shares (Fully paid up)	11,68,37,249	10	1,16,83,72,490.00
2.	Preference Shares (Fully paid up)	2,33,60,260	10	23,36,02,600.00

During the year under review, the Company has issued 26,66,647 (Twenty six lakh sixty six thousand six hundred and forty seven) equity shares of ₹ 10/- each at a premium of ₹ 92.06 per share to the Muthoot Microfin Limited Employee Welfare Trust in order to facilitate the implementation of ESOP 2022 and 41,98,527 (Forty one lakh ninety eight thousand five hundred and twenty seven) Compulsorily Convertible Cumulative Participating Preference Shares of ₹ 10/- each at a premium of ₹ 184.86 per share to M/s. Greater Pacific Capital WIV Ltd, Cayman Islands by way of private placement.

There was no reclassification or sub-division of authorised share capital, reduction of share capital, buy-back of shares, change in the capital structure resulting from restructuring, or change in voting rights in respect of any class of share capital of the company during the financial year.

As on 31st March, 2023, none of the Directors of the Company holds instruments convertible into Equity Shares of the Company.

Employee Stock Option Plan (ESOP)

Stock Options are granted to eligible employees and KMPs of the Company pursuant to the Muthoot Microfin Employee Stock Option Plan 2016 ("ESOP 2016") and as decided by the Nomination & Remuneration Committee.

The details of the Employee Stock Option Plan as per Rule 12(9) of the Companies (Share Capital and Debentures) Rules, 2014 are as follows:

Particulars	ESOP 2016			ESOP 2022
Date of shareholders' approval	**December 05, 2016**			
Tranches	**I - ₹14**	**II - ₹67**	**III - ₹77.20**	**I - ₹151**
Grant date	**05.12.2016**	**22.02.2018**	**09.11.2021**	**04.11.2022**
Total number of options approved under the plan	**14,15,614**			**26,66,647**
Number of options granted and outstanding at the beginning of the year	-	-	4,79,864	-
Number of options exercisable at the beginning of the year	1,66,250	1,39,750	0	-
Number of options Granted during the year	Nil	Nil	1,19,966	24,65,500
Number of options vested during the year	Nil	Nil	1,10,591	NA
Number of options exercised during the year	Nil	Nil	Nil	NA
Number of shares arising as a result of the exercise of options;	Nil	Nil	Nil	NA
Number of options lapsed during the year	Nil	Nil	9375	NA
Number of options canceled during the year	Nil	15,250	Nil	NA
Exercise price	14	67	77.2	151
Money realized by exercise of options;	-	-		-
Maximum term of options granted	4 Years	4 Years	4 Years	4 years
Variations of terms of options	None	None	None	None
Number of options outstanding at the end of the year	**-**	**-**	**3,59,898**	**24,65,500**
Number of options exercisable at the end of the year	**1,66,250**	**1,24,500**	**1,10,591**	**-**
Loan repaid by the trust during the year from the exercise price received	NA	NA	NA	NA
Employee wise details of options granted				
1. Key managerial personnel*				Mr. Sadaf Sayeed (CEO): 6,50,000 Mr. Praveen T (CFO): 2,00,000 Ms. Neethu Ajay (CS): 1,00,000
2. Any employee who received a grant in any one year of options amounting to 5% or more of options granted during that year				Mr. Sadaf Sayeed (CEO): 6,50,000 Mr. Praveen T (CFO): 2,00,000 Mr. Subhransu Pattnayak (EVP – HR): 1,50,000 Mr. Udeesh Ullas (COO): 2,32,000
3. Identified employees who were granted options during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant.				None

*Note: key managerial personnel have been considered as per the Companies Act, 2013 only..

Debentures, bonds or any non-convertible securities

Non-convertible Debentures: Your Company has issued Listed, Secured, Non-convertible Debentures aggregating ₹ 1,333.60 crore as on the reporting date.

Amount in ₹

	Series	MML-5	MML-6	MML-9	MMI-11 (MLD-2)
a.	Date of issue of the securities	24-08-2017	09-11-2019	08-10-2020	15-07-2021
b.	Date of allotment of Securities	18-09-2017	27-11-2019	25-11-2020	15-07-2021
c.	Number of securities	750	700	450	500
d.	Whether the issue of the securities was by way of preferential allotment, private placement or public issue	Private Placement	Private Placement	Private Placement	Private Placement
e.	Brief details of the debt restructuring pursuant to which the securities are issued	NA	NA	NA	NA
f.	Issue price	10,00,000	10,00,000	10,00,000	10,00,000
g.	Coupon rate	11.25%	11.44	11.40%	10.50%
h.	Maturity date	18-09-2023	27-11-2024	25-05-2024	15-07-2023
i.	Amount raised (In ₹ crore)	75	70	45	50

MMI-12 (MLD-3)	MMI-13 (MLD-4)	MMI-14 (MLD-5)	MML-15	MML-16	MML-17
27-12-2021	11-01-2022	25-03-2022	25-05-2022	01-06-2022	09-06-2022
27-12-2021	11-01-2022	25-03-2022	27-05-2022	03-06-2022	15-06-2022
1,154	1,000	650	380	1,120	932
Private Placement	Private Placement	Private Placement	Private Placement	Private Placement	Private Placement
NA	NA	NA	NA	NA	NA
10,00,000	10,00,000	10,00,000	10,00,000	10,00,000	10,00,000
10.60%	10.40%	10.10%	11.45%	11.55%	9.90%
31-03-2024	11-10-2023	25-09-2023	27-05-2027	03-06-2027	15-12-2025
115.4	100	65	38	112	93.2

MML-18 (MLD-6)	MML-19 (MLD-7)	MML-20 (MLD-8)	MML-21 (MLD-9)	MML-22	MML-23
27-07-2022	29-07-2022	22-09-2022	22-12-2022	25-01-2023	02-02-2023
27-07-2022	29-07-2022	22-09-2022	22-12-2022	27-01-2023	09-02-2023
1,000	700	1,000	1,000	10,000	10,000
Private Placement	Private Placement	Private Placement	Private Placement	Private Placement	Private Placement
NA	NA	NA	NA	NA	NA
10,00,000	10,00,000	10,00,000	10,00,000	10,00,000	10,00,000
10.45%	10.60%	10.45%	10.00%	11.00%	11.00%
27-01-2024	29-04-2024	27-01-2024	27-01-2024	27-01-2026	27-01-2026
100	70	100	100	100	100

6. Capital Adequacy

The Capital Adequacy Ratio was 21.87 % as on 31st March 2023. The Net Owned Funds (NOF) as on that date was ₹ 1,363.84 crore. The minimum capital adequacy requirement stipulated for your Company by Reserve Bank of India is 15%.

7. Annual Return

Pursuant to sub-section 3(a) of Section 134 of the Companies Act, 2013, a copy of the Annual Return is placed on the website of the Company. The web–link is: https://www.muthootmicrofin.com/annual-report.

8. Related Party Transaction

All contracts / arrangements / transactions entered into by the Company during the financial year with related parties were in the ordinary course of business and on an arm's length basis. During the year under review, your Company had not entered into any contract/ arrangement/transaction with related parties which could be considered material in accordance with the policy on related party transactions. The particulars of contracts or arrangements made with related parties pursuant to Section 188 of the Companies Act, 2013 in the prescribed Form AOC-2 is appended as **ANNEXURE - I** which forms part of this report.

Disclosure in compliance with regulation 53 read with Schedule V of SEBI (LODR) Regulations, 2015 is made in the financial statements in compliance with the applicable accounting standards. Disclosures of transactions of the listed entity with any person or entity belonging to the promoter/promoter group which hold(s) 10% or more shareholding in the listed entity, in the format prescribed in the relevant accounting standards for annual results are provided in the financial statements.

9. Achievements

Your company has won several awards and accolades during the year under review. Select few awards / recognition are listed hereunder:

- Muthoot Microfin retained the Great Place to Work certification for the 5th time for its commitment to foster a culture of pride, trust, reliability, teamwork, and credibility amongst its employees.
- Muthoot Microfin won the Mobility Award for IT Innovations. The organisation was awarded in the mobility category at the 'Technology Senate South Awards 2022' instituted by Express Computer - IT media brand of the 'The Indian Express' group. This is one of the recognitions the company received for IT innovations as it strives to become a technology driven microfinance company.
- Muthoot Microfin won the "Best Digital Transformation Initiative - Financial Services" award at the "India DevOps Show, 2022". The organisation was recognized for its wide range of digital initiatives and unwavering commitment to provide the benefits of these initiatives to its millions of customers across the country. Muthoot Microfin CTO, Mr. Linson Paul received the award on behalf of the organisation at an event hosted by Quantic India at Mumbai on December 07, 2022.
- Muthoot Microfin won the Best Employee Driven CX Award at the INDIA CX SUMMIT 2022 held on 1st December 2022 at Mumbai. The India Customer Excellence (CX) Summit & Awards 2022 recognised organisations from Banking, Insurance and Telecom industries for their excellence in fostering customer service. Muthoot Microfin was recognised for driving the customer service through employees by responding promptly to the transitions in the industry with strategies to focus on digital channels.

10. Particulars of Loans, Guarantees or Investments

The Company, being an NBFC registered with RBI and engaged in the business of giving loans in the ordinary course of its business, is exempt from complying with the provisions of section 186 (2) of the Companies Act, 2013 with respect to loans, guarantees and investments. Accordingly, the Company is exempted from complying with the requirements to disclose in the financial statement the full particulars of the loans given, investment made or guarantee given or security provided

The Company continues to stay invested in The Thinking Machine Media Private Limited.

(₹ in crore)

Name of Companies	Nature of Transactions	Investments
The Thinking Machine Media Private Limited	Equity investment	4,50,000/-

Details on the investments made under the provisions of this section are given in the financial statement. The Company has not given any guarantees or security on behalf of a third party.

11. Change in Nature of Business If any

There were no changes during the year in the nature of business carried out by the company.

12. Material changes and commitments, if any, affecting the financial position of the company which have occurred between the end of the financial year to which the financial statements relate and the date of the report.

There have been no material changes or commitments, that affect the financial position of the company which has occurred between the end of the financial year to which the financial statements relate and the date of this Report.

13. Revision of financial statement or the Report

The Company has not revised its Financial Statement or Board's Report during the financial year.

14. Directors and Key Managerial Personnel

I. Board of Directors

As on 31st day of March 2023, the Board of your Company consists of Ten Directors. Their details are as follows:

Category	Name of Director
Executive Director	Mr. Thomas Muthoot (Managing Director)
Non-Executive Independent Directors	Mr. Alok Prasad
	Mrs. Pushpy B Muricken
	Mr. Thai Salas Vijayan
	Mrs. Bhama Krishnamurthy
	Mr. R Anand
Non-Executive Directors	Mr. Thomas John Muthoot
	Mr. Thomas George Muthoot
	Mr. John Tyler Day
	Mr. Akshaya Prasad

A. Change in Composition of the Board of Directors

During the year under review, there were the following changes to the Board of Directors ('Board'):

i. Inductions to the Board

Mr. Anand Raghavan

Based on the recommendation of the Nomination and Remuneration Committee (NRC) and the Board, the Shareholders of the Company, in accordance with the provisions of Section 149, 150, 152 and other applicable provisions of the Companies Act, 2013 and rules made thereunder read with Schedule IV to the Act and applicable SEBI and RBI Regulations, by way of a resolution passed at their extra-ordinary general meeting held on 20th December 2022, have approved the appointment of Mr. Anand Raghavan (DIN: 00243485) as an Independent Director of the Company, not liable to retire by rotation, for a period of 5 years commencing from 20th December, 2022 till December 19, 2027. Mr. Anand Raghavan brings to the Board his extensive knowledge and experience in the fields of finance and audit.

Mr. John Tyler Day

On the recommendation of the NRC and the Board, the Shareholders of the Company, in accordance with the provisions of Section 149,150, 152 and other applicable provisions of the Companies Act, 2013 and rules made thereunder read with Schedule IV to the Act and applicable SEBI and RBI Regulations, by way of a resolution passed at their extra-ordinary general meeting held on 20th December 2022, have approved the appointment of Mr. John Tyler Day (DIN: 07298703) as a Non- Executive Director of the Company. Mr. John Tyler Day brings to the Board his extensive knowledge and experience in areas of Finance, Investments and insight into the Microfinance Industry.

ii. Directors retiring by rotation

At the 30th Annual General Meeting held on August 24, 2022, Mr. Thomas George Muthoot, Director (DIN: 00011552) retired by rotation in compliance with the provisions of Section 152 of the Companies Act, 2013 and was reappointed.

Mr. Thomas John Muthoot, Director (DIN 00011618) is due to retire by rotation at the ensuing Annual General Meeting, and being eligible, offers himself for re-appointment.

iii. Re-appointment of Independent Directors

Mr. Alok Prasad (DIN: 00080225), whose initial term as an independent Director expired on May 09, 2022, was reappointed by the Board as an additional Director on 10th May 2022, to hold office till the conclusion of the next Annual General Meeting. He was reappointed for a second term with effect from May 10, 2022, to May 09, 2027 as an Independent Director, not liable to retire by rotation, by the member at the 30th Annual General Meeting held on August 24, 2022.

Approval of the Members will be sought at the forthcoming Annual General Meeting to the following appointments

Mrs. Pushpy B Muricken (DIN: 03431198) as a Non-Executive (Independent) Director of the Company, not liable to retire by rotation, for the second term i.e., from March 31, 2023 to March 30, 2028. She shall hold office as an Additional Director from the expiry of her initial term up to the date of this AGM, pursuant to the Resolution of the Board dated February 06, 2023, and is eligible for appointment as a Director.

Mr. T S Vijayan (DIN: 00043959) as a Non-Executive (Independent) Director of the Company, not liable to retire by rotation, for the second term i.e., from May 15, 2023 to May 14, 2028. He shall hold office as an Additional Director from the expiry of his initial term up to the date of this AGM, pursuant to the Resolution of the Board dated February 06, 2023, and is eligible for appointment as a Director.

Mrs. Bhama Krishnamurthy (DIN: 02196839) as a Non-Executive (Independent) Director of the Company, not liable to retire by rotation, for the second term i.e., from May 15, 2023 to May 14, 2028. She shall hold office as an Additional Director from the expiry of her initial term up to the date of this AGM, pursuant to the Resolution of the Board dated February 06, 2023, and is eligible for appointment as a Director.

iv. Cessations

Mr. Kenneth Dan Vander Weele (DIN: 02545813) and Mr. Thomas Muthoot John (DIN: 07557585), Non-Executive Directors, have resigned from the Board of Directors of the Company effective from 21st November 2022 and 27th March 2023 respectively.

The Board of Directors places on record its deep appreciation for the contributions of Mr. Kenneth Dan Vander Weele and Mr. Thomas Muthoot John during their tenure.

B. Change in the composition of the Board of Directors after the end of the financial year and up to the date of this Report

As detailed herein above, the term of Mr. T S Vijayan (DIN: 00043959) and Mrs. Bhama Krishnamurthy (DIN: 02196839), Independent Directors of the Company is due to expire on May 14, 2023. Considering their expertise and contributions to the Board of Directors, the Board at its meeting held on February 06, 2023 has appointed Mr. T S Vijayan and Mrs. Bhama Krishnamurthy as additional Directors to hold office from the expiry of their initial tenure till the conclusion of the ensuing Annual General Meeting where their re-appointment as an Independent Directors for a second term of five years may be considered by the Members.

II. Key Managerial Persons

Name	Designation
Thomas Muthoot	Managing Director
Sadaf Sayeed	Chief Executive Officer
Praveen T	Chief Financial Officer
Neethu Ajay	Company Secretary & Compliance Officer

The Members at the 26th Annual General Meeting held on May 15, 2018 have approved the appointment of Mr. Thomas Muthoot (DIN 00082099) as Managing Director of the Company for a period of five years effective from November 10, 2017. Since the term of Mr. Thomas Muthoot ended on November 09, 2022, the Board at the meeting held on November 04, 2022 has re-appointed him for a further term of five years from November 04, 2022 to November 03, 2027, which was then approved by the Members at the Extra Ordinary General Meeting (02/2022-23) held on December 20, 2022.

III. Woman Director

In terms of the provisions of Section 149 of the Act and Regulation 17(1)(a) of Listing Regulations, the Company needs to have at least one woman director on the Board. The Company has Ms. Bhama Krishnamurthy (DIN: 02196839) and Ms. Pushpy B Muricken (DIN: 03431198) as Independent Woman Directors on the Board.

IV. Declaration by Independent Directors and statement on compliance with the code of conduct

The Company has received necessary declarations with respect to independence from all the independent directors in compliance of Section 149 (7) of the Companies Act, 2013.

The Independent Directors have complied with the Code for Independent Directors prescribed in Schedule IV to the Companies Act, 2013 and the Code of Conduct for Directors and senior management personnel formulated by the Company.

V. Nomination & Remuneration Policy

The policy on nomination and remuneration sets out the criteria for determining qualifications, positive attributes and independence of Directors. It also lays down criteria for determining qualifications, positive attributes of KMPs and senior management and other matters provided under Section 178(3) of the Act. The Nomination and Remuneration Policy of the Company as approved and adopted by the Board is available on the website of the Company at: https://muthootmicrofin.com/disclosures/

The policy is in compliance with the provisions of Section 178 of the Companies Act, 2013, SEBI (LODR) regulations and guidelines of the Reserve Bank of India on Corporate Governance Norms for NBFCs. The policy covers the following:

1. Objectives, composition and responsibilities of the Nomination and Remuneration Committee
2. Guidelines for NRC on appointment and removal of directors/KMP and senior management

3. Fit and proper criteria to determine the suitability of the person for appointment / continuing to hold appointment as a Director on the Board of the Company.

4. Criteria for independence - for directors to be appointed as independent directors on the board of the company.

5. Criteria to be considered while appointing KMP, senior management personnel

6. Removal of a director, KMP or senior management

7. Remuneration of directors, key managerial personnel and senior management

8. Evaluation of the performance of Directors and the overall Board broadly on the basis of the laid out criteria.

9. Criteria for review of the policy due to change in regulations or as may be felt appropriate by the Committee.

15. Board Meeting

During the Financial Year 2022-23, our Board has met six (6) times and the meetings were held on 10th May 2022, 11th August 2022, 29th September 2022, 04th November 2022, 20th December 2022, and 06th February 2023. The requisite quorum was present for all the Meetings. The maximum time gap between any two Meetings was not more than one hundred and twenty days and all the Meetings were well attended. The details of the meetings have been enclosed in the Corporate Governance Report, which forms part of this report.

16. Committees of Board

The Company has various Committees which has been constituted as a part of good corporate governance practices and the same are in compliance with the relevant provisions of applicable laws and Regulations. The Committees of the Board are the Audit Committee, the Nomination and Remuneration Committee, the Corporate Social Responsibility Committee, the Stakeholder's Relationship Committee, the IT Strategy Committee, the Asset Liability Management Committee, the Risk Management Committee, the Borrowing Committee and the Debenture Issue and Allotment Committee. The details with respect to the composition, powers, roles, terms of reference, meetings held, and attendance of members at such meetings of the relevant Committees are given in detail in the Report on Corporate Governance of the Company which forms part of this Annual Report.

17. Recommendations of the Audit Committee

There was no instance during the year where the Board had not accepted the recommendations of the Audit Committee requiring disclosure pursuant to Section 177(8) of the Companies Act, 2013.

18. Company's policy on directors' appointment and remuneration

The Company, pursuant to the provisions of Section 178 of the Companies Act, 2013, has formulated and adopted a policy on directors' appointment and remuneration including criteria for determining qualifications, positive attributes, independence of a director and other matters provided under sub-section (3) of section 178 which is available on the website of the Company: www.muthootmicrofin.com.

19. Annual Evaluation of Board, Committees, and Individual Directors

The meeting of the Board of Directors held on February 06, 2023 has conducted an evaluation of its own performance and that of its committees and individual directors.

The evaluation process is carried out by collecting feedback from each of the Directors /committee members about the Board/committee's performance and also feedback about each of the other directors. The feedback is collected through structured questionnaires. The Board then evaluated all the feedback received and expressed their satisfaction.

Aspects covered in the feedback inter alia are:

a. Composition of Board/committees.

b. Appropriateness of its size, experience and expertise.

c. Effective participation, integrity and credibility.

d. Ability to handle conflict collectively, Interpersonal skills, and willingness to address issues proactively.

e. Performance against set goals.

f. Adequacy of terms of reference to serve the purpose.

The Board of Directors has conducted these evaluations through electronic mode by distributing electronic evaluation forms to the Directors.

20. Subsidiary Companies, Joint Ventures and Associate Companies

The Company does not have any subsidiary, Joint venture or Associate Company.

21. Deposit

During the financial year, your Company has not accepted any deposits from the public within the meaning of provisions of the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998 or any deposits within the meaning of Section 73 of the Companies Act 2013 and the Companies (Acceptance of Deposits) Rules, 2014.

Therefore, the disclosures required under Rule 8(5)(v) of Companies (Accounts) Rules, 2014 and Rule 2(1)(c) of Companies (Acceptance of Deposits) Rules, 2014 are not applicable.

22. Remuneration Details of Directors, KMPs and Employees

Details of managerial remuneration pursuant to Rule 5(1) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are mentioned below:

SL No.	Particulars	Details
1	The ratio of the remuneration of each director to the median remuneration of the employees of the Company for the financial year	NA. Other than sitting fees to Independent Director, no remuneration was paid to the Directors of the Company.
2	The percentage increase in remuneration of:	
a)	Managing Director	NA
b)	Chief Executive Officer	-13.57%
c)	Chief Financial Officer	18.67%
d)	Company Secretary	18.96%
3	Percentage increase in the median remuneration of employees in the financial year	0.00%
4	Number of permanent employees on the rolls of the Company	10,227
5	The Company has a remuneration policy and the remuneration is as per the remuneration policy of the company	Yes
6	Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year	11.64%
	Percentile increase in the managerial remuneration	8.02%
	The percentile increase in the managerial remuneration is less than that of other employees and hence no justification is warranted.	

(Information as per Rule 5 of Chapter XIII, the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014)

Top 10 employees in terms of remuneration drawn during the year

Employee name	Designation	Remuneration in FY 2022-23 (in ₹ Lakhs)	Nature of employment, whether contractual or otherwise;	Educational Qualification & Experience	Date of Joining	Age	Last employment before joining the company;	Whether relative of any Director or Manager
Sadaf Sayeed	Chief Executive Officer	373.12	Permanent	MBA	26-08-2015	43	Satin Credit Care Network Ltd	No
Udeesh Ullas	Chief Operating Officer	56.81	Permanent	MBA	26-02-2016	40	Fullerton India Credit Company Ltd.	No
Dileep Kumar Pathak	Executive Vice President	55.38	Permanent	MBA	26-01-2016	40	Satin Credit Care Network Ltd	No
Subhransu Pattnayak	Executive Vice President	55.17	Permanent	MBA	26-08-2015	46	ICICI Bank Limited-Regional Manager Debt Service Management	No
Paras Kumar Wasnik	Senior Vice President	53.58	Permanent	MA	24-07-2019	43	Asirvad Microfinance Ltd	No
Sabat Ajit Kumar	Senior Vice President	50.82	Permanent	PGDRM	15-07-2019	45	Asirvad Microfinance Ltd	No
Praveen T	Chief Financial Officer	49.47	Permanent	Chartered Accountant	26-01-2016	38	Ark Power Controls Pvt Ltd.	No
Srinivas Vadla	Vice President	38.55	Permanent	B.sc	26-10-2016	44	Share Microfin Ltd	No
Nitin Sadashiv Awati	Senior Associate Vice President	38.28	Permanent	MBA	24-09-2018	41	Bharat Financial Inclusion Ltd	No
Aji John	Senior Associate Vice President	38.10	Permanent	PGDBM	22-11-2017	43	L&T Finance Holdings Ltd.	No

Employees who are employed throughout the financial year and was in receipt of remuneration for the FY 22-23, in the aggregate, not less than ₹ 1,02,00,000/- (One crore and two lakh rupees)

Employee name	Designation	Remuneration in FY 2022-23 (in ₹ Lakhs)	Nature of employment, whether contractual or otherwise;	Educational Qualification & Experience	Date of Joining	Age	Last employment before joining the company;	Whether relative of any Director or Manager
Sadaf Sayeed	Chief Executive Officer	373.12		MBA	26-08-2015	43	Satin Credit Care Network Ltd	No

Employees who are employed for a part of the Financial Year 2022-23 and was in receipt of remuneration for any part of that year at a rate which, in the aggregate, was not less than 8,50,000/- (Eight lakh and fifty thousand rupees) per month

Employee name	Designation	Remuneration in FY 2022-23 (in ₹ Lakhs)	Nature of employment, whether contractual or otherwise;	Educational Qualification & Experience	Date of Joining	Age	Last employment before joining the company;	Whether relative of any Director or Manager
NIL								

Note: Post employment benefits are included in the remuneration.

23. Criteria for making payments to Non-Executive Directors

Apart from sitting fee paid to the Independent Directors, expenses incurred by the Company on behalf of the Directors for their travel and accommodation and reimbursement of travel and Accommodation expenses incurred by the Directors for the purpose of attending Board and Committee Meetings, the Company has made no other payment to its Non-Executive Directors.

24. Directors' Responsibility Statement

In terms of Section 134 (5) of the Companies Act 2013, the Directors would like to state that:

i) In the preparation of the annual accounts, the applicable Accounting Standards had been followed along with proper explanation relating to material departure;

ii) The directors have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March 2023 and of the profit and loss of the Company for that period;

iii) The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

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

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

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

25. Adequacy of Internal Audit and Financial Controls

The Company has adequate internal controls and processes in place with respect to its operations, which provide reasonable assurance regarding the reliability of the financial statements, financial reporting and the functioning of its operations. These controls and processes are driven through various policies and procedures.

26. Fair Practices Code

RBI had been issuing revised fair practices code guidelines from time to time and your Company has adhered to all of them without any compromise. The Fair Practices Code, Code of Conduct, and Grievance Redressal Mechanism have been displayed prominently in all the branches of the Company.

27. Statutory Auditors

The Members of the Company at the Annual General Meeting held on 24th August 2022 have appointed M/s. Sharp & Tannan Associates, Chartered Accountants, (ICAI Firm Registration Number 109983W), as Statutory Auditors of the Company in accordance with the provisions of the Companies Act, 2013 read with RBI Circular: Ref. No. DoS.CO.ARG/SEC.01/08.91.001/2021-22 dated April 27, 2021. The term of appointment is for two years till the conclusion of the 32nd Annual General Meeting of the Company.

28. Secretarial Auditor

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Board of Directors has appointed M/s. SEP Associates, Company Secretaries, Kochi to conduct the Secretarial Audit of the Company for the Financial Year 2022-23. The Secretarial Audit Report for the Financial Year 2022-23 does not contain any qualification, reservation, adverse remark or disclaimer and the same is appended to this Report as **ANNEXURE – II.**

29. Explanation or Comments on Qualifications, Reservations or Adverse Remarks or Disclaimers made by the Statutory Auditor / Secretarial Auditor in their Reports

The Auditors' Report "with an unmodified opinion", given by the Statutory Auditors on the Financial Statements of the Company for the Financial Year 2022-23, is disclosed in the Financial Statements forming part of this Annual Report. There has been no qualification, reservation, adverse remark or disclaimer given by the Statutory Auditor in their Report for the year under review.

30. Compliance with Secretarial Standards

During the Financial year, the Company has complied with the provisions of applicable Secretarial Standards viz. Secretarial Standard on meetings of the Board of Directors (SS-1) and Secretarial Standard on General Meetings (SS-2).

31. Credit Rating

The Credit Rating of different instruments of the Company as on March 31, 2023 is mentioned under note 51 (XV) of the Financial Statements under RBI disclosures.

Credit Rating Agency	Instrument	Rating as on March 31, 2023	Rating as on March 31, 2022
CRISIL	Organization grading	M1C1	M1C1
	Bank Lines	A+/ Stable	A Stable
	Non-convertible debentures	A+ Stable	A Stable
	Commercial paper	A1+	A1
	Principal Protected Market Linked Debenture	PPMLD A+ / Stable	PPMLD A r/Stable
India Rating and Research Pvt. Ltd.	Non-convertible debentures	A Stable	A Stable
	Bank Lines	A Stable	A Stable

32. Details of the auctions of Gold conducted during the financial year

During the financial year, the following gold auctions were conducted:

(₹)

Particulars	Amount
Number of loan accounts	879
Outstanding amounts	213.71
Value fetched	222.44
Whether any sister concerns participated in the auction	Yes*

* Muthoot Exim Private Limited, a sister concern participated in the Auctions conducted.

33. Details of frauds reported by Auditors

There were no frauds identified /reported by the Auditors of the Company under sub-section 12 of Section 143 of the Companies Act, 2013 to the Central Government or the Audit Committee of the Company other than those frauds already identified by the Internal Audit Department of the Company.

34. Risk Management

As a NBFC- MFI focused on unorganized and under-serviced sector, risk management is an integral part of our business. Your Company has a Board approved comprehensive Risk Management Policy in place and has laid down a well-defined risk management framework, established system and adequate controls for identification, assessment, measurement, reporting, mitigating and/or managing the risks. The processes, policies and procedures are periodically reviewed by the Risk Management Committee and the Board of Directors. Regular review, stress testing and scenario analysis of portfolios, self-assessments of controls and monitoring of key risk indicators enhances the effectiveness of risk management framework in your Company. Risk Management Committee evaluates and monitors Credit, Operational, IT, Financial, Regulatory, Market and Reputational risks and its all-associated risks.

Your Company's internal control systems, organizational structure, processes, policies, and code of conduct together form a robust mechanism of internal controls that govern efficient functioning of the business, and the existing risk management measures are being regularly upgraded to ensure risk avoidance and risk mitigation. There are no risks which in the opinion of the Board threaten the existence of your Company.

35. Corporate Social Responsibility

In compliance with Section 135 of the Companies Act 2013 read with the Companies (Corporate Social Responsibility Policy) Rules 2014, the Company has established the Corporate Social Responsibility Committee (CSR Committee) in the year 2015 and the composition and function thereof are mentioned in the Corporate Governance Report. The Board adopted the Corporate Social Responsibility Policy, formulated and recommended by the CSR Committee, and the same is available on the website of the Company at: www.muthootmicrofin.com.

Company's CSR initiatives are implemented through the Muthoot Pappachan Foundation (MPF), a Public Charitable Trust and the CSR arm of Muthoot Pappachan Group (MPG). MPF tackles issues affecting the communities in which our businesses operate. Such CSR initiatives of MPG revolve around the theme

'HEEL', covering 'Health, Education, Environment and Livelihood'. Detailed information report on the CSR policy and the CSR initiatives undertaken during the Financial Year 2022-23 is given in the **ANNEXURE – III** 'Annual Report on CSR activities'.

36. Technology Absorption, Conservation of Energy, Foreign Exchange Earnings and Outgo

The provisions of Section 134(3)(m) of the Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts) Rules, 2014 are not applicable to your Company. However, your Company has been always taking steps for the conservation of energy.

Foreign Exchange Earnings & Outgo

Foreign Exchange Earnings - ₹ 6,34,317.23/-

Foreign Exchange Outgo - ₹ 39,71,118.67/-

37. Vigil Mechanism

Your Company is committed to the highest standards of ethical, moral and legal business conduct. Accordingly, the Board of Directors have formulated a Whistle Blower Policy which is in compliance with the provisions of Section 177 (10) of the Companies Act, 2013. All Directors, employees and stakeholders can raise their concerns regarding any discrimination, harassment, victimization, any other unfair practice being adopted against them or any instances of fraud by or against your Company. As per the Whistle Blower Policy implemented by the Company, the Employees, Directors, customers, dealers, vendors, suppliers, or any stakeholders associated with the Company are free to report illegal or unethical behavior, actual or suspected fraud or violation of the Company's Codes of Conduct or Corporate Governance Policies or any improper activity to the Chairman of the Audit Committee of the Company or Company Secretary & Compliance Officer of the Company or Chief Executive Officer. The policy provides for adequate safeguards against victimization.

Any incidents that are reported are investigated and suitable action is taken in line with the whistle blower policy. The Whistle Blower Policy is also available on your Company's website at: https://muthootmicrofin.com/disclosures/.

38. Details of significant and material orders passed by the Regulators or Courts or Tribunals impacting the going concern status and the Company's operations in future

There was no significant and material order passed by the regulators or courts or tribunals impacting the going concern status and the Company's operations in the future.

39. Corporate Insolvency Resolution Process initiated under The Insolvency and Bankruptcy Code, 2016 (IBC)

There were no applications filed for corporate insolvency resolution process, by any financial or operational creditor of the Company or by the company itself under the IBC before the NCLT.

40. Disclosure as per The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

Your Company is an equal opportunity employer and is committed to ensuring that the work environment at all its locations is conducive to fair, safe and harmonious relations between employees. It strongly believes in upholding the dignity of all its employees, irrespective of their gender or seniority. Discrimination and harassment of any type are strictly prohibited.

The company has in place a Policy for the prevention of Sexual Harassment at the Workplace in line with the requirements of the Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013. The Company has constituted the Prevention of Sexual Harassment Committee to redress complaints received regarding sexual harassment. All employees (permanent, contractual, temporary, trainees) are covered under this policy. The following is a summary of sexual harassment complaints received and disposed of during the year:

(a) Number of complaints pending at the beginning of the year: Nil

(b) Number of complaints received during the year: Nil

(c) Number of complaints disposed off during the year: Nil

(d) Number of cases pending at the end of the year: Nil

41. Compliance

The Company is registered with RBI as a NBFC-MFI. The Company has complied with and continues to comply with all applicable Laws, Rules, Circulars, Regulations, etc. including Directions of RBI for NBFC-MFIs and it doesn't carry on any activities other than those specifically permitted by RBI for NBFC-MFIs.

42. Details of Debenture Trustee

During the financial year, the following debenture trustees are associated with the Company:

Catalyst Trusteeship Limited Office No.83-87, 8th Floor, B Wing, Mittal Tower, Nariman Point, Mumbai-400021, Tel +91(022)4922 0555	**Vardhman Trusteeship Pvt Ltd.** The Capital, A Wing, 412A, Bandra Kurla Complex, Bandra (East) Mumbai 400051. Tel: 022-42648335

43. Acknowledgment

Your Directors wish to place on record their appreciation for the assistance, co-operation and guidance received by the Company from the Central Government, the State Government, the Reserve Bank of India, the Registrar of Companies, Mumbai and other Regulatory Authorities and Bankers during the year under review and look forward to their continued support. Your Directors also wish to place on record their deep sense of appreciation for the committed services of the Employees of the Company.

For and on behalf of the Board of Directors

Kochi 06.05.2023	**Thomas George Muthoot** Director (DIN 00011552)	**Thomas Muthoot** Managing Director (DIN 00082099)

ANNEXURE I

FORM NO. AOC -2

(Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014

Form for Disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arm's length transaction under the third proviso thereto.

1. Details of contracts or arrangements or transactions not at Arm's length basis

   There were no contracts or arrangements or transactions entered into by the Company during the financial year 2022-23 which were not on an arm's length basis.

2. Details of contracts or arrangements or transactions at Arm's length basis

   a) With Mr. Thomas George Muthoot

Sl. No	Particulars	Details
1.	Name (s) of the related party & nature of the relationship	Thomas George Muthoot (Director)
2.	Nature of contracts/arrangements/ transaction	Leasing of office space
3.	Duration of the contracts/ arrangements/ transaction	10 Years
4.	Salient terms of the contracts or arrangements or transaction including the value, if any	To take on lease the office space owned by Mr. Thomas George Muthoot, Director of the Company at 4th Floor, Muthoot Towers, M.G Road, Kochi - 682035.
		Rent: ₹ 150/- per Sq. ft,
		Agreement Period: 10 Years,
		Interim Rent Hike: 10% every three years,
		Security Deposit: Nil
5.	Date of approval by the Board	11.08.2022
6.	Amount paid as advances, if any	NIL

   b) With Mr. Thomas John Muthoot, Mr. Thomas George Muthoot and Mr. Thomas Muthoot

Sl. No	Particulars	Details
1.	Name (s) of the related party & nature of the relationship	Mr. Thomas John Muthoot, Mr. Thomas George Muthoot, and Mr. Thomas Muthoot (Directors)
2.	Nature of contracts/arrangements/ transaction	Leasing of office space
3.	Duration of the contracts/ arrangements/ transaction	10 years with effective from 01st September 2022
4.	Salient terms of the contracts or arrangements or transaction including the value, if any	Renewal of Rent agreement dated 01st September 2012 entered with the Directors Mr. Thomas John Muthoot, Mr. Thomas George Muthoot and Mr. Thomas Muthoot for availing the office space at 5th Floor, Muthoot Towers, M.G Road, Kochi 682035 comprising of carpet area 500 sq.ft., which is expiring on 31.08.2022, for a further period of 10 years with effective from 01st September 2022

Sl. No	Particulars	Details
		Rent : ₹150 per Sq.ft
		Security Deposit: NIL
		Rent escalation: 10% in every 3 years
5.	Date of approval by the Board	11.08.2022
6.	Amount paid as advances, if any	NIL

c) With Mr. Muthoot Pappachan Technologies Private Limited

Sl. No	Particulars	Details
1.	Name (s) of the related party & nature of relationship	Muthoot Pappachan Technologies Private Limited (Subsidiary of the holding Company)
2.	Nature of contracts/arrangements/ transaction	Amendment to the Service Level Agreement dated 01.04.2019
3.	Duration of the contracts/ arrangements/ transaction	Same as the original Service Level Agreement
4.	Salient terms of the contracts or arrangements or transaction including the value, if any	Amendment to the Service Level Agreement dated 01.04.2019 for change in the scope of work by executing the letter of amendment of the scope of work and fees, which is reduced from 25,000/- per month to 10,000/- per month effective from April 2021.
5.	Date of approval by the Board	11.08.2022
6.	Amount paid as advances, if any	NIL

d) With Mr. Thomas John Muthoot

Sl. No	Particulars	Details
1.	Name (s) of the related party & nature of relationship	Mr. Thomas John Muthoot (Director)
2.	Nature of contracts/arrangements/ transaction	Leasing of Office Space
3.	Duration of the contracts/ arrangements/ transaction	10 Years
4.	Salient terms of the contracts or arrangements or transaction including the value, if any	To take on lease the office space owned by Mr. Thomas John Muthoot, Director of the Company comprising of 200 sq.ft at First Floor, Ward No. & Building No. -XXXVI/1190, Muthoot Shopping Centre, Municipal Junction, Kayamkulam, Allepey District, Pin – 690502 for expanding the Kayamkulam Branch Office of the Company.
		Rent ₹ 35/- per Sq. ft.
		Agreement Period: 10 Years
		Interim Rent Hike: 5% P.A.
		Security Deposit: Nil
5.	Date of approval by the Board	04.11.2022
6.	Amount paid as advances, if any	NIL

e) With Muthoot Fincorp Limited

Sl. No	Particulars	Details
1.	Name (s) of the related party & nature of relationship	Muthoot Fincorp Limited (Holding Company)
2.	Nature of contracts/arrangements/ transaction	Amendment to the agreement for availing cash management services
3.	Duration of the contracts/ arrangements/ transaction	Same as original Service Level Agreement dated 31st July 2021
4.	Salient terms of the contracts or arrangements or transaction including the value, if any	Amendment to reduce the 7 days settlement time to 3 days in Service Level Agreement dated 31st July 2021 for availing cash management services - in compliance with the observation made by RBI in their Inspection Report for the period March 31, 2022
5.	Date of approval by the Board	04.11.2022
6.	Amount paid as advances, if any	NIL

f) With M-Liga Sports Excellence Private Limited

Sl. No	Particulars	Details
1.	Name (s) of the related party & nature of the relationship	M-Liga Sports Excellence Private Limited (A private company in which a director of the Company is a member and director)
2.	Nature of contracts/arrangements/ transaction	Sponsorship arrangement
3.	Duration of the contracts/ arrangements/ transaction	1 Year
4.	Salient terms of the contracts or arrangements or transaction including the value, if any	Sponsorship arrangement with M/s. M-Liga Sports Excellence Private Limited for their team Kochi Blue Spikers participating in the Prime Volleyball League Season-2 including for the title of 'Franchise Title Sponsor' that would include the rights to display the Company's logo/monogram on TV visible spaces.
5.	Date of approval by the Board	20-12-2022
6.	Amount paid as advances, if any	NIL

For and on behalf of the Board of Directors

Kochi
06.05.2023

Thomas George Muthoot
Director
(DIN 00011552)

Thomas Muthoot
Managing Director
(DIN 00082099)

ANNEXURE II

Form No. MR-3

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31.03.2023

[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,
Muthoot Microfin Limited,
13th Floor, Parinee Crescenzo,
Bandra Kurla Complex, Bandra East,
Mumbai, Maharashtra-400051

We, SEP & Associates, Company Secretaries, have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **M/s. Muthoot Microfin Limited** [CIN: **U65190MH1992PLC066228**] (hereinafter called "the Company"). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the **Company's** books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, the explanations and clarifications given to us and the representations made by the Management, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on **31st March 2023**, complied with the statutory provisions listed hereunder and also that the Company has proper Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have conducted verification of the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31st March 2023, according to the provisions of:

(i) The Companies Act, 2013 (the Act) as amended and the Rules made thereunder;

(ii) The Securities Contracts (Regulation) Act, 1956 ("SCRA") and the Rules made thereunder;

(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 applicable.

(v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 (SEBI Act):

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

b) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 as amended

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

d) The Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021;

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

(vi) As informed to us, the following Regulations and Guidelines prescribed under the Reserve Bank of India Act, 1934 applicable to Non-Banking Financial Companies (Non-Deposit Accepting or Holding) are specifically applicable to the Company:

a) Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016;

b) Non- Banking Financial Company Returns (Reserve Bank) Directions, 2016;

c) Reserve Bank of India (Regulatory Framework for Microfinance Loans) Directions, 2022;

d) Monitoring of frauds in NBFCs (Reserve Bank) Directions, 2016;

e) Reserve Bank of India (Know Your Customer (KYC) Directions, 2016;

f) Master Direction – Information Technology Framework for the NBFC sector dated June 08, 2017;

g) Scale Based Regulation (SBR): Revised Regulatory Framework for NBFCs;

h) Guidelines for Appointment of Statutory Central Auditors (SCAs)/Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs)

(vii) The Prevention of Money Laundering Act, 2002 and the Regulations and Bye-laws framed thereunder;

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

(i) Secretarial Standard relating to Board (SS-1) and General Meetings (SS-2) issued by the Institute of Company Secretaries of India.

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above subject to the following observations:

- The Company failed to submit certain intimations on time, to BSE and had to pay fine as given below for the non-compliance of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015).

Particulars	**Penalty Amount (in Rs.)**
Delay in intimating Record Date to BSE	1,00,000
Delay in filing the details of payable interest/dividend/ principal obligations by BSE	2,000
Delay in filing the information related to payment obligation	2,000
Delay in furnishing intimation about Board meeting	5,000

We have noticed that such delays have been sufficiently addressed by the Board by taking note of the same in the Board Meetings.

- The Company failed to submit the proceedings of the Extra-Ordinary General Meetings held during the year as prescribed under Regulation 51 read with Part B of Schedule III of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

In respect of other laws specifically applicable to the Company we have relied on information/ records produced by the Company during the course of our audit and the reporting is limited to that extent.

We further report that:

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. During the year, Mr. R Anand was appointed as Independent Non-Executive Director on 20.12.2022. Mr. Alok Prasad was re-appointed on 10.05.2023 and Mrs. Bhama Krishnamurthy, Mrs. Pushpy B Muricken and Mr. T S Vijayan were re-appointed on 06.02.2023 as Additional Independent Non-Executive Directors.

Adequate notice is given to all directors to schedule the Board Meetings in compliance with the provisions of Section 173(3) of the Companies Act, 2013, agenda and detailed notes on agenda were sent at least seven days in advance. Where the same were given at Shorter Notice less than 7 (seven) days, proper consent thereof were obtained. 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.

Majority decision is carried through while the dissenting members' views, if any, are captured and recorded as part of the minutes.

We further report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines. Further, the Company had initiated steps to put in place a Code of Conduct as prescribed under Regulation 8 (1) of SEBI (Prohibition of Insider Trading) Regulations, 2015.

We further report that during the audit period, allotment of the following securities has taken place:

SL. No.	Method of Issue	Date of Allotment	Particulars
1.	Private Placement	27.05.2022	380 Senior, Rated, Secured, Redeemable, Listed, Non-Convertible Debentures of Rs.10,00,000/- each amounting to Rs. 38,00,00,000/-
2.	Private Placement	03.06.2022	1,120 Senior, Rated, Secured, Redeemable, Listed, Non-Convertible Debentures
3.	Private Placement	15.06.2022	932 Unlisted, Rated, Secured Redeemable Non-Convertible Debentures of Rs.10,00,000/- each amounting to Rs. 93,20,00,000/-
4.	Private Placement	27.07.2022	1,000 Senior, Secured, Rated, Listed Redeemable, Taxable, Principal Protected, Market-linked Non-Convertible Debentures of Rs.10,00,000/- each amounting to Rs. 1,00,00,00,000/-
5.	Private Placement	29.07.2022	700 Listed, Rated, Unsubordinated, Secured, Transferable, Redeemable, Principal Protected Non-Convertible Market Linked Debentures
6.	Private Placement	22.09.2022	1,000 Senior, Secured, Rated, Listed, Redeemable, Taxable, Principal Protected, Market-linked Non-Convertible Debentures of Rs.10,00,000/- each at a premium of Rs. 15,642 amounting to Rs. 1,01,56,42,000/-
7.	Private Placement	30.09.2022	26,66,647 Equity Shares of Rs 10/- each at a premium of Rs 92.06 amounting to Rs 27,21,57,992.82/-
8.	Private Placement	30.09.2022	41,98,527 Preference Shares of Rs 10/- each at a premium of Rs 184.86 amounting to Rs 81,81,24,971.22/-
9.	Private Placement	22.12.2022	1,000 Senior, Rated, Secured, Redeemable, Listed, Taxable, Principle Protected, Market Linked Non-Convertible Debentures of Rs.10,00,000/- each amounting to Rs. 1,00,00,00,000/-
10.	Private Placement	27.01.2023	10,000 Secured Rated, Listed, Redeemable, Taxable, Non-Convertible Debentures
11.	Private Placement	09.02.2023	10,000 Secured Rated, Listed, Redeemable, Taxable, Non-Convertible Debentures of Rs. 1,00,000/- each at a premium of Rs.391.7808 amounting to Rs.1,00,39,17,808/-

We further report that during the period under review, the following special resolutions were passed by the members of the Company:

Date of Resolution	Legal Provision	Resolution
24/08/2022	Section 42 and 62(1)(c)	Issue, offer and allotment of equity shares on preferential basis to Muthoot Microfin Limited Employee Welfare Trust
24/08/2022	Section 62(1)(b)	Approval of the 'Muthoot Microfin Limited Employees Stock Option Plan, 2022' ("ESOP 2022"/ "Plan")
24/08/2022	Section 67(3)(b)	Approval of grant of loan to the MML Employee Welfare Trust
24/08/2022	Section 139	Appointment of M/s. Sharp & Tannan as Statutory Auditors
24/08/2022	Section 149 and 164	Re-appointment of Mr. Alok Prasad (DIN: 00080225) as an Independent Director of the Company for the second term of 5 years
24/08/2022	Section 180(1)(a)	Creation of charge/ receivables on assets of the Company
24/08/2022	Section 180(1)(c)	Enhancement of borrowing limit from Rs.7,500 crores to Rs.10,000 crores
29/09/2022	Section 42 and 62(1)(c)	Issue, offer and allotment of compulsorily convertible preference shares on preferential basis to Greater Pacific Capital WIV ltd

We further report that during the period under review, the following redemption of Non-Convertible Debentures/ Securities have taken place:

ISIN Number	Issuance Date	Maturity Date	Coupon Rate (%)	Payment Frequency	Amount Issued (in. Rs. Crores)
INE046W07107	18.11.2020	18.05.2022	10.5	Semi- Annually	40
INE046W07123	15.06.2021	15.12.2022	10.25	Maturity	75

We further report that during the audit period there were no instances of:

(i) Issuance of securities including Public/ Right/ Preferential issue of securities other than those mentioned above;

(ii) Major decisions taken by the members in pursuance to section 180 of the Companies Act, 2013 other than those mentioned above;

(iii) Buy-back of securities

(iv) Merger/amalgamation/ reconstruction;

(v) Foreign technical collaborations.

This report is to be read with **Annexure A** of even date and the same forms an integral part of this report.

For SEP & Associates
Company Secretaries
(Peer Review Certificate no. 3693/2023)

UDIN: F003050E000262815

CS Puzhankara Sivakumar
Managing Partner
FCS: F3050 COP: 2210
Place: Kochi
Date: 06.05.2023

ANNEXURE A TO THE SECRETARIAL AUDIT REPORT OF EVEN DATE

To,
The Members,
Muthoot Microfin Limited,
13th Floor, Parinee Crescenzo,
Bandra Kurla Complex, Bandra East,
Mumbai, Maharashtra-400051

Our Secretarial Audit Report of even date is to be read along with this letter.

1. Maintenance of the Secretarial records is the responsibility of the management of the Company. Our responsibility as Secretarial Auditors is to express an opinion on these records, based on our audit.

2. During the audit, we have followed the practices and process as were appropriate, to obtain reasonable assurance about the correctness of the contents of the Secretarial records. We believe that the process and practices we followed provide a reasonable basis for our report.

3. The correctness and appropriateness of financial records and Books of Accounts of the Company have not been verified.

4. We have obtained the Management representation about the Compliance of laws, rules and regulations and happening of events etc., wherever required.

5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards etc. is the responsibility of management. Our examination was limited to the verification of the procedures and compliances on test basis.

6. While forming an opinion on compliance and issuing the Secretarial Audit Report, we have also taken into consideration the compliance related actions taken by the Company after 31st March 2023 but before issue of the Report.

7. We have considered actions carried out by the Company based on independent legal/professional opinion as being in compliance with law, wherever there was scope for multiple interpretations.

For SEP & Associates
Company Secretaries
(Peer Review Certificate no. 3693/2023)

UDIN: F003050E000262815

CS Puzhankara Sivakumar
Managing Partner
FCS: F3050 COP: 2210
Place: Kochi
Date: 06.05.2023

ANNEXURE - III

ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES

For achieving the CSR objectives through the implementation of meaningful and sustainable CSR programs, Muthoot Microfin Limited (the Company) will annually contribute up to two percent of the average profits for the last three financial years towards the CSR activities.

1. A brief outline of the Company's CSR policy

The CSR Policy of the Company is designed to portray its commitment to be a responsible corporate citizen and presents the strategies and methods for undertaking social programs for the well-being and sustainable development of the local community in which it operates. Each CSR activity of the Company is channelized through Muthoot Pappachan Foundation (MPF), a Public Charitable Trust formed in the year 2003 as the CSR arm of the Muthoot Pappachan Group to facilitate CSR activities for the entire Group and all its business verticals. The CSR programs of MPF are bound by the theme HEEL: Health, Education, Environment, and Livelihood.

The objectives of CSR Policy of the Company are to:

a) build a framework of CSR activities with a philanthropic approach in line with business unit objectives, which also benefits the organization at large;

b) shape sustainability for the organization by 'Engaging the Community';

c) build a corporate brand through CSR; and

d) for other stakeholders, make it "an integral part of the Company's DNA, so much so that it has to be an organic part of the business".

2. The Composition of the CSR Committee

Sl. No.	Name of Director	Designation/ Nature of Directorship	Number of meetings of CSR Committee held during the year	Number of meetings of CSR Committee attended during the year
1	Mr. Thomas Muthoot	Managing Director	1	1
2	Mr. Thomas George Muthoot	Non- Executive Director	1	1
3	Mr. Thomas John Muthoot	Non- Executive Director	1	1
4	Mr. Alok Prasad	Independent Director	1	1

3. The web-link where the Composition of CSR committee, CSR Policy and CSR projects approved by the board are disclosed on the website of the company: https://muthootmicrofin.com/disclosures/

4. The details of the Impact assessment of CSR projects carried out in pursuance of sub-rule (3) of rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014, if applicable (attach the report) – Not Applicable

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

6. Average net profit of the company for last three financial years

S. No	Financial Years	Net Profit as per section 198 (Rupees)
1.	Ending 31st March, 2020	19,69,83,107
2.	Ending 31st March, 2021	9,05,48,581.03
3.	Ending 31st March, 2022	64,72,12,148.96
	Average Net Profit	**31,15,81,279.00**

7. (a) Two percent of average net profit of the company as per section 135(5): ₹ 62,31,625.58

(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, if any: Not applicable

(d) Total CSR obligation for the financial year (7a+7b-7c): ₹ 62,31,625.58

8. (a) CSR amount spent or unspent for the financial year

Total Amount Spent for the Financial Year (₹)	Amount Unspent				
	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
62,31,644	NA	--	--	--	--

(b) Details of CSR amount spent against ongoing projects for the financial year

Sl. No	Name of Project	Item from the list of activities in Schedule VII to the Act	Local area (Yes/No)	Location of the Project 1. District 2. State	Project Duration	Amount allocated for the project (₹)	Amount spent in the current financial Yea	Amount transferred to Unspent CSR Account for the project as per Section 135(6)** (₹)	Mode of Implementation Direct (Yes/No	Mode of Implementation – Through Implementing Agency	
										Name	CSR registration number

(C) Details of CSR amount spent against other than ongoing projects for the financial year

Sl. No	Name of Project	Item from the list of activities in Schedule VII to the Act	Local area (Yes/No)	Location of the Project	Amount spent in the current financial Year (₹)	Mode of Implementation Direct (Yes/No	Mode of Implementation – Through Implementing Agency	
							Name	CSR registration number
1	Smile Please Project	Promoting health care including preventive health care	Yes	Vadodara and Pondicherry	40,00,000	No	Muthoot Pappachan Foundation	CSR00003932
2	Support for Sports training through MPCES	Training to promote sports	Yes	Kerala (Palakkad)	4,81,644	No	Muthoot Pappachan Foundation	CSR00003932
3	Rajasthan Skilling Project with RRF and JRF	Empowering women/ Enhancing vocation skills among women	Yes	Rajasthan (Jaipur)	17,50,000	No	Muthoot Pappachan Foundation	CSR00003932

(d) Amount spent in Administrative Overheads: Nil

(e) Amount spent on Impact Assessment, if applicable: Not Applicable

(f) Total amount spent for the Financial Year (8b+8c+8d+8e): ₹ 62,31,644

(g) Excess amount for set off, if any: NIL

Sl. No.	Particulars	Amount (₹)
1	Two percent of average net profit of the company as per Section 135(5)	62,31,625.58
2	Total amount spent for the Financial Year	62,31,644.00
3	Excess amount spent for the financial year [(ii)-(i)]	18.42
4	Surplus arising out of the CSR projects or programmes or activities of the previous financial years, if any	NIL
5	Amount available for set off in succeeding financial years [(iii)-(iv)]	NIL

9. Details of Unspent CSR amount for the preceding three financial years: Nil

(Applicable for the relevant period, post amendment in CSR Rules)

10. Details of CSR amount spent in the financial year for ongoing projects of the preceding financial year(s): Not Applicable

11. In case of creation or acquisition of capital asset, furnish the details relating to the asset so created or acquired through CSR spent in the financial year (asset-wise details): Not Applicable

12. Specify the reasons, in case, the Company has failed to spend two per cent of the average net profit as per Section 135(5): NA.

For and on behalf of the Board of Directors

Kochi
06.05.2023

Thomas George Muthoot
Director
(DIN 00011552)

Thomas Muthoot
Managing Director
(DIN 00082099)

ANNEXURE - IV

REPORT ON CORPORATE GOVERNANCE FOR THE FINANCIAL YEAR 2022-23

Corporate Governance is the application of best management practices, compliance with laws, rules, and regulations, adherence to standards to achieve the objectives of the Company, enhancing shareholder/ investor value and discharging of social responsibility. The Company does not view Corporate Governance principles as a set of binding obligations but believes in using them as a framework to be followed in spirit.

Your Company's philosophy on code of governance is based on principles such as conducting the business with all integrity and fairness, being transparent with regard to all transactions, making all the necessary disclosures and decisions, complying with all the laws of the land, accountability and responsibility towards the stakeholders and commitment to conducting business in an ethical manner. Muthoot Microfin Limited is committed to maintaining a high standard of corporate governance in complying with Master Circular on Non-Banking Financial Companies – Corporate Governance (Reserve Bank) Directions, 2015 issue by RBI on July 3, 2015.

i. Composition of the Board

As on March 31, 2023, the Company had ten Directors including one Executive Director (who is also the Managing Director and Chairman), five Independent Directors, and Four Non-Executive Non-Independent Directors. The composition of the Board is in conformity with Regulation 17(1) of the Listing Regulations and the Companies Act, 2013 ('Act'). All Independent Directors of the Company have been appointed as per the provisions of the Act, Listing Regulations, and the Governance Guidelines for Board Effectiveness adopted by the Company. Formal letters of appointment have been issued to the Independent Directors. The terms and conditions of their appointment are disclosed on the Company's website https: //muthootmicrofin.com/ investors/corporate-governance.

None of the Directors held directorship in more than 20 (twenty) Indian companies, with not more than 10 (ten) public limited companies. In compliance with Section 165 of the Companies Act, 2013.

The directorship of all the Directors of the Company is in compliance with Regulation 17A of the Listing Regulations. None of the Directors held directorship in more than 7 (seven) listed companies. Further, none of the IDs of the Company served as an ID in more than 7 (seven) listed companies. None of the IDs of the Company is serving as a whole-time director/ managing director in any listed entity. Further, the Executive Director & Chief Executive Officer do not serve as an Independent Director in any listed company.

None of the Directors of the Company is a member of more than ten committees or Chairman of more than five committees across all public companies in which he/she is a Director, as per Regulation 26(1) of the Listing Regulations. All the Directors have made necessary disclosures regarding their directorships as required under Section 184 of the Act and on the Committee positions held by them in other companies.

The requisite quorum was present at all the Board and Committee meetings. Video conferencing facilities were used as and when required to facilitate Directors at other locations to participate at the meetings.

The names and categories of the Directors on the Board, their attendance at Board meetings held during the financial year and at the last AGM and the number of directorships and committee Chairmanships/ Memberships held by them in other public limited companies are given below:

Name	Category	No. of Board Meetings held and attended during FY 2022-23		Whether attended last AGM held on Aug 24, 2022	No. of Directorships in other Indian Public Limited Companies (as on 31st March 2023)	No. of Committee positions held in other Indian Public Companies (as on 31st March 2023)		Number of Equity shares held (as on 31st March 2023)
		Held	Attended			Member	Chairman	
Thomas Muthoot	Non-Independent Executive	6	6	Yes	6	2	1	35,56,959
Thomas George Muthoot	Non-Independent Non-Executive	6	6	Yes	6	3	0	35,43,909
Thomas John Muthoot	Non-Independent Non-Executive	6	6	Yes	6	3	-	35,44,831

Name	Category	No. of Board Meetings held and attended during FY 2022-23		Whether attended last AGM held on Aug 24, 2022	No. of Directorships in other Indian Public Limited Companies (as on 31st March 2023)	No. of Committee positions held in other Indian Public Companies (as on 31st March 2023)		Number of Equity shares held (as on 31st March 2023)
		Held	Attended			Member	Chairman	
John Tyler Day	Non-Independent Non-Executive	6	6	-	1	-	-	-
Akshaya Prasad	Non-Independent Non-Executive	6	6	-	-	-	-	-
Thai Salas Vijayan	Independent Non-Executive	6	6	-	2	3	-	-
Alok Prasad	Independent Non-Executive	6	6	-	2	3	1	-
Bhama Krishnamurthy	Independent Non-Executive	6	6	-	7	5	1	-
Pushpy B Muricken	Independent Non-Executive	6	6	Yes	1	1	1	-
Anand Raghavan	Independent Non-Executive	6	1	-	3	3	3	-

None of the directors hold any convertible instruments of the Company.

The other Indian listed entities where Directors of the Company hold directorship as on 31st March 2023 are as follows:

Name of the Director	Other Indian Listed Entity Directorships	Category of Directorship
Mr. Thomas Muthoot	Muthoot Capital Services Limited	Non-executive
Mr. Thomas John Muthoot	Muthoot Capital Services Limited	Non-Executive Director
Mr. Thomas George Muthoot	Muthoot Capital Services Limited	Managing Director
Mrs. Bhama Krishna-murthy	Thirumalai Chemicals Limited CSB Bank Limited Network18 Media & Investments Limited Cholamandalam Investment and Finance Company Limited Five-Star Business Finance Limited	
Mr. Alok Prasad	Arman Financial Services Limited	
Mr. T S Vijayan	Shriram Properties Limited	
Mr. Anand Raghavan	Five-Star Business Finance Limited	

The Directors have identified the list of core skills/expertise/competencies as required for them to function effectively as follows and the Board believes that Directors of the Company possess these skills/expertise/competencies, which helps the Company function effectively: Banking, Microfinance, Finance, Management, Business Development, Marketing, Audit, Legal etc.

Name of the Director	Area of skills/expertise/competence
Mr. Thomas Muthoot	Microfinance, Finance, Management, Business Development, Marketing
Mr. Thomas George Muthoot	Finance, Management, Business Development, Marketing
Mr. Thomas John Muthoot	Finance, Management, Business Development, Marketing
Mr. Thomas Muthoot John	Finance, Management, Business Development, Marketing
Mr. John Tyler Day	Microfinance, Finance, Management, Business Development, Marketing
Mr. Akshaya Prasad	Finance, Management, Business Development

Name of the Director	Area of skills/expertise/competence
Mr. Thai Salas Vijayan	Finance, Management
Mr. Alok Prasad	Microfinance, Finance, Management
Mrs. Bhama Krishnamurthy	Finance, Management, Business Development Management, Busi-ness Development
Mrs. Pushpy B Muricken	Finance, Audit, Legal
Mr. Anand Raghavan	Finance, Audit, Management

The gap between two Board meetings did not exceed 120 days. The required information as enumerated in Part A of Schedule II of the Listing Regulations is made available to the Board of Directors for discussions and consideration at Board meetings.

The Company did not have any pecuniary relationship or transactions with Non-Executive Directors during the financial year ended 31st March 2023 except for:

(i) Payment of sitting fees and reimbursement of expenses incurred in the discharge of their duties;

(ii) Related party transactions on arm's length basis entered in the ordinary course of business as disclosed in Form AOC-2 (**Annexure -I**).

The inter-se relationship between the Directors is as follows:

Name of Directors	Relationship
Mr. Thomas John Muthoot	
Mr. Thomas George Muthoot and	
Mr. Thomas Muthoot	Brothers
Mr. Thomas Muthoot John	Son of Mr. Thomas John Muthoot

Separate Meeting of Independent Directors

A separate meeting of Independent Directors of the Company, without the attendance of Non-Independent

Directors and members of Management were held on 28th March 2023 as required under Schedule IV to the Act (Code for Independent Directors) and Regulation 25(3) of the Listing Regulations. All independent Directors attended the meeting.

Familiarization Program for Independent Directors

The Company familiarizes its Independent Directors with the Company's business, strategy and operations, their roles, rights, responsibilities in the Company, the nature of the industry in which the Company operates, the business model of the Company, etc., through various programs. These include regular business updates in the Board Meetings, orientation program upon their induction as well as other initiatives to update the Directors on a continuing basis. The details of familiarization programs imparted to the Independent Directors are disclosed on the Company's website: https://muthootmicrofin.com/investors/corporate-governance.

Confirmation regards to the independence of Independent Directors

In the opinion of the Board, the Independent Directors fulfill the conditions of independence as specified in the Listing Regulations and the Companies Act, 2013 and are independent of the Management. Further, the Independent Directors have in terms of Section 150 of the Act read with rules framed thereunder, confirmed that they have enrolled themselves in the Independent Directors' Databank maintained with the Indian Institute of Corporate Affairs ('IICA').

ii. Audit Committee

The constitution of the Audit Committee is in compliance with the provisions of Section 177 of the Companies Act, 2013 and Regulation 18 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**Listing Regulations**"), as amended.

The details of its terms of reference as approved by the Board of Directors of the Company are given below:

1. Overseeing the Company's financial reporting process and disclosure of its financial information to ensure that its financial statements are correct, sufficient, and credible.

2. Recommending to the Board the appointment, re-appointment and replacement, remuneration and terms of appointment of the statutory auditor of the Company and the fixation of audit fee.

3. Reviewing and monitoring the statutory auditor's independence and performance, and effectiveness of the audit process.

4. Approving payments to statutory auditors for any other services rendered by the statutory auditors.

5. Reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the Board for approval, with particular reference to:

   a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (c) of sub-section 3 of Section 134 of the Companies Act, 2013, as amended.

   b. Changes, if any, in accounting policies and practices and reasons for the same.

   c. Major accounting entries involving estimates based on the exercise of judgment by management.

   d. Significant adjustments made in the financial statements arising out of audit findings.

   e. Compliance with listing and other legal requirements relating to financial statements.

   f. Disclosure of any related party transactions; and

   g. Modified opinion(s) in the draft audit report.

6. Reviewing, with the management, the quarterly, half-yearly and annual financial statements before submission to the Board for approval.

7. Reviewing, with the management, the statement of uses/ application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilised for purposes other than those stated in the offer document/ prospectus/ notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter. This also includes monitoring the use/application of the funds raised through the proposed Offer by the Company.

8. Approval or any subsequent modifications of transactions of the Company with related parties.

9. Scrutinizing of inter-corporate loans and investments.

10. Valuing of undertakings or assets of the Company, wherever it is necessary.

11. Evaluating of internal financial controls and risk management systems.

12. Establishing a vigil mechanism for directors and employees to report their genuine concerns or grievances.

13. Reviewing, with the management, the performance of statutory and internal auditors, and adequacy of the internal control systems.

14. Reviewing the adequacy of internal audit function if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.

15. Discussing with internal auditors on any significant findings and follow up there on.

16. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.

17. Discussing with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.

18. Looking into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.

19. Reviewing the functioning of the whistle blower mechanism.

20. Approving the appointment of the chief financial officer or any other person heading the finance function or discharging that function after assessing the qualifications, experience and background, etc. of the candidate, and

21. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee."

Powers of the Audit Committee

1. To investigate any activity within its terms of reference;
2. To seek information from any employee;
3. To obtain outside legal or other professional advice;
4. To secure attendance of outsiders with relevant expertise, if it considers necessary; and

5. To have full access to information contained in the records of the Company.

Mandatory review by Audit Committee

1. Management discussion and analysis of financial condition and results of operations;
2. Statement of significant related party transactions (as defined by the Audit Committee), submitted by management;
3. Management letters/ letters of internal control weaknesses issued by the statutory auditors;
4. Internal audit reports relating to internal control weaknesses;
5. The appointment, removal and terms of remuneration of the chief internal auditor shall be subject to review by the Audit Committee; and
6. Statement of deviations in terms of the SEBI Listing Regulations:
   (a) quarterly statement of deviation(s) including the report of monitoring agency, if applicable, submitted to stock exchange(s) in terms of regulation 32 (1) of the SEBI Listing Regulations; and
   (b) annual statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice in terms of regulation 32 (7) of the SEBI Listing Regulations.

The Audit Committee consists of the following Directors:

Name of Director	Designation		No. of Committee Meetings attended during the Financial Year 2022-23	
			Held	Attended
Mrs. Pushpy B Muricken	Independent	Chairperson	5	5
Mrs. Bhama Krish-namurthy	Independent	Member	5	5
Mr. Alok Prasad	Independent	Member	5	5
Mr. Thai Salas Vi-jayan	Independent	Member	5	5
Mr. Anand Raghavan	Independent	Member	0	0
Mr. Thomas Muthoot	Executive	Member	5	5
Mr. Thomas John Muthoot	Non-Executive	Member	5	5
Mr. John Tyler Day	Non-Executive	Member	1	1
Mr. Akshaya Prasad	Non-Executive	Member	5	5

During the year, Mr. Kenneth Dan Vander Weele has resigned from the Board of Directors and consequently from the Audit Committee with effect from November 21, 2022. Further, the Audit Committee has been reconstituted on December 20, 2022 and 06th February 2023 by inducting Mr. John Tyler and Mr. Anand Raghavan respectively.

The Audit Committee meetings are usually attended by the Executive Director & Chief Executive Officer, Chief Financial Officer, representatives of the Statutory Auditors and the Internal Auditor. The Company Secretary acts as the Secretary of the Audit Committee.

Minutes of the Audit Committee Meetings are circulated to the members of the Board, discussed and taken note of.

During the year Mr. Kenneth Dan Vander Weele has resigned from the Board of Directors and consequently from the Audit Committee with effect from November 21, 2022.

Further, the Audit Committee was reconstituted two times during the Financial Year - on December 20, 2022 by inducting Mr. John Tyler, (DIN: 07298703) and on February 06, 2023 by inducting Mr. Thomas John Muthoot (DIN: 00011618) and Mr. Anand Raghavan (DIN:00243485) as members.

During the year 2022-23 the Audit Committee met Five (5) times on 09.05.2022, 08.08.2022, 04.11.2022, 20.12.2022 and 06.02.2023.

The Chairman of the Audit Committee, Mrs. Pushpy B Muricken was present at the AGM held on 24th August 2022. The Chairman of the Audit Committee briefs the Board members about the significant discussions held at the Audit Committee meetings.

Vigil Mechanism/Whistle Blower Policy

The Board of Directors on the recommendation of the Audit Committee has approved and adopted a Whistle Blower Policy that provides a formal mechanism for all Directors and employees of the Company to approach the Chairman of the Audit Committee and make protective disclosure about the unethical behavior, actual or suspected fraud or violation of the Company's Code of Conduct. No personnel have been denied access to the Audit Committee. The said Policy is available on the Company's website https://muthootmicrofin.com.

iii. Nomination and Remuneration Committee (NRC)

The nomination and Remuneration Committee is constituted in compliance with the provisions of Section 178 of the Companies Act, 2013 and Regulation 19 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"). The Company has a Board-approved Nomination and Remuneration Policy in place. The policy is placed in the website of the Company. Web Link: https://muthootmicrofin.com/disclosures/.

The terms of reference of the Nomination and Remuneration Committee include the following:

1. Formulating the criteria for determining qualifications, positive attributes and independence of a director and recommending to the Board a policy, relating to the remuneration of the directors, key managerial personnel and other employees;

2. Formulating of criteria for evaluation of the independent directors and the Board;

3. Devising a policy on Board diversity;

4. Identifying persons who qualify to become directors or who may be appointed in senior management in accordance with the criteria laid down, recommending to the Board their appointment and removal, and carrying out evaluations of every director's performance;

5. Determining whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors;

6. Recommending to the Board, all remuneration, in whatever form, payable to senior management;

7. Determining the company's policy on specific remuneration packages for executive directors including pension rights and any compensation payment, and determining remuneration packages of such directors;

8. Determine compensation levels payable to the senior management personnel and other staff (as deemed necessary), which shall be market-related, usually consisting of a fixed and variable component;

9. Reviewing and approving compensation strategy from time to time in the context of the then current Indian market in accordance with applicable laws;

10. Performing such other activities as may be delegated by the Board of Directors and/or are statutorily prescribed under any law to be attended to by the Nomination and Remuneration Committee; and

11. Perform such functions as are required to be performed by the compensation committee under the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014, including the following:

    (a) administering employee stock option schemes, employee stock purchase schemes, stock appreciation rights schemes, general employee benefits schemes and retirement benefit schemes (the "Schemes");

    (b) delegating the administration and superintendence of the Schemes to any trust set up with respect to the Schemes;

    (c) formulating detailed terms and conditions for the Schemes including provisions specified by the board of directors of the Company in this regard;

    (d) determining the eligibility of employees to participate under the Schemes;

    (e) granting options to eligible employees and determining the date of grant;

    (f) determining the number of options to be granted to an employee;

    (g) determining the exercise price under the Schemes; and

    (h) construing and interpreting the Plan and any agreements defining the rights and obligations of the Company and eligible employees under the Schemes, and prescribing, amending and/or rescinding rules and regulations relating to the administration of the Schemes; and

12. Framing suitable policies and systems to ensure that there is no violation of securities laws, the Company, its employees or trust set up with respect to the Schemes, if any, of any applicable laws in India or overseas, including - the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, as amended; and the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 2003, as amended.

The Nomination and Remuneration Committee is comprised of:

Name of Director	Designation		No. of Committee Meetings attended during the Financial Year 2022-23	
			Held	Attended
Mr. T S Vijayan	Independent	Chairman	4	4
Mrs. Bhama Krishna-murthy	Independent	Member	4	4
Mr. Alok Prasad	Independent	Member	4	4
Mr. Thomas Muthoot John	Non-Executive	Member	4	4
Mr. John Tyler Day	Non-Executive	Member	1	1
Mr. Akshaya Prasad	Non-Executive	Member	4	4

During the year Mr. Kenneth Dan Vander Weele has resigned from the Board of Directors and consequently from the Nomination and Remuneration Committee with effect from November 21, 2022. Further, the Committee was reconstituted on December 20, 2022 by inducting Mr. John Tyler Day.

During the year 2022-23 the NRC met four (4) times on 09.05.2022, 04.11.2022, 20.12.2022, and 06.02.2023. The requisite quorum was present at all the meetings.

Chairman of the NRC, Mr. T S Vijayan was present at the AGM held on 10th June 2022.

Performance evaluation criteria for independent directors: The criteria for evaluation of the performance of Independent Directors is provided in the Nomination and Remuneration Policy. The policy is available on the website of the Company at: https://muthootmicrofin.com/wp-content/uploads/2022/09/NOMINATION-AND-REMUNERATION-POLICY.pdf

iv. Stakeholders Relationship Committee

The Stake Holder Relationship Committee is constituted in compliance with the provisions of Section 178(5) of the Companies Act, 2013 and Regulation 20 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**Listing Regulations**").

1. Resolving the grievances of the securities holders of the Company including complaints related to transfer/transmission of shares, non-receipt of annual report, non-receipt of declared dividends, issue of new/duplicate certificates any other documents or information to be sent to the Company to its shareholders, general meetings etc;
2. Reviewing measures taken to exercise of voting rights by shareholders;
3. Reviewing adherence to the service standards adopted by the Company in respect of various services being rendered by the Registrar and Share Transfer Agent;
4. Reviewing the various measures and initiatives taken by the Company for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants/ annual reports/ statutory notices by the shareholders of the Company; and
5. Carrying out any other function as prescribed under the Listing Regulations, Companies Act, 2013 and the rules and regulations made thereunder, each as amended or other applicable law."

The Stakeholders Relationship Committee is comprised of:

Name of Director	Designation	
Mr. Thomas John Muthoot	Non-Executive	Chairman
Mr. Thomas Muthoot	Executive Director	Member
Mr. Alok Prasad	Independent	Member
Mr. Sadaf Sayeed	CEO	Member
Mr. Praveen T	CFO	Member

Name and designation of the compliance officer:

Neethu Ajay
Company Secretary & Compliance Officer
5th Floor, Muthoot Towers, M.G. Road
Cochin, Kerala - 682035
Tel: +91 484-4277580
Email: neethu.ajay@muthootmicrofin.com

The Company has not received any shareholders' complaints during the financial year.

During the year 2022-23 the Stakeholder Relationship Committee has met two times on 29th September 2022 and 28th March 2023.

v. Risk Management Committee

The Risk Management Committee is constituted in compliance with the provisions of the Companies Act, 2013 and RBI Circular DNBR (PD) CC.No.053/03.10.119/2015-16 July 01, 2015. The Company has a Board approved Risk Management Policy in place.

The terms of reference of the Committee are as below:

- To monitor and review the risk management plan;
- To review operational risk
- To take strategic actions to mitigate the risk associated with the nature of the business;
- To appraise the Board of Directors at regular intervals regarding the process of putting in place a progressive risk management system, risk management policy and strategy;

The Risk Management is comprised of:

Sl. No	Name of Members	Designation		No. of Committee Meetings attended during the Financial Year 2022-23	
				Held	Attended
1.	Mr. Thomas John Muthoot	Non-Executive Director	Member	2	1
2.	Mr. Thomas George Muthoot	Non-Executive Director	Member	2	1
3.	Mr. Thomas Muthoot	Executive Di-rector	Member	2	1
4.	Mr. Alok Prasad	Independent Director	Member	2	1
5.	Mrs. Bhama Krishnamurthy	Independent Director	Member	2	1
6.	Mr. Sadaf Sayeed	Chief Execu-tive Officer	Member	2	1

During the year, the Committee was reconstituted on December 20, 2022 by inducting on more Independent Director Mr. Bhama Krishnamurthy, (DIN: 02196839) as a better governance practice.

During the year 2022-23 the RMC met two times on 10th May 2022 and 08th November 2022. The requisite quorum was present at all the meetings

vi. Corporate Social Responsibility Committee (CSR)

CSR Committee is constituted in compliance with the provisions of Section 135 of the Companies Act, 2013. The Company has a Board approved Corporate Social Responsibility Policy in place.

The terms of reference of the CSR Committee are in accordance with Section 135 (3) of the Companies Act, 2013 and are as under:

- Formulate and recommend to the Board, a CSR policy that shall indicate the activities to be undertaken by the Company as specified in Schedule VII of the Companies Act, 2013;
- Recommend to the Board the amount of expenditure to be incurred on the CSR activities referred to in (i) above; and

- Monitor the CSR policy of the Company from time to time.

The CSR Committee is comprised of:

Name of Director	Designation	
Mr. Thomas Muthoot	Executive Director	Member
Mr. Thomas George Muthoot	Non-Executive	Member
Mr. Thomas John Muthoot	Non-Executive	Member
Mr. Alok Prasad	Independent	Member

During the year 2022-23 the CSR Committee met one time on 08.11.2022.

vii. Asset Liability Management Committee (ALCO)

The Company has constituted an Asset Liability Management Committee in terms of RBI Circular DNBR (PD) CC.No.053/03.10.119/2015-16 July 03, 2015. The Company has a Board approved Asset Liability Management Policy in place. ALCO is vested with the responsibility of monitoring the risk and making suitable strategies to control it. The terms of reference are as below:

- Addressing concerns regarding asset liability mismatches.
- Achieving an optimal return on capital employed while maintaining acceptable levels of risk relating to liquidity;
- Addressing concerns regarding interest rate risk exposure; and
- Review the periodical returns submitted to RBI every year;
- Monitor and review the cost of funds and the net interest margin;
- To do such other acts, deeds and things as may be directed by the Board and required to comply with the applicable laws.

The ALCO is comprised of:

Sl. No	Name of Members	Designation	
1.	Mr. Thomas John Muthoot	Non-Executive Director	Member
2.	Mr. Thomas George Muthoot	Non-Executive Director	Member
3.	Mr. Thomas Muthoot	Executive Director	Member
4.	Mr. Sadaf Sayeed	Chief Executive Officer	Member

During the year 2022-23 the ALCO met four times on 06th May 2022, 16th November 2022, 10th January 2023 and 03rd March 2023. The requisite quorum was present at all the meetings.

viii. Borrowing Committee

The Company has constituted a Borrowing Committee to exercise the powers with respect to the borrowing of money (otherwise than by issue of debentures) and matters connected therewith. The terms of reference are as below:

- To borrow any amounts within the limit of Borrowing Powers of the Company
- To assign/ sell the loan portfolio of the Company to any Banks/ Financial Institution
- To open branches in the name of the Company
- To open and operate Bank accounts
- To sub-delegate its powers to the officers/ representatives of the Company

The Borrowing Committee is comprised of:

Sl. No	Name of Members	Designation	
1.	Mr. Thomas John Muthoot	Non-Executive Director	Member
2.	Mr. Thomas Muthoot	Managing Director	Member
3.	Mr. Sadaf Sayeed	Chief Executive Officer	Member
4.	Mr. Praveen T	Chief Financial Officer	Member

ix. Debenture Issue and Allotment Committee: The Company has constituted a Debenture Issue and Allotment Committee to determine and approve and to exercise all the powers of the Board deemed necessary or desirable in connection with the Issue and allotment of Debentures. The terms of references are as follows:

a. Identifying the select group of persons to whom Debentures on Private Placement will be made;

b. Determining the number of tranches/series in which the Debentures on Private Placement shall be raised;

c. Appoint debenture trustees to act for and on behalf of the holders of the Debentures on Private Placement under each tranche/series;

d. Finalizing the terms and conditions upon which each tranche/series of the Debentures on Private Placement shall be issued;

e. Procure rating for the Debentures on Private Placement under each tranche/series from an accredited rating agency;

f. Determining the security to be provided in relation to each tranche/series of the Debentures on Private Placement as determined from time to time;

g. Authorising persons to execute/ caused to be executed/issue the information memorandum, debenture trust deed, debenture trustee agreement and the security documents such as the deed of hypothecation, mortgage deed and the relevant power(s) of attorney to be entered into between the Company and the debenture trustee, and such other documents as may be required to be entered into in relation to each tranche/series the Debentures on Private Placement and authorizing affixing of common seal; and

h. Allotment of the Debentures on Private Placement."

The Committee is comprised of:

Sl. No	Name of Members	Designation	
1.	Mr. Thomas John Muthoot	Non-Executive Director	Member
2.	Mr. Thomas George Muthoot	Non-Executive Director	Member
3.	Mr. Thomas Muthoot	Executive Director	Member

x. IT Strategy Committee: The Company has an IT Strategy Committee in compliance with Master Direction No DNBS. PPD. No. 04/66.15.001/2016-17 dated June 08, 2017 issued by the Reserve Bank of India to carry out the review of IT strategies in line with the corporate strategies of the Company, Board Policy reviews, cyber security arrangements and other matters related to IT Governance. The terms of reference are as follows:

1. Approving IT strategy and policy documents and ensuring that the management has put an effective strategic planning process in place;

2. Ascertaining that management has implemented processes and practices that ensure that the IT delivers value to the business;

3. Ensuring IT investments represent a balance of risks and benefits and that budgets are acceptable;

4. Monitoring the method that management uses to determine the IT resources needed to achieve strategic goals and provide high-level direction for sourcing and use of IT resources;

5. Ensuring proper balance of IT investments for sustaining NBFC's growth and becoming aware about exposure towards IT risks and controls

The IT Strategy Committee is comprised of:

Sl. No	Name of Members	Designation
1.	Mrs. Pushpy B Muricken	Independent Director
2.	Mr. Thomas Muthoot	Managing Director
3.	Mr. Jayakrishnan P	CIO

xi. Remuneration of Directors

The company has not paid any remuneration to its Directors during the period.

xii. General Body Meetings

Location and time, where last three Annual General Meetings were held:

AGM	Date	Time	Venue
30th AGM	24th August 2022	05.30 P.M	Video Conferencing
29th AGM	29th September2021	04.30 P.M	Video Conferencing
28th AGM	13th November 2020	05.00 P.M	Video Conferencing

All resolutions moved at the last three AGMs were passed with the requisite majority by the shareholders.

The following are the special resolutions passed at the AGM held in the last three years:

AGM held on	Special Resolution Passed	Summary
24th August 2022	Yes	1. Appointment of M/S. Sharp & Tannan Associates as Statutory Auditors of the Company for a term of two years.
		2. Re-appointment of Mr. Alok Prasad (DIN: 00080225) as an independent director of the company for a second term of 5 years.
		3. Approval of the 'Muthoot Microfin Limited Employee Stock Option Plan 2022
		4. Issue, offer and allotment of Equity Shares on a preferential basis to Muthoot Microfin Limited Employee Welfare Trust.
		5. Approval of grant of loan to the MML Employee Welfare Trust upto a limit of ₹ 27,21,57,992.82/- (Indian Rupees Twenty Seven Crores Twenty One Lakhs Fifty Seven Thousand Nine Hundred and Ninety Two and Eighty Two Paise only)
29th September2021	Yes	1. Appointment of M/s. Haribhakti & Co. LLP, Chartered Accountants as Statutory auditors of the Company in place of the retiring auditors.
		2. Amendment of Employees Stock Option Plan 2016 to increase the number of stock options by 1,78,114 equity shares to a total of 14,15,614 options.
		3. Enhancement of borrowing limits from existing ₹ 4,000 Crores to ₹ 7,500 Crores.
		4. Authorisation to pledge, Mortgage and create charge in all or any movable or immovable assets / receivables and/or the whole of the undertaking of the Company to secure the amount borrowed by the Company or any third party from time to time to the maximum extent of ₹ 7,500 Crores.
13th November 2020	No	-

There were any resolutions passed through postal ballot during the last financial year and there is no special resolution proposed to be conducted through postal ballot.

xiii. Means of Communications

The quarterly, half-yearly, and annual financial results along with the press release are posted by the Company on its website https://muthootmicrofin.com. These are also submitted to BSE Limited (BSE) in accordance with Regulation 52 of the Listing Regulations, and published quarterly in leading newspapers Business Standard and Mangalam giving adequate coverage of the financial results in accordance with Regulation 52 (8) of the Listing Regulations. Whenever applicable, the Company also displays official news releases and meets institutional investors/analysts.

xiv. General shareholder Information

Annual General Meeting

Date and Time: 14th June 2023 at 05.55 PM. (IST)

Venue: In accordance with General Circulars issued by the Ministry of Corporate Affairs on 5th May 2020 and 28th December 2022, AGM of the Company will be held through Video Conferencing/ Other Audio Visual Means only.

Listing on Stock Exchanges

The Company's Privately Placed Non-Convertible Debentures and Commercial Papers are listed on the BSE Limited ("BSE"), Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400001

As required under Listing Regulations, particulars of Directors seeking re-appointment are appended to the Notice of the AGM to be held on 14th June 2023.

Financial Year: 1st April 2022 to 31st March 2023

The Company has paid annual listing fees to BSE and to NSE for FY 2022-23

Stock Code and ISIN

Stock Code	ISIN	Listed/unlisted
EQUITY	INE046W01019	Unlisted

BSE – NCDs	Value (₹ in Cr.)
INE046W07065	70
INE046W07099	75
INE046W07115	45
INE046W07131	50
INE046W07149	115.4
INE046W07156	100
INE046W07164	65
INE046W07172	38
INE046W07180	112
INE046W07198	93.2
INE046W07206	200
INE046W07214	70
INE046W07222	100
INE046W07230	200
TOTAL	**1,333.6**

BSE – Commercial Paper	Value (₹ in Cr.)
INE046W14087	47.75

Debenture Trustee

1. Catalyst Trusteeship Limited

   Office No.83-87, 8th Floor,
   B Wing, Mittal Tower,
   Nariman Point, Mumbai-400021,
   Tel +91(022)4922 0555

2. Vardhman Trusteeship Pvt Ltd.

   The Capital, A Wing, 412A,
   Bandra Kurla Complex, Bandra (East)
   Mumbai 400 051.
   Tel: 022-42648335

Registrar and Transfer Agent: -

The Company's Registrar and Transfer Agent is KFIN Technologies Private Limited, Karvy Selenium Tower B, Plot 31-32, Gachibowli Financial District, Nanakramguda, Hyderabad - 500032
Email: einward.ris@kfintech.com Phone No: 040-67162222 Fax No: 040-2300115

Distribution of shareholding

S. No.	Name of shareholder	Equity Shares	Preference Shares	Face Value	Total Amount (₹)	% (Rounded Off)
1	Muthoot Fincorp Ltd	8,45,44,263		10	84,54,42,630	60.3
2	Greater Pacific Capital WIV Ltd.	100	2,33,60,260	10	23,36,03,600	16.66
3	Creation Investments India, LLC	1,30,06,778		10	13,00,67,780	9.28
4	Thomas Muthoot	35,56,959		10	3,55,69,590	2.54
5	Thomas John Muthoot	35,44,831		10	3,54,48,310	2.53
6	Thomas George Muthoot	35,43,909		10	3,54,39,090	2.53
7	Nina George	15,14,826		10	1,51,48,260	1.08
8	Preethi John	15,13,904		10	1,51,39,040	1.08
9	Remmy Thomas	15,01,776		10	1,50,17,760	1.07
10	Nadana Sabapathy R and Subha Joseph (ESOP Trust)	34,68,511		10	3,46,85,110	2.47
11	ESOP Holders	6,41,392		10	64,13,920	0.46
	TOTAL	**11,68,37,249**	**2,33,60,260**		**1,40,19,75,090**	**100.00000**

Categories of Shareholders

Category	As on 31st March 2023		As on 31st March 2022		% Variance Number of 2023 v/s 2022
	Number of Equity Shares Held	% to Paid-up Capital	Number of Equity Shares Held	% to Paid-up Capital	
Promoters					
Individuals	1,51,76,205	10.83	2,70,95,019	20.33	-43.99
Bodies Cor-porate	8,45,44,263	60.3	7,26,25,449	54.46	16.41
Foreign Cor-porate					
PE	3,63,67,138	25.94	3,21,68,611	24.13	13.05
Others:					
Resident Indi-vidu-als/Entities					
ESOP Trust	34,68,511	2.47	8,01,864	0.6	332.55
ESOP Hold-ers	6,41,392	0.46	6,41,392	0.48	0

Outstanding global depository receipts or warrants convertible instruments

Particulars	No of Securities	Conversion Date	Impact on equity shares
ADR	Nil		
GDR	Nil		
Warrants	Nil		
Compulsorily Convertible Preference Shares	2,33,60,260		An increase of 2,33,60,260 fully paid-up equity shares or such other number based on the conversion terms agreed.

Commodity price risk or foreign exchange risk and hedging activities

Since the Company is into the business of Microfinance, except for the market risk associated with the natural calamities like drought, Flood etc, there was no direct exposure for the Company to the Commodity Price Risk.

Foreign exchange risk and hedging activities

The Company have raised funds by the way of External Commercial Borrowings which are foreign currency loans. The repayment liability is also in foreign currency. The amount of ECB availed as on 31.03.2023 are as follows:

Amount	Cost of fund (Including hedging cost)	Date of repayment
US $ 15 Million	12.48%	Partial Repayments on 07th October 2024, 07th October 2025, and 07th October 2026
US $ 10 Million	12.48%	Partial Payments on 22nd November 2024, 24th November 2025, 23rd November 2026.

Further, in order to mitigate the exchange rate risk associated with the interest and principal repayments of ECBs, the Company have entered into hedging transactions with Federal Bank and Standard Chartered Bank. The details of which are as follows:

Bank	Amount of forex liability covered
Federal Bank Ltd	US $ 25 Million

Address for correspondence

Muthoot Microfin Limited
CIN: U65190MH1992PLC066228
Administrative Office: 5th Floor, Muthoot Towers, M.G Road, Kochi - 682035
Registered Office: 13th Floor, Parinee Crescenzo, Bandra Kurla Complex, Bandra East, Mumbai – 400051

Credit Rating

Sr. No.	Name of the Instrument	Board Approved Limit of Issuance	Name of Credit Rating Agency	Amount Rated (Face Value) (₹ Lakhs)	Current Rating	Previous Rating
1	Bank Lines	10,00,000.00	CRISIL	4,50,000.00	A+ Stable	A Stable
2	Bank Lines	10,00,000.00	India Rating and Research Pvt. Ltd.	2,00,000.00	A Stable	A- Stable
3	Non convertible debentures	1,50,000.00	India Rating and Research Pvt. Ltd.	7,500.00	IND A	IND A
4	Non convertible debentures	1,50,000.00	CRISIL	7,000.00	A+ stable	A Stable
5	Non convertible debentures	1,50,000.00	CRISIL	4,500.00	A+ stable	A Stable
6	Non convertible debentures	1,50,000.00	CRISIL	5,000.00	PPMLD A+ r/ Stable	A Stable
7	Non convertible debentures	1,50,000.00	CRISIL	11,540.00	PPMLD A+ r/ Stable	A Stable
8	Non convertible debentures	1,50,000.00	CRISIL	10,000.00	PPMLD A+ r/ Stable	A Stable
9	Non convertible debentures	1,50,000.00	CRISIL	6,500.00	PPMLD A+ r/ Stable	A Stable
10	Non convertible debentures	1,50,000.00	CRISIL	3,800.00	A+ stable	A Stable
11	Non convertible debentures	1,50,000.00	CRISIL	11,200.00	A+ stable	
12	Non convertible debentures	1,50,000.00	CRISIL	9,320.00	A+ stable	PPMLD A r/ Stable
13	Principal Protected Market Linked Debenture	1,50,000.00	CRISIL	20,000.00	PPMLD A+ r/ Stable	PPMLD A r/ Stable
14	Principal Protected Market Linked Debenture	1,50,000.00	CRISIL	7,000.00	PPMLD A+ r/ Stable	PPMLD A r/ Stable
15	Principal Protected Market Linked Debenture	1,50,000.00	CRISIL	10,000.00	PPMLD A+ r/ Stable	PPMLD A r/ Stable

xv. Other Disclosures

a) Transactions with related parties are disclosed in the Notes to the Standalone Balance Sheet and Statement of Profit and Loss Account in the Annual Report.

b) The Company has not entered into any materially significant related party transactions during the reporting period. The Company has formulated a policy on Related Party Transactions which is disclosed on the Company's website: https://muthootmicrofin.com/disclosures/

c) The Company has complied with the requirements of the Stock Exchanges/ Securities and Exchange Board of India (SEBI) and statutory authorities on all matters related to the capital markets during the last three years except for the following instances:

d) The Company has complied with all the mandatory requirements of the Listing Regulations relating to Corporate Governance.

The status of compliance with the non-mandatory requirements is as under:

- The financial statements of the Company are with unmodified audit opinion.
- The Internal Auditor reports are presented to the Audit Committee.

e) The Company manages foreign exchange risk and hedges to the extent considered necessary as and when required. The Company does not deal in commodities and hence the disclosure pursuant to SEBI Circular dated 15th November 2018 is not required to be given.

f) During the financial year, there were no instances where the recommendation of any Committee of the Board is not accepted by the Board of Directors.

g) An amount of ₹ 67,71,173/- (including out-of-pocket expenses and excluding GST) was paid by the Company, on a consolidated basis, to the Statutory Auditors and all the entities in the network firm/network entity of which the Statutory Auditor is a part, during the Financial Year 2022-23.

h) Disclosures as required under Schedule V(C) (10) (l) of the Listing Regulations in relation to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 is disclosed in the Board's Report.

i) The Company and its subsidiaries have not made any Loans and Advances in the nature of loans to firms/ companies during the year in which Directors are interested.

j) The company does not have any subsidiaries.

xvi. A certificate has been received from CS Lakshmi Pradeep, Practicing Company Secretaries, that none of the Directors on the Board of the Company have been debarred or disqualified from being appointed or continuing as directors of companies by the SEBI, Ministry of Corporate Affairs or any such statutory authority.

xvii. The Company has complied with Corporate Governance requirements specified in Regulation 17 to 27, subparas (2) to (10) of Part C of Schedule V and clauses (b) to (i) of sub-regulation (2) of Regulation 46 of the Listing Regulations.

For and on behalf of the Board of Directors

Kochi 06.05.2023	**Thomas George Muthoot** Director (DIN 00011552)	**Thomas Muthoot** Managing Director (DIN 00082099)

CERTIFICATE OF NON-DISQUALIFICATION OF DIRECTORS

(RBI Circular DOR.ACC.REC.No.20/21.04.018/2022-23 dated April 19, 2022 read with Schedule V Para C of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015)

To
The Members
Muthoot Microfin Limited
13th Floor, Parinee Crescenzo, Bandra
Kurla Complex, Bandra East,
Mumbai-400051

We have examined the relevant registers, records, forms, returns and disclosures received from the Directors of **M/s Muthoot Microfin Limited** (CIN: U65190MH1992PLC066228) having registered office at 13th Floor, Parinee Crescenzo, Bandra Kurla Complex, Bandra East, Mumbai-400051 (hereinafter referred to as the "Company"), produced before us by the Company for the purpose of issuing this Certificate, in accordance RBI Circular DOR.ACC.REC.No.20/21.04.018/2022-23 dated April 19, 2022 read with Schedule V Para C Clause 10 Sub Clause (i) of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

In our opinion and to the best of our information and according to the verifications (including Directors Identification Number (DIN) status at the portal www.mca.gov.in) as considered necessary and explanations furnished to us by the Company & its officers, we hereby certify that none of the Directors on the Board of the Company as stated below, for the Financial Year ending on 31st March, 2023 have been debarred or disqualified from being appointed or continuing as Directors of the Companies by the Securities and Exchange Board of India, Ministry of Corporate Affairs or any such other Statutory Authority:

SL. No	Name of Director	DIN	Date of First Appointment
1	Thomas John Muthoot	00011618	08/05/2017
2	Thomas George Muthoot	00011552	08/05/2017
3	Thomas Muthoot	00082099	08/05/2017
4	John Tyler Day	07298703	20/12/2022
5	Akshaya Prasad	02028253	06/12/2021
6	Pushpy B Muricken	03431198	31/03/2018
7	Thai Salas Vijayan	00043959	15/05/2018
8	Bhama Krishnamurthy	02196839	15/05/2018
9	Anand Raghavan	00243485	20/12/2022
10	Alok Prasad	00080225	10/05/2017

Ensuring the eligibility for the appointment /continuity of every Director on the Board is the responsibility of the management of the Company. Our responsibility is to express an opinion on this based on our verification. This certificate is neither an assurance as to the future viability of the Company, nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

CS Lakshmi Pradeep
Membership No. - FCS 10160
CP No. – 13155
UDIN No: F010160E000353855

Place: - Palakkad
Date: - 23/05/2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

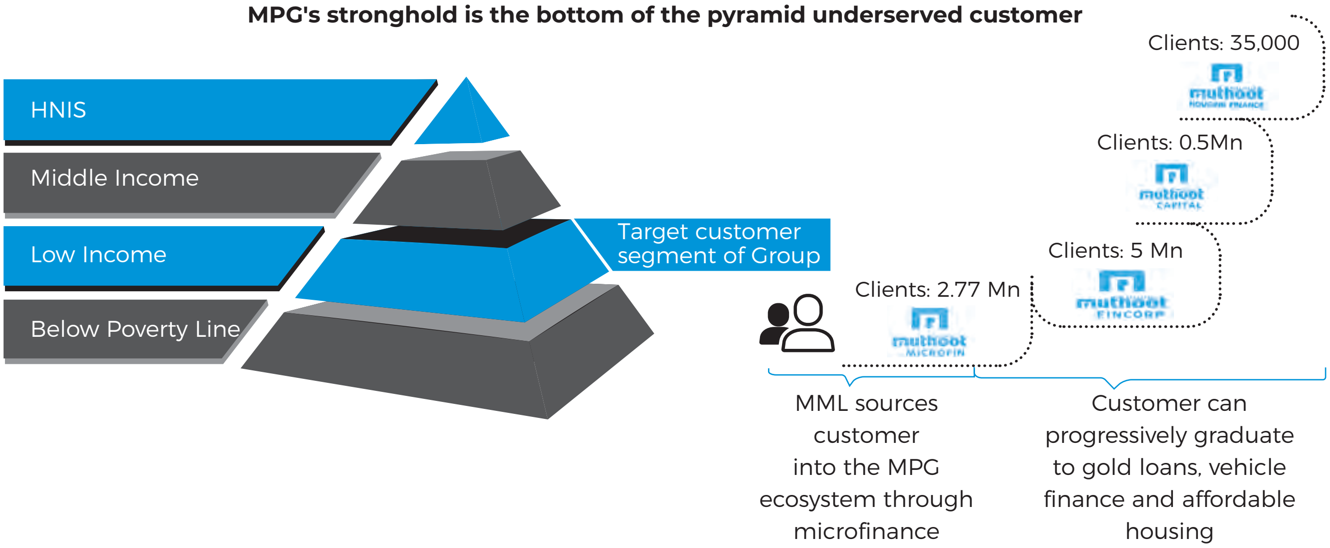
Overview

We are a microfinance institution providing micro-loans to women customers (primarily for income generation purposes) with a focus on rural regions of India. We are the fourth largest NBFC-MFI in India in terms of gross loan portfolio as of December 31, 2022 (Source: CRISIL Report). We are also the third largest amongst NBFC-MFIs in South India in terms of gross loan portfolio, the largest in Kerala in terms of MFI market share, and a key player in Tamil Nadu with an almost 16% market share, as of December 31, 2022 (Source: CRISIL Report).

As of March 31, 2023, our gross loan portfolio amounted to ₹92,082.96 million. We believe that our business model helps in driving financial inclusion, as we serve customers who belong to low-income groups. As of March 31, 2023, we have 2.77 million active customers, who are serviced by 10,227 employees across 1,172 branches in 321 districts in 18 states and union territories in India. We have built our branch network with an emphasis on under-served rural markets with growth potential, in order to ensure ease of access to customers. Our branches are connected to our IT networks and are primarily located in commercial spaces which we believe are easily accessible by our customers.

We are a part of the Muthoot Pappachan Group, a business conglomerate with presence across financial services, automotive, hospitality, real estate, information technology infrastructure, precious metals and alternate energy sectors. The Muthoot Pappachan Group has a history of over 50 years in the financial services business. We are the second largest company under the Muthoot Pappachan Group, in terms of AUM for the Financial Year 2023. MFL, the flagship company of the Muthoot Pappachan Group, holds 54.16% of the pre-Offer paid up Equity Share capital in our Company, on a fully diluted basis, as of the date of the Draft Red Herring Prospectus. Our relationship with the Muthoot Pappachan Group provides us with brand recall and significant marketing and operational benefits. Further, there are significant synergies between the financial services business of the group and our micro-finance business. The target customer segment of the Muthoot Pappachan Group is low income customers, as depicted in the image below:

MPG's stronghold is the bottom of the pyramid underserved customer



Our wide range of lending products are aimed at catering to the life-cycle needs of rural households. We primarily provide loans for income generating purposes to women customers living in rural areas. Our loan products comprise (i) group loans for livelihood solutions such as income generating loans, Pragathi loans (which are interim loans made to existing customers for working capital and income generating activities) and individual loans; (ii) life betterment solutions including mobile phones loans, solar lighting product loans and household appliances product loans; (iii) health and hygiene loans such as sanitation improvement loans; and (iv) secured loans in the form of gold loans and our Muthoot Small & Growing Business ("MSGB") loans. As of March 31, 2023, the gross loan portfolio of our income generating loans amounted to ₹87,464.14 million, representing 94.98% of our total gross loan portfolio. We primarily adopt a joint liability group model which caters exclusively to women in lower income households and is premised on the fact that if such individuals are given access to credit, they may be able to identify new opportunities and supplement and grow their existing income. The history of the Muthoot Pappachan Group in working with customers at the bottom of the economic pyramid helps us better address the needs of women in rural households and design lending products to cater to their requirements.

Over the past few years, we have significantly implemented the use of technology across our microfinance operations. We have an in-house information technology team that has built our technology platform into a business tool, which we believe helps us in achieving and maintaining high levels of customer service, enhancing operational efficiency and creating competitive advantages for our organization. To improve our underwriting capabilities using technology, we have developed a unique credit score card along with Equifax to evaluate the creditworthiness of customers by assigning individual credit scores to our customers. As a result, we are able to risk profile each of our customers individually based on parameters such as payment track record (including any credit defaults in the past two years), demographics, age and location. This allows us to strategically allocate more capital to “very low risk” and “low risk” customers, as compared to “medium risk” and “high risk” customers (as per the categorization based on the score cards), in order to maximize our collection efficiency. Apart from utilizing our unique credit score, we also analyze customers’ credit bureau reports to establish their creditworthiness and repayment behavior. Further, to expand our digital collections infrastructure, we launched a proprietary application, called “Mahila Mitra”, in 2021, which facilitates digital payment methods such as QR codes, websites, SMS-based links and voice-based payment methods. Through Mahila Mitra, our customers are able to pay directly from their bank account through a secure platform that requires authentication via OTP and/or PIN payments, track and maintain digital records and statements of transactions, and earn cashback or reward points on payment transactions. As of March 31, 2023, 1.18 million customers have downloaded the Mahila Mitra application, and 1.70 million customers have transacted digitally with us (through the Mahila Mitra application and other digital payment methods). We are also in the process of developing a Super App along with the Muthoot Pappachan Group, which we plan to use to integrate our Mahila Mitra application with all of the Muthoot Pappachan Group’s products and databases on to a single platform, allowing customers to access all the Group’s loan offerings on a single platform, thereby maximizing our cross-selling opportunities. In 2022, we were awarded the Mobility Award for IT Innovations at the Technology Senate Awards South 2022 instituted by Express Computer, and the Best Digital Transformation Initiative – Financial Services Award at the India DevOps Show, 2022.

In addition, with the aim to cater to the healthcare needs and priorities of our customers, we have, since December 2021, offered digital healthcare facilities to our customers through “e-clinics”. We collaborate with M-Swasth Solutions Private Limited, a technology driven digital healthcare service provider, to set up these e-clinics across our branches. As of March 31, 2023, we have set up 358 e-clinics across 358 of our branches, representing 30.55% of our total branches. As of March 31, 2023, 41.60% of our customers have enrolled in our e-clinics, and we have facilitated 198,826 medical consultations and 78,801 teleconsultations. Further, to protect our customers from the risks of natural calamities, we have, since May 2020, also provided natural calamity insurance to our customers to whom we disburse loans across our branches in India. As of March 31, 2023, we have provided 44.38% of our clients with natural calamity insurance. As a result of global climate change, India has experienced natural calamities such as floods, cyclones, earthquakes, tsunamis and droughts in the past, including floods in the south Indian state of Kerala in 2018 and 2019 and a cyclone in Tamil Nadu in 2018. In this background, purchasing natural calamity insurance for our new customers is a significant value-add to them as it protects their businesses and assets at home.

Our Board, Promoters and Senior Management comprise experienced professionals, industry experts and management professionals, supported by a qualified and motivated pool of employees. Our Senior Management team has members who have significant experience in microfinance and various lending businesses as well as across major functions related to our business, which include retail banking operations, debt management and microfinance, financial services and information technology services. Collectively, they have demonstrated an ability to manage and grow our operations.. Further, we are supported by our marquee investors, namely Creation Investments India LLC and Greater Pacific Capital WIV Ltd, which have been invested in our Company since 2016 and 2021, respectively, and collectively hold 33.48% of the issued, subscribed and paid-up pre-Offer Equity Share capital of our Company on a fully diluted basis and Greater Pacific Capital WIV Ltd holds 100.00% of the compulsorily convertible preference shares of our Company, as of the date of Draft Red Herring Prospectus.

We have received several awards and certifications in recognition of our approach of integrating social values in the conduct of our business, including the Certificate of Excellence for contributions for water and sanitation lending instituted by Water.org and Sa-Dhan in 2021, the ‘Flame Awards’ instituted by Rural Marketing Association of India in 2020, and the ‘Golden Peacock Award for Business Excellence’ by the Institute of Directors in 2018.

The following table sets forth our key financial and operational metrics as of or for the years indicated:

	As of/ for the year ended March 31, 2023	As of/ for the year ended March 31, 2022
Gross Loan Portfolio (₹ million)(1)	92,082.96	62,549.42
Period on period growth in Gross Loan Portfolio (%)	47.22%	25.43%
Disbursements (₹ million)(2)	81,044.74	46,469.63
Period on period growth in Disbursements (%)	74.40%	76.24%
Number of Loans Disbursed (million)(3)	2.11	1.35
Customers to whom loans were disbursed during the Period (million)(4)	1.52	1.02
New Customers (million)(5)	1.01	0.45
Active Customers (million)(6)	2.77	2.05
Customers with Mahila Mitra app downloads (million)(7)	1.18	0.87
Customers who Transacted Digitally with Us (million)(8)	1.70	0.52
Overall Digital Collection (₹ million)(9)	10,955.40	1,683.01
Revenue from Operations (₹ million)(10)	14,287.64	8,325.06
Net Interest Income (₹ million)(11)	8,797.54	4,923.52
Net Interest Margin(12)	11.60%	9.60%
Ratio of Operating Expenses to Annual Average Gross Loan Portfolio	5.96%	5.82%
Ratio of Provisions and Write Offs to Annual Average Gross Loan Portfolio	2.89%	1.98%
Pre-provision operating profit before Tax (₹ million)(13)	4,361.88	1,758.74
Profit After Tax (₹ million)(14)	1,638.89	473.98
Total comprehensive income for the year (₹ million)(15)	2,033.06	797.23
Debt to equity (times)(16)	3.99	2.99
RoA(17)	2.16%	0.92%
RoE(18)	11.06%	4.26%
Net Worth(19)	16,258.49	13,365.79
Cost to income ratio (%)(20)	51.39%	65.02%
Average annual cost of borrowings (%)(21)	10.94%	10.44%
Impairment allowance coverage ratio (%)(22)	80.32%	76.68%
Capital to risk assets ratio (CRAR) (%)(23)	21.87%	28.75%
Insurance Premium collected (₹ million)(24)	3,380.93	1,856.03
Life Insurance (₹ million)(25)	2,440.26	1,383.05
Medical Insurance (₹ million)(26)	598.28	387.54
Natural Calamity Insurance (₹ million)(27)	342.38	85.43

Notes:

(1) Gross loan portfolio represents the aggregate of future principal outstanding and overdue principal outstanding, if any, for all loan assets which includes loan assets held by our Company as of the last day of the relevant year, loan assets which have been transferred by our Company by way of assignment as well as loan assets managed by our Company through partner institution and co-lending partner, and are outstanding as of the last day of the relevant year. While we act as partner institution for these loans, these loans are provided on the balance sheet of our partner institution, and not recognized as our loan assets on our balance sheet.

(2) Disbursements is the total amount disbursed to customers in the relevant period, pursuant to loans sanctioned.

(3) Number of loans disbursed represents the total number of loans disbursed to customers during the relevant period.

(4) Customers to whom loans were disbursed during the period represents the unique number of customers to which at least one loan is disbursed during the relevant period.

(5) New Customers represent customers who are first time borrowers of our Company while disbursing a fresh loan during the corresponding period.

(6) Active Customers refers to our customers which had an active loan account as of the last day of the relevant period.

(7) Customers with Mahila Mitra app downloads represent customers who have downloaded and registered our "Mahila Mitra" app.

(8) Customers who transacted digitally with us represent customers who have paid through digital payment methods such as QR codes, webpages, SMS-based links and voice-based payment methods.

(9) Overall digital collection represents the amount recovered from our customers through digital payment methods such as QR codes, webpages, SMS-based links and voice-based payment method.

(10) Revenue from Operations represents our total revenue from operations as per our Financial Statements for the relevant year.

(11) Net Interest Income represents our Revenue from Operations reduced by Finance Costs as per our Financial Statements for the relevant year.

(12) Net Interest Margin is the ratio of our Net Interest Income to our average monthly gross loan portfolio. Our average monthly gross loan portfolio is the simple monthly average of our gross loan portfolio for the relevant year.

(13) Pre-provision operating profit before tax represents the sum of profit before tax for the relevant year and impairment on financial instruments for such year derived from our Financial Statements for the relevant year.

(14) Profit After Tax represents our profit for the year (after tax) as per our Financial Statements for the relevant year.

(15) Total comprehensive income for the year represents our total comprehensive income for the year as per our Financial Statements for the relevant year.

(16) Debt to equity represents the ratio of our Total Borrowings to our Net Worth.

(17) RoA represents profit for the relevant year as derived from our Financial Statements as a percentage of annual monthly average gross loan portfolio for the relevant year.

(18) RoE represents the ratio of Net Profit attributable to equity holders to our annual average of net worth. Our annual average of net worth is the simple average of our net worth as of March 31 of the relevant year and our net worth as of March 31 of the preceding year.

(19) Net Worth represents our net worth as of the last day of the relevant year as per our Financial Statements .

(20) Cost to Income ratio is the ratio of the aggregate of our fees and commission expenses, employee benefit expenses, operating expenses and depreciation and amortisation expense to total income net of finance cost as per our Financial Statements for the relevant year.

(21) Annual Average Cost of Borrowings is the annually weighted average interest cost on borrowings, weights being annual average borrowings. Borrowings include debt securities, subordinated liabilities, and borrowings (other than debt securities).

(22) Impairment allowance coverage ratio represents the ratio of total impairment allowance on term loans (gross) derived from our Financial Statements to Stage III Assets (Gross NPAs) for the relevant year.

(23) Capital to risk assets ratio (CRAR) is calculated as capital funds (Tier I capital plus Tier II capital) divided by risk-weighted assets (the weighted average of funded and non-funded items after applying the risk weights as assigned by the RBI).

(24) Insurance Premium collected represents the total insurance premium collected and transferred by our Company to the relevant insurance companies for providing life, medical and natural calamity insurance to our customers.

(25) Life Insurance represents the insurance premium collected and transferred by our Company to the relevant insurance companies for providing credit linked life insurance products to our customers.

(26) Medical Insurance represents the insurance premium collected and transferred by our Company to the relevant insurance companies for providing medical insurance products to our customers.

(27) Natural Calamity Insurance represents the insurance premium collected and transferred by our Company to the relevant insurance companies for providing natural calamity or asset insurance products to our customers.

Significant Factors Affecting Our Results of Operations

Our business, results of operations, financial condition and cash flows have been, and we expect will continue to be, affected by numerous factors, including:

Growth in the Microfinance Industry and performance of the Indian Rural Economy

As an NBFC-MFI, we are impacted and will continue to be impacted by the performance of the microfinance industry in India, especially in rural India where our operations are focused. The industry's gross loan portfolio increased at a CAGR of 21% since the Financial Year 2018 to reach approximately ₹3.3 trillion in the third quarter of the Financial Year 2023 (Source: CRISIL Report). This overall increase in market size has contributed to the growth of our business over the last few years. Going forward, CRISIL believes that the microfinance industry will continue to see strong growth due to the Government of India's continued focus on strengthening the rural financial ecosystem, robust credit demand, and higher-ticket loans disbursed by microfinance lenders (Source: CRISIL Report).

However, certain events in the past have disrupted the growth of the microfinance industry and adversely impacted the overall industry's disbursements as well as repayment and collection efficiency rates. For example, in November 2016, the Indian government announced the demonetization of bank notes of ₹500 and ₹1,000. Around 86% of Indian currency in terms of value was removed from circulation. Subsequently, the outbreak of the COVID-19 pandemic has impacted our business and the microfinance industry. Due to the COVID-19 pandemic, demand for our products reduced temporarily and our level of write-offs increased. Any such disruptive events in the future may adversely affect our results of operations.

Further, as our primary focus is providing micro-loans to women customers (primarily for income generation purposes) with a focus on rural regions of India, our results of operations are particularly affected by the performance and the future growth potential of microfinance in rural regions of India. The significant under-penetration of credit in rural areas offers strong potential for growth and given the relatively deeper reach, existing client relationships and employee base, microfinance institutions are well placed to address this demand which is currently being met by informal sources such as local money lenders (Source: CRISIL Report). As of March 31, 2023, ₹87,172.19 million or 94.67% of our gross loan portfolio was from rural areas. We expect to benefit from the expected growth potential for microfinance in rural regions of India.

As a financial institution operating in India, our financial condition and results of operations are also influenced by the general economic conditions and particularly macroeconomic conditions in India. Key macroeconomic factors that may affect the Indian economy and, in turn, demand for our products and the quality of our loan portfolio include, among others, (i) demographic conditions and population dynamics, (ii) economic development, shifting of wealth and employment rates, (iii) political measures and regulatory developments, such as tax incentives and general political stability, (iv) fiscal and monetary dynamics, such as volatility in interest rates, foreign exchange rates and inflation rates, and (v) political and regulatory developments on the Indian economy.

Availability of Cost-Effective Sources of Funding

The liquidity and profitability of our business depend, in large part, on our timely access to, and the costs associated with, raising funds. Our funding requirements historically have been met from various sources, including public sector banks, private sector banks, small finance banks, foreign banks other non-banking financial institutions, developmental financial institutions and public investors, together with NCDs, and pass through certificates. Our Promoters and our holding company, Muthoot Fincorp Limited, have not provided any corporate guarantees in relation to the borrowings availed by us, which we believe demonstrates the trust of our lenders in our business model. Our ability to compete effectively will depend, in part, on our ability to maintain or increase our interest margins. Our margins are affected in part by our ability to continue to secure cost effective funding at rates lower than the interest rates at which we lend to our customers. Our ability to meet demand for new loans will depend on our ability to obtain financing on acceptable terms. Factors such as our credit rating, monetary policies of the RBI, domestic and international economic and political conditions and external interventions have an effect on our cost of interest-bearing liabilities.

A further source of financing for us is proceeds from loan assignments that we make from time to time. We assign a group of similar loans from our loan portfolio to banks and financial institutions in return for a fixed consideration equal to the aggregate outstanding principal amount of the loans, received upfront, plus an agreed portion of future interest payments of the loans assigned, received when they are collected. The consideration we derive from the assignment of our loan portfolios in these transactions depends on a number of factors, including the term of the loans and yield of the loan portfolio assigned. During the Financial Years 2022 and 2023, we assigned ₹16,391.08 million and ₹18,322.48 million, respectively, of loans and also recognized income of ₹910.31 million and ₹1,115.37 million, respectively, in these periods.

Our Ability to Manage Finance Costs and Fluctuations in Interest Rates Effectively

Our results of operations depend to a large extent on the level of our net interest income as our primary revenue source is interest income. During the Financial Years ended March 31, 2022 and 2023, interest on loans outstanding represented 84.94% and 88.00% of our total revenues, respectively. Consequently, our results of operations depend on our ability to manage our finance costs and the impact of fluctuations in interest rates effectively. Our finance costs comprise interest on borrowings (other than debt securities), interest on debt securities, interest on subordinated liabilities and interest cost on lease liabilities.

Further, our debt service costs and costs of funds depend on many external factors, including developments in the Indian credit market and, in particular, interest rate movements and the existence of adequate liquidity in the debt markets. Interest rates are highly sensitive and fluctuations thereof are dependent upon many factors which are beyond our control, including the monetary policies of the RBI, de-regulation of the financial services sector in India, domestic as well as international economic and political conditions, inflation and other factors. Internal factors which will affect our cost of funds include changes in our credit ratings, available credit limits and access to loan assignment transactions. During the Financial Years 2022 and 2023, our finance costs were ₹3,401.55 million and ₹5,490.10 million, respectively, and represented, as a percentage of our total revenue 40.35% and 37.96%, respectively.

Our levels of Non-Performing Assets ("NPAs") and related Provisions and Write-Offs

The focus customer segment for our micro-loan business is women with an annual household income of up to ₹300,000. Our customers generally have limited sources of income, savings and credit histories and as a result, generally do not have a high level of financial resilience, and, as a result, they may be affected by declining economic conditions and natural calamities such as floods, cyclones, earthquakes, tsunamis or droughts. Further, as we primarily make unsecured loans and rely primarily on non-traditional guarantee mechanisms rather than any tangible assets or collateral, As our customers potentially present a higher risk of loss in case of a credit default compared to that of customers in other asset-backed financing products. Thus, due to the nature of our customers, we may experience increased levels of NPAs and related provisions and write-offs. For the Financial Years 2022 and 2023, our impairment on financial instruments amounted to ₹1,111.53 million and ₹2,233.18 million, respectively, representing 13.35% and 15.63% of our revenue from operations, respectively.

To reduce and minimise our levels of NPAs, related provisions and write-offs, we have put in place a risk management framework which primarily focus on addressing credit risk, operational risk and financial risk, and we have also implemented customer selection methodologies and regular end use and payment monitoring procedures.

Our Ability to Grow our Loan Portfolio and Customer Base, as well as Manage our Network and Outreach

Our results of operations are directly affected by the number of customers we serve from time to time. Growth in our customer base typically drives corresponding growth in our interest income and fees received, as customers utilize our loan products and also avail of our other financial products and services. Similarly, a decrease in our customer base would drive a corresponding decrease in our interest income and fees received. Our number of active customers was 2.77 million as of March 31, 2023 and our gross loan portfolio was ₹92,082.96 million as of March 31, 2023.

Our results of operations also depend upon the geographic reach and service capabilities of our network of branches. As of March 31, 2023, we had 8,236 branch managers, credit managers and relationship officers, or 80.53% of our total workforce, spread across 576 branches in 78 districts in South India and 596 branches in 243 districts in the rest of India. Our relationship officers market and sell our products, and, together with our branch managers, manage our customer relationships with our members through weekly meetings. As of March 31, 2023, each of our relationship officers managed an average of 442 customers. Our relationship officers and branches are supported by our administrative support staff and management personnel.

Our Ability to Manage Operating Expenses

Our results of operations are affected by our ability to manage our operating expenses, which include employee benefit expenses, other expenses and depreciation and amortization. As we expand our core business and our product and service offerings to our customers, we will need to increase headcount by adding relationship officers, other officers and operational management and technology staff. Employee benefit expenses represented 72.52% and 69.95% of our operating expenses during the Financial Years 2022 and 2023, respectively. In addition, our relationship officers incur substantial travelling and conveyance expenses visiting villages, many of which are remote, to market and sell our products and services, maintain member relationships, conduct meetings, collect repayments and report transactions at local banks. During the Financial Years 2022 and 2023, our other expenses were ₹511.98 million and ₹844.41 million, respectively, representing 15.66% and 18.31% of our operating expenses, respectively, comprising primarily of traveling and conveyance, legal and professional charges, and communication expenses.

Government Policy and Regulation

The microfinance industry is highly regulated, and has been affected by changes in laws and regulations in the recent past, which have affected its growth. As an NBFC-MFI, we will continue to be affected by a number of regulations promulgated by the RBI. As per the RBI regulations, the interest rates charged by us are governed by our board policy on pricing on credit. The RBI regulates, among other things, non-performing assets **("NPAs")** and standard assets provisioning norms, capital adequacy norms and other lending stipulations and other operational restrictions. The RBI also regulates the credit flow by banks to NBFCs and provides guidelines to commercial banks with respect to their investment and credit exposure norms for lending to NBFCs. Any change in the regulatory framework affecting NBFC-MFIs, such as those relating to maintaining certain financial ratios, accessing funds or lending to NBFC- MFIs by banks including priority-sector lending ("PSL") norms, would affect our results of operations and growth.

For changing laws and regulations governing the financial services industry in India and laws and regulations in applicable to us generally.

Key Components of our Statement of Profit and Loss

The following descriptions set forth information with respect to the key components of our profit and loss statements.

Income

Revenue from operations. Revenue from operations comprises interest income, fees and commission income, net gain on fair value changes, income on investments and sale of services. Interest income includes interest on loan portfolio (measured at amortised cost), interest on deposits from banks and interest on loan assets (measured at fair value through other comprehensive income). Fees and commission income includes facilitation fees that we earn from manufacturers and distributors that sell their products to our customers at our branches. We provide loans to our customers for the purchase of such products (for example, solar lamps and pressure cookers) and these products are available for sale at some of our branches. Fees and commission income also includes income from business correspondence services, which relate to commissions earned from acting as a partner institution for the Prayaas loan scheme, a scheme for direct credit to micro enterprises, including our existing customers in Kerala and Tamil Nadu. Net gain on fair value changes includes gain on sale of loan assets recognized through our profit and loss account. Net gain on fair value changes relate to the fair value changes of our portion of loan assets that we assign pursuant to our assignment transactions. Sale of services relate to income which we receive in relation to collections services that we provide for the portion of loans that we assign.

Other income. Other income comprises interest income on security deposits, bad debt recovered and miscellaneous income.

Expenses

Expenses comprise finance costs, fees and commission expenses, impairment on financial instruments, employee benefits expenses, depreciation and amortisation expense, and other expenses.

Finance costs. Finance costs comprise interest on borrowings (other than debt securities), interest on debt securities, interest on subordinated liabilities and interest cost on lease liabilities.

Fees and commission expenses. Fees and commission expenses comprise fees and commission expenses, which relate to expenses incurred in outsourcing our cash management operations to MFL and third party cash management agencies.

Impairment on financial instruments. Impairment on financial instruments comprises write off of loans; waive off of loans which relate to impairment on value of our loan assets as a result of settlements that we enter into with our delinquent customers; and provision for impairment on loan assets.

Employee benefits expenses. Employee benefits expenses comprise salaries and wages, contribution to provident and other funds, share based payments, gratuity and compensated absence and staff welfare expenses.

Depreciation and amortisation expense. Depreciation and amortization expense comprises depreciation on property, plant and equipment, depreciation on right-of-use assets and amortisation.

Other expenses. Other expenses comprise rent, rates and taxes, repairs and maintenance – others, communication expenses, printing and stationery, marketing expenses, auditors' remuneration (including for services such as statutory audit, limited review, tax audit, other certifications and reimbursement of expenses), legal and professional charges, traveling and conveyance, software support charges, power and fuel, office expenses, corporate social responsibility expenses and miscellaneous expenses.

Tax expense

Tax expense consists of current tax, deferred tax and tax relating to prior years.

Results of Operations for the Financial Years 2022 and 2023

The following table sets forth our selected financial data from our Statement of profit and loss for the Financial Years 2022 and 2023, the components of which are also expressed as a percentage of total income for such years:

Particulars	For the Financial Years 2023		For the Financial Years 2022	
	₹ (in millions)	% of Total Income	₹ (in millions)	% of Total Income
Income				
Revenue from operations	14,287.64	98.78%	8,325.06	98.76%
Other income	175.80	1.22%	104.35	1.24%
Total income	**14,463.44**	**100.00%**	**8,429.41**	**100.00%**
Expenses				
Finance costs	5,490.10	37.96%	3,401.55	40.35%
Fees and commission expenses	275.41	1.90%	178.49	2.12%
Impairment on financial instruments	2,233.18	15.44%	1,111.53	13.19%
Employee benefits expenses	3,225.58	22.30%	2,370.81	28.13%
Depreciation and amortization expense	266.06	1.84%	207.84	2.47%
Other expenses	844.41	5.84%	511.98	6.07%
Total expenses	**12,334.74**	**85.28%**	**7,782.20**	**92.32%**
Profit before tax	**2,128.70**	**14.72%**	**647.21**	**7.68%**
Tax expenses				
Current tax	679.91	4.70%	224.05	2.66%
Deferred tax	(142.59)	(0.99)%	(56.14)	(0.67)%
Tax relating to prior years	(47.51)	(0.33)%	5.32	0.06%
Profit for the year	**1,638.89**	**11.33%**	**473.98**	**5.62%**

Financial Year 2023 Compared to Financial Year 2022

Income

Revenue from Operations

Our revenue from operations increased by 71.62% to ₹14,287.64 million for the Financial Year 2023 from ₹8,325.06 million for the Financial Year 2022, primarily due to an increase in interest income to ₹12,906.45 million for the Financial Year 2023 from ₹7,286.23 million for the Financial Year 2022, which was primarily attributable to increases in interest on loan portfolio to ₹10,313.32 million for the Financial Year 2023 from ₹6,399.18 million for the Financial Year 2022, and interest on loan assets to ₹2,414.62 million for the Financial Year 2023 from ₹761.08 million for the Financial Year 2022. The increase in interest on loan portfolio was in line with increases in (i) active customers to 2.77 million as of March 31, 2023 from 2.05 million as of March 31, 2022, (ii) disbursements to ₹81,044.74 million for the Financial Year 2023 from ₹46,469.63 million for the Financial Year 2022, and (iii) gross loan portfolio to ₹92,082.96 million as of March 31, 2023 from ₹62,549.42 million as of March 31, 2022. These increases were as a result of an expansion in the number of our branches to 1,172 as of March 31, 2023 from 905 as of March 31, 2022, states and union territories where we operate to 18 as of March 31, 2023 from 16 as of March 31, 2022 and districts where we operate to 321 as of March 31, 2023 from 281 as of March 31, 2022. The increase in interest on loan portfolio was also due to the removal of interest rate cap for NBFC-MFIs by RBI in March 2022, which allowed us to increase the interest rates on our income generating loans by a total of 3.65% for Kerala, Tamil Nadu and Pondicherry, and 4.70% for the other states which we operate across the rest of India, through a series of increases in April, July and December 2022 during the Financial Year 2023. As a result, our net interest margins, which is the ratio of our net interest income to our average monthly gross loan portfolio, increased to 11.60% for the Financial Year 2023 from 9.60% for the Financial Year 2022.

The increase in revenue from operations was also due to an increase in fees and commission income to ₹173.22 million for the Financial Year 2023 from ₹61.59 million for the Financial Year 2022, primarily due to increases in (i) facilitation fees to ₹148.23 million for the Financial Year 2023 from ₹53.12 million for the Financial Year 2022, in line with higher disbursements during the Financial Year 2023, and (ii) income from business correspondence services to ₹25.00 million for the Financial Year 2023 from ₹8.46 million for the Financial Year 2022, primarily attributable to higher loans disbursed under the partnership agreement in relation to the Prayaas loan scheme during the Financial Year 2023. The increase in revenue from operations was also due to increases in (i) net gain on fair value changes to ₹1,115.37 million for the Financial Year 2023 from ₹910.31 million for the Financial Year 2022, and (ii) sale of services to ₹9.25 million for the Financial Year 2023 from ₹8.64 million for the Financial Year 2022, both of which were primarily attributable to an increase in book value of loan assets assigned during the year to ₹18,322.48 million for the Financial Year 2023 from ₹16,391.08 million for the Financial Year 2022. Further, the increase in revenue from operations was also due to an increase in income on investments to ₹83.35 million for the Financial Year 2023 from ₹58.29 million for the Financial Year 2022, primarily attributable to an increase in profits arising from the sale of short term investments in mutual funds.

Other Income

Other income increased by 68.47% to ₹175.80 million for the Financial Year 2023 from ₹104.35 million for the Financial Year 2022. The increase was primarily due to an increase in bad debt recovered to ₹143.59 million for the Financial Year 2023 from ₹71.17 million for the Financial Year 2022.

Expenses

Finance Costs

Finance costs increased by 61.40% to ₹5,490.10 million for the Financial Year 2023 from ₹3,401.55 million for the Financial Year 2022, primarily due to increases in (i) interest on borrowings (other than debt securities) to ₹4,063.02 million for the Financial Year 2023 from ₹2,639.77 million for the Financial Year 2022, primarily attributable to increases in borrowings from banks and under securitization arrangements, and amounts raised from external commercial borrowings, and (ii) interest on debt securities to ₹1,295.20 million for the Financial Year 2023 from ₹630.41 million for the Financial Year 2022. The increases in interest on borrowings (other than debt securities) and interest on debt securities were primarily attributable to an increase in issuance of non-convertible debentures in order to support an increase in disbursements, as well as an increase in repo rate from 4.00% to 6.50% by the RBI which increased our cost of borrowing, since most of our borrowings were at floating rates. The increase in finance costs was also due to an increase in interest cost on lease liabilities to ₹128.93 million for the Financial Year 2023 from ₹96.74 million for the Financial Year 2022, primarily attributable to an increase in number of lease contracts that we entered into, as our number of branches increased to 1,172 as of March 31, 2023 from 905 as of March 31, 2022

Fees and commission expenses

Fees and commission expenses increased by 54.30% to ₹275.41 million for the Financial Year 2023 from ₹178.49 million for the Financial Year 2022, primarily due to increases in (i) collections to ₹53,867.89 million for the Financial Year 2023 from ₹34,643.84 million for the Financial Year 2022, and (ii) collection efficiency to 95.84% for the Financial Year 2023 from 85.75% for the Financial Year 2022. The increase in collections and collection efficiency is in line with an increase in our gross loan portfolio to ₹92,082.96 million for the Financial Year 2023 from ₹62,549.42 million for the Financial Year 2022.

Impairment on financial instruments

Impairment on financial instruments increased by 100.91% to ₹2,233.18 million for the Financial Year 2023 from ₹1,111.53 million for the Financial Year 2022, primarily due to increases in (i) loans written off to ₹1,402.81 million for the Financial Year 2023 from ₹737.80 million for the Financial Year 2022, primarily because of our sale of a portion of our loans to a securitization / reconstruction company for asset reconstruction pursuant to the directions of the RBI, (ii) loans waived off to ₹476.59 million for the Financial Year 2023 from ₹263.04 million for the Financial Year 2022, primarily attributable to an increase in settlements with our customers during the Financial Year 2023, and (iii) provision for impairment on loan assets to ₹353.78 million for the Financial Year 2023 from ₹110.69 million for the Financial Year 2022, primarily attributable to an increase in our gross loan portfolio to ₹92,082.96 million for the Financial Year 2023 from ₹62,549.42 million for the Financial Year 2022.

Employee benefits expenses

Employee benefits expense increased by 36.05% to ₹3,225.58 million for the Financial Year 2023 from ₹2,370.81 million for the Financial Year 2022, primarily due to increases in (i) salaries and wages to ₹2,876.80 million for the Financial Year 2023 from ₹2,115.03 million for the Financial Year 2022, and (ii) contribution to provident and other funds to ₹234.01 million for the Financial Year 2023 from ₹186.28 million, which were primarily attributable to an increase in our headcount to expand our business operations and branch network, and an annual increase in salaries and bonuses of our employees. We had 10,227 employees as of March 31, 2023, as compared to 8,178 employees as of March 31, 2022. Further, the increase in employee benefits expense was also attributable to an increase in shared based payments to ₹42.11 million for the Financial Year 2023 from ₹9.04 million for the Financial Year 2022, due to stock options granted to our employees under our employee stock option scheme.

Depreciation and amortization expense

Depreciation and amortization costs increased by 28.01% to ₹266.06 million for the Financial Year 2023 from ₹207.84 million for the Financial Year 2022, primarily due to increases in (i) depreciation on property, plant and equipment to ₹104.57 million for the Financial Year 2023 from ₹84.72 million for the Financial Year 2022, and (ii) depreciation on right-of-use assets to ₹161.01 million for the Financial Year 2023 from ₹122.71 million for the Financial Year 2022, which were primarily attributable to the expansion of our business and corresponding increases in (a) net carrying amount of property, plant and equipment to ₹594.37 million as of March 31, 2023 from ₹420.45 million as of March 31, 2022, and (b) branches to 1,172 as of March 31, 2023 from 905 as of March 31, 2022.

Other Expenses

Other expenses increased by 64.93% to ₹844.41 million for the Financial Year 2023 from ₹511.98 million for the Financial Year 2022, primarily due to an increase in expenses relating to (i) legal and professional charges to ₹149.18 million for the Financial Year 2023 from ₹57.23 million for the Financial Year 2022, (ii) traveling and conveyance to ₹347.76 million for the Financial Year 2023 from ₹217.35 million for the Financial Year 2022, primarily attributable to our expansion into new states and territories during the Financial Year 2023 which required our employees to travel, and (iii) miscellaneous expenses to ₹61.18 million for the Financial Year 2023 from ₹25.48 million for the Financial Year 2022, primarily attributable to increases in incentives paid to customers for utilization of digital collection methods and outsourced manpower services for debt recovery and meeting expenses.

Profit before Tax

As a result of the foregoing, our profit before tax increased by 228.90% to ₹2,128.70 million for the Financial Year 2023 from ₹647.21 million for the Financial Year 2022.

Tax Expense

Current tax increased by 203.46% to ₹679.91 million for the Financial Year 2023 from ₹224.05 million for the Financial Year 2022, primarily due to an increase in taxable income to ₹2,701.48 million for the Financial Year 2023 from ₹890.20 million for the Financial Year 2022.

As a result of timing differences in making provisions for loan assets, gratuity and leave encashment and Ind AS adjustments, we had deferred tax of ₹142.59 million as of March 31, 2023.

As a result of excess provision created for tax in Financial Year 2022, we had tax reversal relating to prior years of ₹47.51 million as of March 31, 2023.

Profit after Tax

As a result of the foregoing, our profit after tax increased to ₹1,638.89 million for the Financial Year 2023 from ₹473.98 million for the Financial Year 2022, for the reasons mentioned above.

Our Financial Position

Our net worth increased by 21.64% to ₹16,258.49 million as of March 31, 2023, from ₹13,365.79 million as of March 31, 2022. The increases in net worth were on account of profit generated over the years.

The following table sets forth our selected financial data from our Financial Statements as of March 31, 2022 and 2023:

(₹ in millions)

Particulars	As of March 31, 2023	As of March 31, 2022
Assets:		
Total financial assets	83,167.28	54,182.13
Total non-financial assets	2,124.71	1,732.45
Total Assets	**85,291.99**	**55,914.58**
Liabilities and Equity:		
Total financial liabilities	68,933.13	42,448.19
Total non-financial liabilities	100.37	100.60
Total liabilities	**69,033.50**	**42,548.79**
Total equity	**16,258.49**	**13,365.79**
Total liabilities and equity	**85,291.99**	**55,914.58**

Assets

We had total assets of ₹85,291.99 million as of March 31, 2023, compared to ₹55,914.58 million as of March 31, 2022. The increases in total assets were on account of an increase in financial and non-financial assets.

Financial assets

Our total financial assets increased by 53.50% to ₹83,167.28 million as of March 31, 2023 from ₹54,182.13 million as of March 31, 2022 primarily due to increases in (i) loans to ₹70,266.85 million as of March 31, 2023 from ₹43,981.11 million as of March 31, 2022, (ii) cash and cash equivalents to ₹7,594.55 million as of March 31, 2023 from ₹7,058.27 million as of March 31, 2022, and (iii) bank balances other than cash and cash equivalent to ₹3,909.58 million as of March 31, 2023 from ₹2,940.89 million as of March 31, 2022, in line with an increase in active customers, disbursements and gross loan portfolio.

Non-financial assets

Our total non-financial assets increased by 22.64% to ₹2,124.71 million as of March 31, 2023 from ₹1,732.45 million as of March 31, 2022 primarily due to increases in (i) right-of-use assets to ₹1,121.72 million as of March 31, 2023 from ₹791.19 million as of March 31, 2022, and (ii) property, plant and equipment to ₹594.37 million as of March 31, 2023 from ₹420.45 million as of March 31, 2022, which were primarily attributable to the expansion of our business and increase in branches. This was partially offset by a decrease in current tax assets (net) to ₹104.60 million as of March 31, 2023 from ₹395.45 million as of March 31, 2022.

Liabilities

We had total liabilities of ₹69,033.50 million as of March 31, 2023, compared to ₹42,548.79 million as of March 31, 2022 due to an increase in financial liabilities.

Financial liabilities

Our total financial liabilities increased by 62.39% to ₹68,933.13 million as of March 31, 2023 from ₹42,448.19 million as of March 31, 2022 primarily due to increases in (i) debt securities to ₹13,701.51 million as of March 31, 2023 from ₹6,746.27 million as of March 31, 2022, primarily attributable to increases in borrowings from banks and under securitization arrangements, and amounts raised from external commercial borrowings, and (ii) borrowings (other than debt securities) to ₹51,230.25 million as of March 31, 2023 from ₹32,969.85 million as of March 31, 2022, primarily attributable to an increase in issuances of non-convertible debentures. This was partially offset by a decrease in subordinated liabilities to nil as of March 31, 2023 from ₹249.97 million as of March 31, 2022.

Non-financial liabilities

Our total non-financial liabilities decreased by 0.23% to ₹100.37 million as of March 31, 2023 from ₹100.60 million as of March 31, 2022 primarily due to a decrease in provisions to ₹36.13 million as of March 31, 2023 from ₹49.38 million as of March 31, 2022. This was partially offset by an increase in other non-financial liabilities to ₹64.24 million as of March 31, 2023 from ₹51.22 million as of March 31, 2022.

Equity

Our total equity increased by 21.64% to ₹16,258.49 million as of March 31, 2023 from ₹13,365.79 million as of March 31, 2022 primarily due to increases in (i) Equity Share capital to ₹1,401.98 million as of March 31, 2023 from ₹1,333.33 million as of March 31, 2022, primarily attributable to increases in (a) aggregate value of equity shares issued to ₹1,168.38 million as of March 31, 2023 from ₹1,141.71 million as of March 31, 2022 and (b) aggregate value of compulsorily convertible preference shares issued to ₹233.60 million as of March 31, 2023 from ₹191.62 million as of March 31, 2022, and (ii) other equity to ₹14,856.51 million as of March 31, 2023 from ₹12,032.46 million as of March 31, 2022, primarily attributable to increases in (a) securities premium to ₹9,473.77 million as of March 31, 2023 from ₹8,452.14 million as of March 31, 2022, (b) reserve fund to ₹1,120.50 million as of March 31, 2023 from ₹792.72 million as of March 31, 2022, (c) loan assets through other comprehensive income to ₹1,103.62 million as of March 31, 2023 from ₹692.92 million as of March 31, 2022, (d) retained earnings to ₹3,393.95 million as of March 31, 2023 from ₹2,099.37 million as of March 31, 2022.

Liquidity and Capital Resources

Liquidity

As of March 31, 2023, we had cash available for use in our operations of ₹7,594.55 million. We currently invest our surplus cash in fixed deposits with various banks and debt mutual funds.

We regularly monitor our funding levels to help ensure we are able to satisfy the requirements for maturity of our liabilities. We maintain diverse sources of funding and liquid assets to facilitate flexibility in meeting our liquidity requirements. Liquidity is provided principally by short-term and long-term borrowings from banks and other entities, recovery on our loan portfolio, proceeds from securitization and assignment of loans, issue of debentures, sales of equity securities and retained earnings.

Cash Flows

The following table summarizes our cash flows for the Financial Years 2022 and 2023.

(₹ in millions)

	For the Financial Year 2023	For the Financial Year 2022
Net cash used in operating activities	(23,328.81)	(10,835.76)]
Net cash used in investing activities	(1,800.30)	(738.03)
Net cash generated from financing activities	25,665.40	13,441.30
Net (decrease)/increase in cash and cash equivalents	**536.28**	**1,867.51**

Operating Activities

Net cash used in operating activities was ₹23,328.81 million for the Financial Year 2023. We had profit before tax of ₹2,128.70 million for the Financial Year 2023, which was primarily adjusted for impairment on financial instruments of ₹2,233.18 million, depreciation and amortisation of ₹266.06 million and adjustments towards effective interest rate in respect of loan assets of ₹203.80 million, and working capital changes such as an increase in loans of ₹27,058.51 million and an increase in other financial liabilities of ₹1,089.92 million, which was partially offset by a decrease in gain on sale of loan asset through direct assignment of ₹1,115.37 million.

Net cash used in operating activities was ₹10,835.76 million for the Financial Year 2022. We had profit before tax of ₹647.21 million for the Financial Year 2022, which was primarily adjusted for impairment on financial instruments of ₹1,111.53 million, depreciation and amortization of ₹207.84 million and adjustments towards effective interest rate in respect of loan assets of ₹93.37 million and working capital changes such as increase in loans of ₹10,872.01 million and a decrease in other financial liabilities of ₹410.08 million, which was partially offset by a decrease in gain on sale of loan asset through direct assignment of ₹910.31 million and a decrease in other financial liabilities of ₹410.08 million.

Investing Activities

Net cash used in investing activities was ₹1,800.30 million for the Financial Year 2023, which primarily related to investment in term deposits with banks (net) of ₹968.69 million, investment in equity instruments of ₹633.14 million, and purchase of tangible assets (including capital advances, capital creditors and capital work in progress) and intangible assets of ₹281.79 million, which was partially offset by profit on sale of investments of ₹83.35 million.

Net cash used in investing activities was ₹738.03 million for the Financial Year 2022, which primarily related to investment in term deposits with banks (net) of ₹681.86 million and purchase of tangible assets (including capital advances, capital creditors and capital work in progress) and intangible assets of ₹114.26 million, which was partially offset by profit on sale of investments of ₹58.29 million.

Financing Activities

Net cash generated from financing activities was ₹25,665.40 million for the Financial Year 2023. This primarily resulted from proceeds from borrowings of ₹36,394.80 million, proceeds from securitization arrangement of ₹13,092.63 million, and proceeds from debt securities of ₹9,091.27 million, partially offset by repayment of borrowings of ₹22,168.21 million, repayment of securitization arrangement of ₹8,966.65 million and repayment of debt securities of ₹2,121.26 million.

Net cash generated from financing activities was ₹13,441.30 million for the Financial Year 2022. This primarily resulted from proceeds from proceeds from borrowings of ₹23,837.50 million, proceeds from debt securities of ₹5,019.44 million, proceeds from securitization arrangement of ₹4,857.22 million, and proceeds from issue of preference shares of ₹3,733.86 million, partially offset by repayment of borrowings of ₹15,872.29 million, repayment of securitization arrangement of ₹5,185.72 million and repayment of debt securities of ₹2,709.11 million.

Capital Expenditure

During the Financial Years 2022 and 2023, we invested ₹114.26 million and ₹281.79 million, respectively in capital expenditure. The following table sets forth our capital expenditure for the periods mentioned:

(₹ in millions)

	For the Financial Year 2023	For the Financial Year 2022
Tangible Assets (including capital advances and capital work-in-progress)	279.23	114.26
Intangible Assets (including capital advances and capital work-in-progress)	2.56	-
Total	**281.79**	**114.26**

Contractual Obligations

The following table sets forth a summary of the maturity profile of our contractual obligations as of March 31, 2023:

(₹ in millions

Name	Payment due by period				
	On demand	Less than one year	One to five years	More than 5 years	Total
Trade payables	-	119.27	-	-	119.27
Salaries and bonus payable	-	186.83	-	-	186.83
Lease liabilities	-	272.74	1,031.32	592.53	1,896.60
Payable towards assigned portfolio	-	907.17	-	-	907.17
Interest accrued but not due on borrowings	175.52	696.12	75.16	-	946.80
Other payable	-	541.90	-	-	541.90
Other non-financial liabilities	63.38	0.86	-	-	64.24
Total	**238.90**	**2,724.89**	**1,106.48**	**592.53**	**4,662.81**

Assignment Arrangements

During the Financial Years 2022 and 2023, we have assigned loans of ₹16,391.08 million and ₹18,322.48 million, respectively. The following table sets forth information regarding our direct assignment activity during the Financial Years 2022 and 2023.

(₹ in millions)

	For the Financial Year 2023	For the Financial Year 2022
Total book value of the loan asset assigned	18,322.48	16,391.08
Sale consideration received for the loan asset assigned	16,133.49	14,104.09

Under the agreements for the assignment of loans, we transfer all the rights and obligations relating to the loan assets assigned as shown above to banks.

Contingent Liabilities and Commitments

As at March 31, 2023, credit enhancements provided by our Company towards securitisation transactions aggregated to ₹3,381.96 million.

Capital to Risk Asset Ratios

The NBFC-SI Master Directions require all NBFC-MFIs to maintain a capital adequacy ratio consisting of Tier I and Tier II capital that is not less than 15.00% of their aggregate risk-weighted assets. Our capital to risk assets ratio as of March 31, 2023, March 31, 2022 was 21.87%, 28.75% respectively.

Our capital adequacy information as of periods indicated below is as follows:

(₹ in millions)

	As of March 31, 2023	As of March 31, 2022
Tier I capital(1)	13,638.38	11,336.55
Tier II capital(2)	-	150.12
Total Tier I and Tier II capital	13,638.38	11,486.67
Total risk weighted assets	62,358.19	39,947.73
Tier I capital to risk assets ratio (%)	21.87%	28.38%
Tier II capital to risk assets ratio (%)	-	0.38%
Total capital to risk assets ratio(3) (%)	21.87%	28.75%

Notes:

(1) Tier I capital include (i) paid-up capital (ordinary shares), statutory reserves, and other disclosed free reserves, if any; (ii) perpetual non-cumulative preference shares eligible for inclusion as Tier I capital, subject to laws in force from time to time; (iii) innovative perpetual debt instruments eligible for inclusion as Tier I capital; and (iv) capital reserves representing surplus arising out of sale proceeds of assets, as reduced by investment in shares of other NBFCs and in shares, debentures, bonds, outstanding loans and advances, including hire purchase and lease finance made to and deposits with subsidiaries and companies in the same group exceeding, in aggregate, 10% of the owned fund as defined in the Master Circular on Prudential Norms on Capital Adequacy, Basel I Framework dated July 1, 2015 issued by the RBI.

(2) Tier II capital include undisclosed reserves, revaluation reserves, general provisions and loss reserves, hybrid capital instruments, subordinated debt and investment reserve account to the extent the aggregate does not exceed Tier I capital.

(3) The total capital to risk assets ratio is calculated as capital funds (Tier I capital plus Tier II capital) divided by risk-weighted assets (the weighted average of funded and non-funded items after applying the risk weights as assigned by the RBI).

INDEPENDENT AUDITOR'S REPORT

To

The members of **Muthoot Microfin Limited**

Report on the audit of the standalone financial statements

Opinion

We have audited the accompanying standalone financial statements of Muthoot Microfin Limited (hereinafter referred as "the Company"), which comprise the balance sheet as at 31 March 2023, the statement of profit and loss (including other comprehensive income), the cash flow statement and the statement of changes in equity for the year then ended and notes to the standalone financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 (hereinafter referred as "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 (hereinafter referred as "Ind AS") and other accounting principles generally accepted in India, of the state of affairs (financial position) of the Company as at 31 March 2023, and its profit (financial performance including other comprehensive income), its cash flows and the changes in equity for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with the Standards on Auditing (hereinafter referred as "SAs") specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the Auditor's responsibilities for the audit of the standalone 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 standalone financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the standalone financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements of the current period. These matters were addressed in the context of our audit of the standalone financial statements taken as a whole, in forming our opinion thereon and we do not provide a separate opinion on these matters. We have determined the key audit matters as described below:

Key Audit Matters	How our audit addressed the key audit matters
Impairment of loans to customers: As at 31 March 2023, the Company has reported total gross loan assets of INR 71,987.02 million (March 2022: INR 46,197.26 million) against which an impairment loss of INR 1,720.17 million (March 2022: INR 2,216.15 million) has been recorded. The calculation of impairment losses on loans is complex and is based on application of significant management judgement and the use of different modelling techniques and assumptions which have a material impact on reported profits. The Company has applied a three-stage approach based on changes in credit quality to measure expected credit loss on loans. The key areas where we identified greater levels of management judgement and therefore, increase level of audit focus in the Company's estimation of ECL's are:	**Our key audit procedures included:** • Review of the Company's accounting policies for impairment of loan assets in terms of accounting principles laid down in Ind AS 109 and the governance framework approved by the Board of Directors pursuant to Reserve Bank of India guidelines issued from time to time. • Understanding the process of ECL estimation and related assumptions and tested the controls around data extraction and validation so as to evaluate the reasonableness of the Management estimates.

Key Audit Matters	How our audit addressed the key audit matters
• Staging of loans and determining the criteria for a significant increase in credit risk. • Model estimations – the most significant judgement aspects are determining Probabilities of Default ("PD"), Loss Given Default ("LGD"), and Exposures at Default ("EAD") • Determining macro-economic factors impacting credit quality of receivables ECL involves an estimation of probability weighted loss on financial instruments over their life, considering reasonable and supportable information about past events, current conditions, and forecast of future economic conditions which could impact the credit quality of the Company's loans and advances. In view of such high degree of Management's judgement involved in estimation of ECL, it is a key audit matter.	• Assessed and tested the design and operating effectiveness of key manual and automated controls over completeness and accuracy of the key inputs and assumptions considered for calculation, recording and monitoring of the impairment loss recognized. Also, evaluated the controls over the modelling process, validation of data and related approvals. • Tested the ECL model, including assumptions and underlying computation. • Performed analytical reviews of disaggregated data to observe any unusual trends warranting additional audit procedures; • Assessed disclosures included in the standalone financial statements in respect of expected credit losses.
IT systems and controls: The Company's key financial accounting and reporting processes are highly dependent on the automated controls in information systems, such that there exists a risk that gaps in the IT control environment could result in the financial accounting and reporting records being materially misstated. Accordingly, we identified IT systems and controls over financial reporting as a key audit matter for the Company.	• We tested the design and operating effectiveness of the Company's IT access controls over the information systems that are important to financial reporting and various interfaces, configuration and other identified application controls. • Review of internal reports and samples used for testing of IT related general controls • We tested IT general controls (logical access, changes management and aspects of IT operational controls). This included testing requests for access to systems were reviewed and authorized. • We tested requests of changes to systems for approval and authorization. We also tested the design and operating effectiveness of certain automated controls that were considered as key internal controls over financial reporting.

Information other than the standalone financial statements and auditor's report thereon

The Company's Management and Board of Directors are responsible for the preparation of the other information. The other information comprises the Board's report and management discussion and analysis included in the annual report but does not include the standalone financial 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 identified above and, in doing so, consider whether the other information is materially 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 and Board of Directors responsibilities for the standalone financial statements

The Company's Management and Board of Directors are 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, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Ind AS. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone 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, Company's Management and Board of Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to 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 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:

A. Identify and assess the risks 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.

B. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls

C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

D. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone 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.

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the central government of India in terms of sub-section (11) of section 143 of the Act, we give in the "Annexure A", 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 and based on our audit, we report that:

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

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

c) The balance sheet, the statement of profit and loss (including other comprehensive income), statement of changes in equity and the statement of cash flows dealt with by this report are in agreement with the books of account;

d) In our opinion, the aforesaid standalone financial statements comply with the Ind AS 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 31 March 2023 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2023 from being appointed as a director in terms of section 164 (2) of the Act;

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

g) Based on our audit, we report that the company has not paid or provided for any managerial remuneration during the year. Accordingly, reporting under section 197(16) of the Act is not applicable.

h) With respect to the other matters to be included in the auditor's report in accordance with rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

   i. The Company does not have any pending litigation which would impact its financial position as at 31 March 2023.

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

   iii. There were no amounts which were required to be transferred to the investor education and protection fund by the company during the year ended 31 March 2023.

   iv. Reporting on rule 11(e):

      (a) The Management has represented that, to the best of its knowledge and belief, as stated in note no. 50(xiii) no funds (which are material either individually or in the aggregate) have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Company to or in any other person(s) or entity(ies), including foreign entities ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Company ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

      (b) The Management has represented, that, to the best of its knowledge and belief, as stated in note no. 50(xiv), no funds (which are material either individually or in the aggregate) have been received by the Company from any person(s) or entity(ies), including foreign entities ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Company shall, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

(c) Based on the audit procedures that has been 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 (i) and (ii) of rule 11(e), as provided under (a) and (b) above, contain any material misstatement.

v. During the previous year, the Company has not declared/paid dividend. Accordingly, reporting under section 123 of the Act is not applicable.

vi. Proviso to rule 3(1) of the companies (Accounts) Rules, 2014 for maintaining books of account using accounting software which has a feature of recording audit trail (edit log) facility is applicable to the company with effect from April 1, 2023, and accordingly, reporting under Rule 11(g) of Companies (Audit and Auditors) Rules, 2014 is not applicable for the financial year ended March 31, 2023.

For **Sharp & Tannan Associates**
Chartered Accountants
Firm's Registration no. 109983W
by the hand of

CA Tirtharaj Khot
Partner
Membership no.(F) 037457
UDIN: 23037457BGYRJS7058

Pune, 6 May 2023

ANNEXURE A to the Independent Auditor's Report

(Referred to in paragraph 1 under the heading, "Report on Other Legal and Regulatory Requirements" of our report on even date)

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

(B) The Company is maintained proper records showing full particulars of intangible assets.

(b) During the year, the Property, Plant and Equipment were physically verified by the Management, which in our opinion, is reasonable having regard to the size of the Company and nature of its business. No material discrepancies were noticed on such verification.

(c) The company does not hold any immovable properties. Accordingly, reporting under paragraph 3(i)(c) of the order is not applicable.

(d) During the year, the Company has not revalued its Property, Plant and Equipment (including Right of Use assets) or Intangible Assets. Accordingly, reporting under paragraph 3(i)(d) of the Order is not applicable.

(e) According to the information and explanations given to us, no proceedings have been initiated or are pending against the Company for holding any benami property under the Benami Transactions (Prohibition) Act, 1988 and rules made thereunder. Accordingly, reporting under paragraph 3(i)(e) is not applicable.

(ii) (a) the Company does not hold any inventory as it is primarily engaged in lending activities. Accordingly, reporting under paragraph 3(ii)(a) of the Order is not applicable.

(b) During the year, the Company has not been sanctioned working capital limits in excess of five crore rupees, in aggregate, from banks or financial institutions. Accordingly, reporting under paragraph 3(ii)(b) of the Order is not applicable.

(iii) The Company is a non-deposit taking non-banking financial company ("NBFC") registered with the Reserve Bank of India ("RBI").

During the year, the Company has not provided guarantee / security to companies, firms, limited liability partnerships and other parties. During the year, in the ordinary course of its business, the Company has made investments, granted loans and advances in the nature of loans, unsecured, to companies, firms, limited liability partnerships and other parties. With respect to such investments, guarantees / security and loans and advances:

(a) As the principal business of the Company is to give loans, the paragraph 3(iii)(a) of the Order is not applicable to the Company;

(b) The company has not provided guarantees / security. Investment made and the terms and conditions of the grant of all loans and advances in the nature of loans in the normal course of business, prima facie are not prejudicial to the interest of the Company;

(c) In respect of loans and advances in the nature of loans granted during the year in the ordinary course of business, the schedule of repayment of principal and payment of interest have been stipulated and the repayment of loan and receipts of interest are generally regular except there were cases which were not repaid / paid when they were due or were repaid / paid with a delay. Such loans have been accounted for in accordance with the Company's policy on asset classification and provisioning as described in note 1(xiii) to the standalone financial statements.

Having regard to the voluminous nature of loan transactions, it is not practicable to furnish party-wise details of irregularities in this report. However, such details are available with the Company. For details of total loans and advances which were overdue as of March 31, 2023, refer note 42 to the standalone financial statements.

(d) The following amounts are overdue for more than ninety days from any other parties to whom loan has been granted. The Company has taken reasonable steps for recovery of the overdue amount of principal and interest.

(Amount in Rs)

Number of Cases	Principal Amount Overdue	Interest Overdue	Total Overdue
3,95,949	1,45,81,95,436	31,27,05,083	1,77,09,00,519

(a) The provisions of paragraph 3(iii)(e) of the Order are not applicable to the Company as its principal business is to give loans.

(b) The Company has not granted any loans or advances in the nature of loans that were either repayable on demand or without specifying any terms or period of repayment.

(iii) The Company has not advanced loans or made investments in or provided guarantees or security to parties covered by section 185 and 186 of the Companies Act, 2013. Accordingly, reporting under paragraph 3(iv) of the Order is not applicable.

(iv) The Company is a non-banking finance company and consequently is exempt from provisions of section 73 or any other relevant provisions of the Companies Act. Accordingly, reporting under paragraph 3(v) of the Order is not applicable.

(v) The maintenance of cost records has not been specified by the Central Government under section 148(1) of the Companies Act, 2013, for the business activities carried out by the Company. Accordingly, reporting under paragraph 3 (vi) of the Order is not applicable.

(vi) In respect of statutory dues:

The Company is regular in depositing undisputed statutory dues including Goods and Services Tax (GST), employees' state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess, any other statutory dues, as applicable, except for provident fund, to the appropriate authorities. According to the information and explanations given to us and based on verification carried out by us on test basis, there are arrears of statutory dues outstanding as on the last day of the financial year concerned for a period of more than six months from the date, they became payable.

Name of the Statute	Nature of the Dues	Amount (Rs.)	Period to which the amount relates	Due Date	Date of Payment
Employees Provident Fund Act, 1952	Provident Fund	1,08,641	FY 2017-18 to FY 2022-23	Various due dates	Unpaid

Amount unpaid due to non-availability of Aadhar no.

(b) According to the information and explanations given to us and the records of the Company examined by us, there are no disputed dues of income tax, sales tax, service tax, GST, duty of customs, duty of excise, value added taxes etc.as at 31st March 2023, which have not been deposited.

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

(ix) (a) The company has not defaulted in repayment of loans/ other borrowings or in the payment of interest thereon to any lender except in case of interest payment of Rs.64.86 million towards ISIN-INE046W07180 which was due on December 5, 2022 and was paid on December 7, 2022 (Refer note 51 (xxvii)). As informed to us, the payment was made within the curing period hence as mentioned in the respective agreement it has not been considered as default.

(b) The Company has not been declared as wilful defaulter by any bank or financial institution or other lender.

(c) The term loans availed by the Company during the year, were applied by the Company for the purposes for which the loans were obtained.

(d) According to the information and explanations given to us and based on verification carried out by us, funds raised on short term basis have not been utilised for long term purposes.

(e) The Company does not have subsidiary, associate, or joint venture. Accordingly, reporting on paragraph 3(ix)(e) of the Order is not applicable.

(f) The Company does not have subsidiary, associate, or joint venture. Accordingly, reporting on paragraph 3(ix)(f) of the Order is not applicable.

(x) (a) The Company has not raised monies by way of Initial Public Offer or Further Public Offer (including debt instruments) during the year.

(b) In our opinion and according to the information and explanations given to us, the company has utilized funds raised by way of preferential allotment or private placement of shares for the purposes for which they were raised.

(xi) (a) Except for cases aggregating to Rs. 64.57 million which largely pertains to cheating, forgery, misappropriation, criminal breach of trust and robbery we have neither come across any instance of fraud by the Company or any material instance of fraud on the Company by its officers or employees, noticed or reported.

(b) No report under section 143(12) of the Companies Act, 2013 has been filed during the year by 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 were received during the year by the Company.

(xii) The Company is not a Nidhi Company and hence reporting under paragraph 3(xii) of the Order is not applicable.

(xiii) Transactions with the related parties are in compliance with sections 177 and 188 of the Act and the details have been disclosed in the financial statements as required by the applicable accounting standards.

(xiv) (a) The Company has an internal audit system commensurate with the size and nature of its business.

(b) We have considered, the internal audit reports for the year under audit, issued to the Company during the year and till date, in determining the nature, timing and extent of our audit procedures.

(xv) In our opinion, during the year the Company has not entered into any non-cash transactions with its directors or persons connected with them and hence provisions of section 192 of the Companies Act, 2013 are not applicable to the Company.

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

(b) The Company has not conducted any Non-Banking Financial or Housing Finance activities without a valid Certificate of Registration (CoR) from the Reserve Bank of India as per the RBI as the Company has been registered throughout the year.

(c) The Company is not a Core Investment Company (CIC) as defined in the regulations made by the Reserve Bank of India. Accordingly, reporting on paragraph 3(xvi)(c) of the Order is not applicable.

(d) As informed to us, the Group does not have CIC. Accordingly, reporting on paragraph 3(xvi)(d) of the Order is not applicable

(xvii) The Company has not incurred cash losses in the financial year and in the immediately preceding financial year.

(xviii) There has been no resignation of the statutory auditors during the year. Accordingly, reporting on para 3(xviii) of the order is not applicable.

(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 and based on our examination of the evidence supporting the assumptions, nothing has come to our attention, which causes us to believe that any material uncertainty exists as on the date of the audit report, that Company is not capable of meeting its liabilities existing at the date of balance sheet as and when they fall due within a period of one year from the balance sheet date. We, however, state that this is not an assurance as to the future viability of the Company. We further state that our reporting is based on the facts up to the date of the audit report and we neither give any guarantee nor any assurance that all liabilities falling due within a period of one year from the balance sheet date, will get discharged by the Company as and when they fall due.

(xx) (a) There are no unspent amounts towards Corporate Social Responsibility (CSR) on other than ongoing projects requiring a transfer to a Fund specified in Schedule VII to the Companies Act in compliance with second proviso to sub-section (5) of section 135 of the said Act. Accordingly, reporting under paragraph 3(xx)(a) of the Order is not applicable for the year.

(b) There is no unspent amount towards Corporate Social Responsibility (CSR) in respect of ongoing projects requiring a transfer to a special account in compliance with sub-section (6) of section 135 of the Act. Accordingly, reporting on para 3(xx)(b) of the order is not applicable.

(xxi) The Company does not have subsidiary, associate or joint venture hence is not required to prepare consolidated financial statements. Accordingly, reporting on paragraph 3(xxi) of the Order is not applicable.

For **Sharp & Tannan Associates**
Chartered Accountants
Firm's Registration no. 109983W
by the hand of

CA Tirtharaj Khot
Partner
Membership no.(F) 037457
UDIN: 23037457BGYRJS7058

Pune, 6 May 2023

ANNEXURE B to the Independent Auditor's Report

Referred to in paragraph 2 (F) under the heading, "Report on other legal and regulatory requirements" of our report on even date:

Report on the Internal Financial Controls

[under Clause (i) of sub-section 3 of section 143 of the Companies Act, 2013 ("the Act")]

Opinion

We have audited the internal financial controls over financial reporting of Muthoot Microfin Limited (hereinafter referred as "the Company") as of 31 March 2023 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

In our opinion and to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2023, 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 (hereinafter referred as "the guidance note") issued by the Institute of Chartered Accountants of India (hereinafter referred as "ICAI").

Managements and Board of Directors responsibility for internal financial controls

The Company's Management and Board of Directors are 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. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditor's responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the guidance note and the Standards on Auditing issued by ICAI and deemed to be prescribed under section 143(10) of the Act, 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 standalone financial statements, whether due to fraud or error.

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

Meaning of internal financial controls over financial reporting

A Company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of standalone 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 standalone financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the standalone 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 **Sharp & Tannan Associates**
Chartered Accountants
Firm's Registration no. 109983W
by the hand of

CA Tirtharaj Khot
Partner
Membership no.(F) 037457
UDIN: 23037457BGYRJS7058

Pune, 6 May 2023

BALANCE SHEET as at March 31, 2023

(All amounts in INR millions, unless stated otherwise)

Particulars	Notes	As at March 31, 2023	As at March 31, 2022
Assets			
Financial assets			
Cash and cash equivalents	2	7,594.55	7,058.27
Bank balances other than cash and cash equivalents	3	3,909.58	2,940.89
Receivables			
Other receivables	4	722.10	167.73
Loans	5	70,266.85	43,981.11
Investments	6	633.59	0.45
Other financial assets	7	40.61	33.68
		83,167.28	**54,182.13**
Non-financial assets			
Current tax asset (net)	8	104.60	395.45
Deferred tax asset (net)	18	57.75	47.75
Property, plant and equipment	9	594.37	420.45
Right-of-use assets	10	1,121.72	791.19
Other intangible assets	11	2.92	0.84
Other non-financial assets	12	243.35	76.77
		2,124.71	**1,732.45**
Total		**85,291.99**	**55,914.58**
Liabilities and Equity			
Liabilities			
Financial liabilities			
Payables			
Other payables			
total outstanding dues of micro enterprises and small enterprises		-	-
total outstanding dues of creditors other than micro enterprises and small enterprises	13	119.27	75.34
Debt securities	14	13,701.51	6,746.27
Borrowings (other than debt securities)	15	51,230.25	32,969.85
Subordinated liabilities	16	-	249.97
Lease liability	10	1,299.40	913.96
Other financial liabilities	17	2,582.70	1,492.80
		68,933.13	**42,448.19**
Non Financial liabilities			
Provisions	19	36.13	49.38
Other non financial liabilities	20	64.24	51.22
		100.37	**100.60**
Equity			
Share capital	21	1,401.98	1,333.33
Other equity	22	14,856.51	12,032.46
		16,258.49	**13,365.79**
Total		**85,291.99**	**55,914.58**
Summary of Significant Accounting Policies	1		

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

For **Sharp & Tannan Associates**
Chartered Accountants
Firm's Registration No.: 109983W

For and on behalf of the Board of Directors of
Muthoot Microfin Limited

Tirtharaj Khot
Partner
Membership No.: 037457
Place: Pune

Thomas Muthoot
Managing Director
DIN: 00082099
Place: Kochi

Thomas John Muthoot
Director
DIN: 00011618
Place: Kochi

Thomas George Muthoot
Director
DIN: 00011552
Place: Kochi

Praveen T
Chief Financial Officer
Place: Kochi

Neethu Ajay
Company Secretary
Place: Kochi

Date: 06 May 2023

STATEMENT OF PROFIT AND LOSS for the year ended March 31, 2023

(All amounts in INR millions, unless stated otherwise)

Particulars	Notes	Year ended March 31, 2023	Year ended March 31, 2022
Revenue from operations			
Interest income	23	12,906.45	7,286.23
Fees and commission income	24	173.22	61.59
Net gain on fair value changes	25	1,115.37	910.31
Income on investments	26	83.35	58.29
Sale of services		9.25	8.64
Total revenue from operations		**14,287.64**	**8,325.06**
Other income	27	175.80	104.35
Total income		**14,463.44**	**8,429.41**
Expenses			
Finance costs	28	5,490.10	3,401.55
Fees and commission expenses	29	275.41	178.49
Impairment on financial instruments	30	2,233.18	1,111.53
Employee benefits expenses	31	3,225.58	2,370.81
Depreciation and amortisation expense	32	266.06	207.84
Other expenses	33	844.41	511.98
Total expenses		**12,334.74**	**7,782.20**
Profit before tax		**2,128.70**	**647.21**
Tax expense			
Current tax	35	679.91	224.05
Deferred tax	35	(142.59)	(56.14)
Tax relating to prior years		(47.51)	5.32
Profit for the Year (A)		**1,638.89**	**473.98**
Other Comprehensive income			
Items that will not be reclassified to profit and loss			
Remeasurement of the net defined benefit (liability)/asset		(22.09)	(17.14)
Income tax relating to the above		5.56	4.31
Items that will be reclassified to profit and loss			
Remeasurement of loan assets		548.84	449.13
Income tax relating to the above		(138.14)	(113.05)
Other comprehensive income/(loss) for the Year, net of tax (B)		**394.17**	**323.25**
Total comprehensive income/(loss) for the Year (A+B)		**2,033.06**	**797.23**
Earning per equity share (face value of ₹ 10 each)	34		
Basic (₹)		14.19	4.15
Diluted (₹)		11.98	3.97
Summary of Significant Accounting Policies	1		

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

This is the statement of profit and loss referred to in our report of even date.

For **Sharp & Tannan Associates**
Chartered Accountants
Firm's Registration No.: 109983W

For and on behalf of the Board of Directors of
Muthoot Microfin Limited

Tirtharaj Khot
Partner
Membership No.: 037457
Place: Pune

Thomas Muthoot
Managing Director
DIN: 00082099
Place: Kochi

Thomas John Muthoot
Director
DIN: 00011618
Place: Kochi

Thomas George Muthoot
Director
DIN: 00011552
Place: Kochi

Praveen T
Chief Financial Officer
Place: Kochi

Neethu Ajay
Company Secretary
Place: Kochi

Date: 06 May 2023

CASH FLOW STATEMENT for the Year ended March 31, 2023

(All amounts in INR millions, unless stated otherwise)

	Year ended March 31, 2023	Year ended March 31, 2022
Cash flows from operating activities		
Profit before tax	**2,128.70**	**647.21**
Adjustments		
Depreciation and amortisation	266.06	207.84
(Gain)/loss on sale of tangible assets	0.03	0.21
Provision for employee benefits	17.67	36.93
Impairment on financial instruments	2,233.18	1,111.53
Income from Investments	(83.35)	(58.29)
Interest income on security deposits	(3.31)	(3.23)
Gain on termination of lease	(2.46)	(4.50)
Gain on sale of loan asset through direct assignment	(1,115.37)	(910.31)
Adjustments towards effective interest rate in respect of loan assets	203.80	93.37
Adjustments towards effective interest rate in respect of debt securities, borrowings and subordinate liabilities	(106.91)	(137.53)
Share based payments	42.11	9.04
Adjustment on account of consolidation of ESOP trust	(0.60)	(1.24)
Finance cost on leases	128.93	96.74
Operating profit before working capital changes	**3,708.48**	**1,087.80**
Working capital changes		
(Increase)/decrease in loans	(27,058.51)	(10,872.01)
(Increase)/decrease in other receivables	(554.37)	(74.80)
(Increase)/decrease in other financial assets	(10.89)	(10.95)
(Increase)/decrease in other non financial assets	(165.85)	(32.42)
Increase/(decrease) in other payables	43.93	46.15
Increase/(decrease) in other financial liabilities	1,089.92	(410.08)
Increase/(decrease) in provisions	(53.00)	(51.07)
Increase/(decrease) in other non financial liabilities	13.02	12.29
Cash (used in)/generated from operating activities	**(22,987.27)**	**(10,305.10)**
Income taxes paid (net)	(341.54)	(530.67)
Net cash (used in)/generated from operating activities	**(23,328.81)**	**(10,835.76)**
Cash flows from investing activities		
Purchase of tangible assets (including capital advances, capital creditors and capital work in progress) and intangible assets	(281.79)	(114.26)
Investment in term deposits with banks (net)	(968.69)	(681.86)
Investment in equity instruments	(633.14)	-
Proceeds from sale of tangible assets	(0.03)	(0.21)
Profit on sale of investments	83.35	58.29
Net cash (used in)/generated from investing activities	**(1,800.30)**	**(738.03)**

CASH FLOW STATEMENT for the Year ended March 31, 2023

(All amounts in INR millions, unless stated otherwise)

	Year ended March 31, 2023	Year ended March 31, 2022
Cash flows from financing activities		
Proceeds from issue of equity shares	272.16	0.02
Proceeds from issue of preference shares	818.12	3,733.86
Share issue expenses	-	(78.86)
Proceeds from borrowings	36,394.80	23,837.50
Proceeds from debt securities	9,091.27	5,019.44
Proceeds from securitisation arrangement	13,092.63	4,857.22
Repayment of borrowings	(22,168.21)	(15,872.29)
Repayment of debt securities	(2,121.26)	(2,709.11)
Repayment of securitisation arrangement	(8,966.65)	(5,185.72)
Repayment of Subordinated Liabilities	(250.00)	-
Proceeds from treasury shares	(272.16)	6.79
Payment of lease liabilities	(225.30)	(167.56)
Net cash (used in)/generated from financing activities	**25,665.40**	**13,441.30**
Net (decrease)/increase in cash and cash equivalents	536.28	1,867.51
Cash and cash equivalents as at the beginning of the Year	7,058.27	5,190.76
Cash and cash equivalents as at the end of the Year	**7,594.55**	**7,058.27**
Operational cash flows from interest		
Interest paid	4,607.20	3,123.50
Interest received	11,441.52	6,488.46

* The Statement of Cash Flows has been presented using indirect method as per the requirements of Ind AS 7 - Statement of Cash Flows

Summary of Significant Accounting Policies (Refer note 1)

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

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

For **Sharp & Tannan Associates**
Chartered Accountants
Firm's Registration No.: 109983W

Tirtharaj Khot
Partner
Membership No.: 037457
Place: Pune

Date: 06 May 2023

For and on behalf of the Board of Directors of
Muthoot Microfin Limited

Thomas Muthoot
Managing Director
DIN: 00082099
Place: Kochi

Thomas John Muthoot
Director
DIN: 00011618
Place: Kochi

Thomas George Muthoot
Director
DIN: 00011552
Place: Kochi

Praveen T
Chief Financial Officer
Place: Kochi

Neethu Ajay
Company Secretary
Place: Kochi

STATEMENT OF CHANGES IN EQUITY

(All amounts in INR millions, unless stated otherwise)

A Equity share capital

Particulars	Balance as at April 1, 2021	Change in equity share capital during the year	Balance as at March 31, 2022	Change in equity share capital during the year	Balance as at March 31, 2023
Equity shares of ₹ 10 each, issued, subscribed and fully paid up	1,141.71	0.00	1,141.71	26.67	**1,168.38**

B Preference Share Capital

Particulars	Balance as at April 1, 2021	Change in preference share capital during the year	Balance as at March 31, 2022	Change in preference share capital during the year	Balance as at March 31, 2023
Compulsorily Convertible Preference Shares of ₹ 10 each, issued, subscribed and fully paid up	-	191.62	191.62	41.98	**233.60**

C Other equity

Particulars	Reserves and surplus						Other Comprehensive Income	Total
	Securities premium	Reserve fund u/s 45-IC of RBI Act 1934	Treasury shares	General reserves	Employee stock options outstanding	Retained earnings	Loan assets through other comprehensive income	
Balance as at April 1, 2021	**4,988.74**	**697.92**	**(32.19)**	**3.25**	**9.66**	**1,732.98**	**356.83**	**7,757.19**
Profit for the year	-	-	-	-	-	473.98	-	473.98
Transferred from retained earnings to reserve fund u/s 45-IC of RBI Act 1934	-	94.80	-	-	-	(94.80)	-	-
Provision for proposed dividend	-	-	-	-	-	(0.00)	-	(0.00)
Provision for tax on proposed dividend	-	-	-	-	-	(0.00)	-	(0.00)
Changes during the year in employee stock options outstanding	-	-	-	-	9.04	-	-	9.04
Proceeds on transfer during the year	-	-	6.79	6.47	(6.47)	-	-	6.79
Adjustment on account of consolidation of ESOP trust	-	-	-	(1.24)	-	-	-	(1.24)
Premium on issue of Equity shares	0.02	-	-	-	-	-	-	0.02
Premium on issue of Compulsorily Convertible Preference Shares	3,542.24	-	-	-	-	-	-	3,542.24

STATEMENT OF CHANGES IN EQUITY

(All amounts in INR millions, unless stated otherwise)

Particulars	Reserves and surplus						Other Comprehensive Income	Total
	Securities premium	Reserve fund u/s 45-IC of RBI Act 1934	Treasury shares	General reserves	Employee stock options outstanding	Retained earnings	Loan assets through other comprehensive income	
Share issue expenses	(78.86)	-	-	-	-	-	-	(78.86)
Other comprehensive income	-	-	-	-	-	(17.14)	449.13	431.99
Income tax relating to items of other comprehensive income	-	-	-	-	-	4.31	(113.05)	(108.73)
Balance as at March 31, 2022	**8,452.14**	**792.72**	**(25.40)**	**8.48**	**12.23**	**2,099.37**	**692.92**	**12,032.46**
Profit for the year	-	-	-	-	-	1,638.89	-	1,638.89
Transferred from retained earnings to reserve fund u/s 45-IC of RBI Act 1934	-	327.78	-	-	-	(327.78)	-	-
Provision for proposed dividend	-	-	-	-	-	-	-	-
Provision for tax on proposed dividend	-	-	-	-	-	-	-	-
Transfer during the year	-	-	-	-	-	-	-	-
Changes during the year in employee stock options outstanding	-	-	-	-	42.11	-	-	42.11
Proceeds on transfer during the year	-	-	(272.16)	-	-	-	-	(272.16)
Premium on issue of Equity shares	245.49	-	-	-	-	-	-	245.49
Premium on issue of Compulsorily Convertible Preference Shares	776.14	-	-	-	-	-	-	776.14
Adjustment on account of consolidation of ESOP trust	-	-	-	(0.60)	-	-	-	(0.60)
Other comprehensive income	-	-	-	-	-	(22.09)	548.84	526.75
Income tax relating to items of other comprehensive income	-	-	-	-	-	5.56	(138.14)	(132.58)
Balance as at March 31, 2023	**9,473.77**	**1,120.50**	**(297.56)**	**7.89**	**54.34**	**3,393.95**	**1,103.62**	**14,856.51**

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

NOTES FORMING PART OF FINANCIAL STATEMENTS

for the year ended March 31, 2023 (All amounts in INR millions, unless stated otherwise)

1. Summary of significant accounting policies and other explanatory information

a) Company overview

Muthoot Microfin Limited (the 'Company') was incorporated as a private limited company in the year 1992 under the erstwhile Companies Act, 1956. Effective 18 March 1998, the Company was registered as a non-deposit accepting Non-Banking Financial Company ('NBFC-ND') and is registered as a Non-Banking Financial Company – Micro Finance Institution ('NBFC-MFI') with the Reserve Bank of India ("RBI"), w.e.f. 25 March 2015. The Company's non-convertible debentures are listed on the Bombay Stock Exchange ('BSE').

The operations of the Company are based on the Grameen model of lending. It is designed to promote entrepreneurship among women and inclusive growth. The Company is primarily engaged in providing financial assistance through micro loans to women engaged in small income generating activities.

b) Basis of preparation

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

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

(ii) Historical cost convention

The financial statements have been prepared on going concern basis in accordance with accounting principles generally accepted in India. Further, the financial statements have been prepared on historical cost basis except for certain financial assets and financial liabilities, share based payments which are measured at fair values, and employee benefit plans which are measured using actuarial valuation, as explained in relevant accounting policies.

c) Summary of significant accounting policies

The financial statements have been prepared using the significant accounting policies and measurement bases summarised as below. These policies are applied consistently for all the periods presented in the financial statements, except where newly issued accounting standard is initially adopted.

i. Property, plant and equipment

Recognition and initial measurement

Property, plant and equipment are stated at their cost of acquisition. The cost comprises purchase price, borrowing cost if capitalization criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discount and rebates are deducted in arriving at the purchase price. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company. All other repair and maintenance costs are recognised in statement of profit and loss.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are recognised in statement of profit and loss.

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

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

Depreciation is calculated on pro rata basis from the date on which the asset is ready for use or till the date the asset is sold or disposed.

The residual values, useful lives and method of depreciation are reviewed at the end of each financial year.

NOTES FORMING PART OF FINANCIAL STATEMENTS

for the year ended March 31, 2023 (All amounts in INR millions, unless stated otherwise)

De-recognition

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the statement of profit and loss, when the asset is derecognised.

Capital work-in-progress

Capital work-in-progress are carried at cost, comprising direct cost and related incidental expenses acquire property, plant and equipment. Assets which are not ready to intended use are also shown under capital work-in-progress.

ii. Intangible assets

Recognition and initial measurement

Intangible assets are stated at their cost of acquisition. The cost comprises purchase price including any import duties and other taxes (other than those subsequently recoverable from taxation authorities), borrowing cost if capitalization criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use.

Subsequent measurement (amortisation method, useful lives and residual value)

Intangible assets are amortised on a straight line basis over the expected useful life from the date when the assets are available for use. The estimated useful life (amortisation period) of the intangible assets is arrived basis the expected pattern of consumption of economic benefits and is reviewed at the end of each financial year and the amortisation period is revised to reflect the changed pattern, if any.

iii. Revenue recognition

Interest and processing fee income on loans

Interest and processing fee income is recorded on accrual basis using the effective interest rate (EIR) method. Additional interest/overdue interest/penal charges, if any, are recognised only when it is reasonable certain that the ultimate collection will be made.

Income from assignment transactions

Income from assignment transactions i.e., present value of excess interest spread is recognised when the related loan assets are de-recognised. Interest income is also recognised on carrying value of assets over the remaining period of such assets.

Commission income

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

Dividend income

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

Miscellaneous income

All other income is recognized on an accrual basis, when there is no uncertainty in the ultimate realization/collection.

iv. Borrowing costs

All borrowing costs are charged to the Statement of Profit and Loss as incurred basis the effective interest rate method. Borrowing costs that are directly attributable to the acquisition and/or construction of a qualifying asset, till the time such qualifying assets become ready for its intended use/sale, are capitalised. Borrowing costs consists of interest and other cost that the Company incurred in connection with the borrowing of funds. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use.

v. Taxation

Tax expense recognized in Statement of Profit and Loss comprises the sum of deferred tax and current tax except to the extent it recognized in other comprehensive income or directly in equity.

Current tax comprises the tax payable or receivable on taxable income or loss for the year and any adjustment to the tax payable or

NOTES FORMING PART OF FINANCIAL STATEMENTS

for the year ended March 31, 2023 (All amounts in INR millions, unless stated otherwise)

receivable in respect of previous years. Current tax is computed in accordance with relevant tax regulations. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received after considering uncertainty related to income taxes, if any. Current tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity).

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

Minimum alternate tax ('MAT') credit entitlement is recognised as an asset only when and to the extent there is convincing evidence that normal income tax will be paid during the specified period. In the year in which MAT credit becomes eligible to be recognised as an asset, the said asset is created by way of a credit to the Statement of Profit and Loss and shown as MAT credit entitlement. This is reviewed at each balance sheet date and the carrying amount of MAT credit entitlement is written down to the extent it is not reasonably certain that normal income tax will be paid during the specified period.

Deferred tax is recognised in respect of temporary differences between carrying amount of assets and liabilities for financial reporting purposes and corresponding amount used for taxation purposes. Deferred tax assets are recognised on unused tax loss, unused tax credits and deductible temporary differences to the extent it is probable that the future taxable profits will be available against which they can be used. This is assessed based on the Company's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset only if there is a legally enforceable right to set off the recognised amounts, and it is intended to realise the asset and settle the liability on a net basis or simultaneously. Deferred tax relating to items recognised outside statement of profit and loss is recognised outside statement of profit or loss (either in other comprehensive income or in equity.

vi. Employee benefits

Short-term employee benefits

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

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

Defined Contribution plans

The Company has a defined contribution plans namely provident fund, pension fund and employees state insurance scheme. The contribution made by the Company in respect of these plans are charged to the Statement of Profit and Loss.

Defined benefit plans

The Company has an obligation towards gratuity, a defined benefit retirement plan covering eligible employees, where in the benefit employee will receive on retirement is defined by reference to employee's length of service and last drawn salary. Under the defined benefit plan, the amount that an employee will receive on retirement is defined by reference to the employee's length of service and final salary. The legal obligation for

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any benefits remains with the Company, even if plan assets for funding the defined benefit plan have been set aside. The liability recognised in the statement of financial position for defined benefit plans is the present value of the Defined Benefit Obligation (DBO) at the reporting date less the fair value of plan assets. Management estimates the DBO annually with the assistance of independent actuaries. Actuarial gains/losses resulting from re-measurements of the liability/asset are included in other comprehensive income.

Other long-term employee benefits

The Company also provides the benefit of compensated absences to its employees which are in the nature of long-term employee benefit plan. Liability in respect of compensated absences becoming due and expected to availed after one year from the Balance Sheet date is estimated on the basis of an actuarial valuation performed by an independent actuary using the projected unit credit method as on the reporting date. Actuarial gains and losses arising from past experience and changes in actuarial assumptions are charged to Statement of Profit and Loss in the year in which such gains or losses are determined.

vii. Share based payments

The Company has formulated an Employees Stock Option Schemes to be administered through a Trust. The fair value of options granted under Employee Stock Option Plan is recognised as an employee benefits expense with a corresponding increase in other equity. The total amount to be expensed is determined by reference to the fair value of the options. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in Statement of Profit and Loss, with a corresponding adjustment to equity.

viii. Impairment of non-financial assets

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. Recoverable amount is higher of an asset's net selling price and its value in use. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the Statement of Profit and Loss. If at the reporting date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount.

Compensation for impairment

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up are recognised in statement of profit and loss when the compensation becomes receivable.

ix. Impairment of financial assets

Loan assets

The Company follows a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised as below:

a) Stage 1 (1-30 days) includes loan assets that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date.

b) Stage 2 (31-90 days) includes loan assets that have had a significant increase in credit risk since initial recognition but that do not have objective evidence of impairment."

c) Stage 3 (more than 90 days) includes loan assets that have objective evidence of impairment at reporting date.

The Expected Credit Loss (ECL) is measured at 12-month ECL for Stage 1 loan assets and at lifetime ECL for Stage 2 and Stage 3 loan assets. ECL is the product of the Probability of Default, Exposure at Default and Loss Given Default, defined as follows:

Probability of Default (PD) - The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default

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and credit-impaired" above), either over the next 12 months (12 months PD), or over the remaining lifetime (Lifetime PD) of the obligation.

Loss Given Default (LGD) – LGD represents the Company's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and preference of claim and availability of collateral or other credit support.

Exposure at Default (EAD) – EAD is based on the amounts the Company expects to be owed at the time of default. For a revolving commitment, the Company includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.

Forward-looking economic information (including management overlay) is included in determining the 12-month and lifetime PD, EAD and LGD. The assumptions underlying the expected credit loss are monitored and reviewed on an ongoing basis.

Trade receivables

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

Other financial assets

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

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

Write-offs

Financial assets are written off either partially or in their entirety to the extent that there is no realistic prospect of recovery. Any subsequent recoveries are credited to impairment on financial instrument on statement of profit and loss.

x. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term highly liquid investments (certificate of deposits and commercial paper) that are readily convertible into known amount of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents includes bank overdrafts, if that are repayable on demand and form an integral part of the Company's cash management

xi. Provisions, contingent assets and contingent liabilities

Provisions are recognized only when there is a present obligation, as a result of past events, and when a reliable estimate of the amount of obligation can be made at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates. Provisions are discounted to their present values, where the time value of money is material.

Contingent liability is disclosed for:

a) Possible obligations which will be confirmed only by future events not wholly within the control of the Company or

b) Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

Contingent assets are neither recognised nor disclosed except when realisation of income is virtually certain, related asset is disclosed.

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xii. Leases

Company as a lessee

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time, the lease term, in exchange for consideration. The Company assesses whether a contract is, or contains, a lease on inception. The lease term is either the non-cancellable period of the lease and any additional periods when there is an enforceable option to extend the lease and it is reasonably certain that the Company will extend the term, or a lease period in which it is reasonably certain that the Company will not exercise a right to terminate. The lease term is reassessed if there is a significant change in circumstances. The Company recognizes 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.

Right-of-use assets are depreciated from the commencement date on a straight-line basis over the shorter of the lease term and useful life of the underlying asset. The lease liability is initially measured at the present value of the total lease payments due on the commencement date, discounted using either the interest rate implicit in the lease, if readily determinable, or more usually, an estimate of the Company's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise the following:

a) fixed payments, including payments which are substantively fixed;

b) variable lease payments that depend on a rate, initially measured using the rate as at the commencement. The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in a rate, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

As permitted by Ind AS 116, the Company does not recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. Payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.

xiii. Financial instruments

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

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted for transaction costs. Subsequent measurement of financial assets and financial liabilities is described below.

Non-derivative financial assets

Subsequent measurement

i. **Financial assets carried at amortised cost –** a financial asset is measured at the amortised cost if both the following conditions are met:

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

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

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method.

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Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in interest income in the Statement of Profit and Loss.

ii. **Financial assets carried at fair value through other comprehensive income** – a financial asset is measured at fair value, with changes in fair value being carried to other comprehensive income, if both the following conditions are met:

   a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and

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

De-recognition of financial assets

Financial assets (or where applicable, a part of financial asset or part of a group of similar financial assets) are derecognised (i.e. removed from the Company's balance sheet) when the contractual rights to receive the cash flows from the financial asset have expired, or when the financial asset and substantially all the risks and rewards are transferred. Further, if the Company has not retained control, it shall also derecognise the financial asset and recognise separately as assets or liabilities any rights and obligations created or retained in the transfer.

Non-derivative financial liabilities

Other financial liabilities - Subsequent measurement

Subsequent to initial recognition, all non-derivative financial liabilities, except compulsorily convertible preference shares, are measured at amortised cost using the effective interest method.

De-recognition of financial liabilities

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Profit and Loss.

First loss default guarantee

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

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

a) The amount of loss allowance (calculated as described in policy for impairment of financial assets)

b) Maximum amount payable as on the reporting date to the respective bank/ financial institution which is based on the amount of loans overdue for more than 90 days.

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

xiv. Earnings per share

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

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

xv. Segment reporting

The Company identifies segments on the basis of the internal organization and management structure. The accounting policies adopted for segment reporting are in line with the accounting policies of the Company. Segment revenue, segment expenses, segment assets and segment liabilities have been identified to segments on the basis of their relationship with the operating activities of the segment.

xvi. Foreign currency

Functional and presentation currency

Items included in the financial statement of the Company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements have been prepared and presented in Indian Rupees (INR), which is the Company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency, by applying the exchange rates on the foreign currency amounts at the date of the transaction. Foreign currency monetary items outstanding at the balance sheet date are converted to functional currency using the closing rate. Non-monetary items denominated in a foreign currency which are carried at historical cost are reported using the exchange rate at the date of the transaction.

Exchange differences arising on monetary items on settlement, or restatement as at reporting date, at rates different from those at which they were initially recorded, are recognized in the Statement of Profit and Loss in the year in which they arise.

xvii. Significant management judgement in applying accounting policies and estimation uncertainty

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the related disclosures. Actual results may differ from these estimates.

Significant management judgements

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

Business model assessment - The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Company monitors financial assets that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

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

Classification of leases – The Company enters into leasing arrangements for various assets. The classification of the leasing arrangement as a

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finance lease or operating lease is based on an assessment of several factors, including, but not limited to, transfer of ownership of leased asset at end of lease term, lessee's option to purchase and estimated certainty of exercise of such option, proportion of lease term to the asset's economic life, proportion of present value of minimum lease payments to fair value of leased asset and extent of specialized nature of the leased asset.

Expected credit loss ('ECL') – The measurement of expected credit loss allowance for financial assets requires use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. likelihood of customers defaulting and resulting losses). The Company makes significant judgements with regard to the following while assessing expected credit loss:

a) Determining criteria for significant increase in credit risk;

b) Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and

c) Establishing groups of similar financial assets for the purposes of measuring ECL.

Provisions – At each balance sheet date basis the management judgment, changes in facts and legal aspects, the Company assesses the requirement of provisions against the outstanding contingent liabilities. However, the actual future outcome may be different from this judgement.

Significant estimates

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

Defined benefit obligation (DBO) – Management's estimate of the DBO is based on a number of underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses.

Fair value measurements – Management applies valuation techniques to determine the fair value of financial instruments (where active market quotes are not available). This involves developing estimates and assumptions consistent with how market participants would price the instrument.

xviii.Implementation of Indian Accounting Standards by RBI

The RBI issued Circular DOR (NBFC).CC.PD. No.109/22.10.106/2019-20 dt. March 13,2020, which require Non-Banking Financial Companies (NBFCs) covered by Rule 4 of the Companies (Indian Accounting Standards) Rules, 2015 to comply with the respective circular while preparing the financial statements from financial year 2019-20 onwards.

NOTES TO FINANCIAL STATEMENTS

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2 Cash and cash equivalents

	As At March 31, 2023	As At March 31,2022
Cash in hand	17.34	46.81
Balances with banks in current account	2,713.55	4,891.79
Balance with cash collection agents	58.01	48.59
Term deposits with residual maturity of 3 months or less with scheduled banks	4,805.65	2,071.08
	7,594.55	**7,058.27**

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

(ii) Short-term deposits are made for varying periods of between seven days and three months, depending on the immediate cash requirements of the company, and to earn interest at the respective short-term deposit rates.

(iii) The company has not taken bank overdraft, therefore the cash and cash equivalents for cash flow statement is same as for cash and cash equivalents.

3 Bank balances other than cash and cash equivalents

	As At March 31, 2023	As At March 31,2022
Term deposits with bank not considered in Cash and cash equivalents	3,909.58	2,940.89
	3,909.58	**2,940.89**

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

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

(iii) Term deposits amounting to INR 3,908.44 millions (March 31, 2022: INR 2,911.19 millions) are held as pledged against borrowings and other commitments.

4 Other receivables

	As At March 31, 2023	As At March 31,2022
Unsecured, considered good	722.10	167.73
	722.10	**167.73**

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for the year ended March 31, 2023 (All amounts in INR millions, unless stated otherwise)

5 Loans

	As At March 31, 2023	As At March 31,2022
At amortised cost		
Term loans (refer note 5.1)	48,829.08	23,290.80
Employee loans (refer note 5.3)	1.10	0.90
	48,830.18	**23,291.70**
At fair value through other comprehensive income		
Term loans (refer note 5.2)	21,436.67	20,689.41
	21,436.67	**20,689.41**
	70,266.85	**43,981.11**

5.1 Term loans (at amortised cost)

	As At March 31, 2023	As At March 31,2022
Term loans		
(i) Joint liability group loans	49,702.55	24,473.99
(ii) Individual loans	568.43	472.02
(iii) Corporate loans	164.45	45.08
Total (gross)	**50,435.43**	**24,991.09**
Less: Allowance for impairment loss for loan assets	1,606.35	1,700.29
Total (net)	**48,829.08**	**23,290.80**
Secured	310.00	262.94
Unsecured	50,125.43	24,728.15
Total (gross)	**50,435.43**	**24,991.09**
Less: Allowance for impairment loss for loan assets	1,606.35	1,700.29
Total (net)	**48,829.08**	**23,290.80**
Loans in India		
Public sector	-	-
Individuals	50,270.98	24,946.01
Corporate loans	164.45	45.08
Total (gross)	**50,435.43**	**24,991.09**
Less: Allowance for impairment loss for loan assets	1,606.35	1,700.29
Total (net)	**48,829.08**	**23,290.80**

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 2023 (All amounts in INR millions, unless stated otherwise)

5.2 Term loans (at fair value through other comprehensive income)

	As At March 31, 2023	As At March 31,2022
Term loans	21,550.49	21,205.27
Total (gross)	**21,550.49**	**21,205.27**
Less: Allowance for impairment loss for loan assets	113.82	515.86
Total (net)	**21,436.67**	**20,689.41**
Secured	-	-
Unsecured	21,550.49	21,205.27
Total (gross)	**21,550.49**	**21,205.27**
Less: Allowance for impairment loss for loan assets	113.82	515.86
Total (net)	**21,436.67**	**20,689.41**
Loans in India		
Public sector	-	-
Individuals	21,550.49	21,205.27
Total (gross)	**21,550.49**	**21,205.27**
Less: Allowance for impairment loss for loan assets	113.82	515.86
Total (net)	**21,436.67**	**20,689.41**

5.3 Employee loans (at amortised cost)

	As At March 31, 2023	As At March 31,2022
Employee loans	1.10	0.90
Total (gross)	**1.10**	**0.90**
Less: Allowance for impairment loss for loan assets	-	-
Total (net)	**1.10**	**0.90**
(i) Key managerial personnel	-	-
(ii) Other employees	1.10	0.90
Total (gross)	**1.10**	**0.90**
Less: Allowance for impairment loss for loan assets	-	-
Total (net)	**1.10**	**0.90**

(i) All loans given to employees are without any security of assets or guarantee.

(ii) Refer note 39 for loans pledged as security .

(iii) Refer note 42 for expected credit loss related disclosures on loan assets .

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for the year ended March 31, 2023 (All amounts in INR millions, unless stated otherwise)

6 Investments

	As At March 31, 2023	As At March 31,2022
Investments at Carrying value		
Investment in ARC Trust	633.14	-
Investment in Associate Concern	0.45	0.45
Total (gross)	**633.59**	**0.45**
Less: Allowance for impairment loss	-	-
Total (net)	**633.59**	**0.45**
Investments in India	633.59	0.45
Investments outside India	-	-
	633.59	**0.45**

7 Other financial assets

	As At March 31, 2023	As At March 31,2022
(i) Security deposits (unsecured, considered good)	38.14	30.46
(ii) Employee advances	2.47	3.22
	40.61	**33.68**

8 Current tax assets (net)

	As At March 31, 2023	As At March 31,2022
Advance income tax (net)	104.60	395.45
	104.60	**395.45**

9 Property, plant and equipment

	Computer and accessories	Furniture and fixtures	Office equiments	Vehicles	Electrical fittings	Total
Gross block						
Balance as at April 1, 2021	**77.91**	**283.31**	**202.32**	**0.77**	**12.41**	**576.72**
Additions	19.89	39.89	45.70	-	1.87	107.34
Disposals	(0.21)	-	(2.14)	-	(0.62)	(2.98)
Balance as at March 31, 2022	**97.59**	**323.20**	**245.88**	**0.77**	**13.65**	**681.08**
Additions	35.30	100.08	90.71	-	53.16	279.25
Disposals	(0.25)	(0.19)	(4.78)	-	(0.36)	(5.57)
Balance as at March 31, 2023	**132.64**	**423.09**	**331.81**	**0.77**	**66.45**	**954.76**

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	Computer and accessories	Furniture and fixtures	Office equiments	Vehicles	Electrical fittings	Total
Accumulated depreciation						
Balance as at April 1, 2021	**53.49**	**61.07**	**59.19**	**0.43**	**4.10**	**178.28**
Charge for the year	15.82	28.34	39.21	0.09	1.24	84.71
Reversal on disposal of assets	(0.18)	-	(1.85)	-	(0.33)	(2.37)
Balance as at March 31, 2022	**69.13**	**89.41**	**96.55**	**0.52**	**5.01**	**260.63**
Charge for the year	18.05	34.73	48.45	0.10	3.52	104.85
Reversal on disposal of assets	(0.18)	(0.15)	(4.35)	-	(0.40)	(5.08)
Balance as at March 31, 2023	**87.00**	**123.99**	**140.65**	**0.62**	**8.13**	**360.39**
Net block						
Balance as at March 31, 2022	**28.46**	**233.79**	**149.32**	**0.24**	**8.64**	**420.45**
Balance as at March 31, 2023	**45.64**	**299.10**	**191.16**	**0.15**	**58.32**	**594.37**

* Vehicles amounting to INR 0.15 million (March 31, 2022: INR 0.24 million) have been pledged as security.

10 Right-of-use assets and lease liabilities

(i) Property, plant and equipment comprises owned and leased assets that do not meet the definition of investment property

	As At March 31, 2023	As At March 31,2022
Property, plant and equipment owned	594.38	420.45
Right-of-use assets	1,121.72	791.19
	1,716.10	**1,211.64**

(ii) Carrying value of right of use of assets at the end of the reporting year by class

	As At March 31, 2023	As At March 31,2022
Balance as at April 1, 2022	**791.19**	**700.16**
Additions	504.59	239.91
Deletions	(29.82)	(45.43)
Deletion of Accumulated Depreciation	16.77	19.26
Depreciation charge for the year	(161.01)	(122.71)
Balance as at March 31, 2023	**1,121.72**	**791.19**

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 2023 (All amounts in INR millions, unless stated otherwise)

(iii) Movement in lease liabilities

	As At March 31, 2023	As At March 31,2022
Balance as at April 1, 2022	**913.96**	**779.89**
Additions	497.32	235.56
Deletions	(15.51)	(30.67)
Interest on lease liabilities	128.93	96.74
Payment of lease liabilities	(225.30)	(167.56)
Balance as at March 31, 2023	**1,299.40**	**913.96**

(iv) Maturity analysis of lease liabilities

	As At March 31, 2023	As At March 31,2022
Less than one year	272.74	195.58
One to five years	1,031.32	762.17
More than five years	592.53	374.74
Total undiscounted lease liabilities as at March 31, 2023	**1,896.59**	**1,332.49**
Current	258.88	741.18
Non Current	1,040.52	172.78
Lease liabilities included in the statement of financial position	**1,299.40**	**913.96**

(v) Amounts recognised in profit and loss

	As At March 31, 2023	As At March 31,2022
Interest on lease liabilities (refer note 28)	128.93	96.74
Depreciation of right-of-use assets (refer note 32)	161.01	122.71
	289.94	**219.45**

(vi) Amounts recognised in the statement of cash flows

	As At March 31, 2023	As At March 31,2022
Total cash outflow for leases	**225.30**	**167.56**

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 2023 (All amounts in INR millions, unless stated otherwise)

11 Intangible assets

Particulars	Software
Gross block	
Balance as at April 1, 2021	**3.13**
Additions	-
Disposals	-
Balance as at March 31, 2022	**3.13**
Additions	2.56
Disposals	-
Balance as at March 31, 2023	**5.69**
Accumulated depreciation	
Balance as at April 1, 2021	**1.88**
Charge for the year	0.41
Reversal on disposal of assets	-
Balance as at March 31, 2022	**2.29**
Charge for the year	0.48
Reversal on disposal of assets	-
Balance as at March 31, 2023	**2.77**
Net block	
Balance as at March 31, 2022	**0.84**
Balance as at March 31, 2023	**2.92**

12 Other non-financial assets

	As At March 31, 2023	As At March 31,2022
Unsecured, considered good		
Capital advances	9.96	9.23
Balance with government authorities	42.18	32.68
Prepaid expenses	186.36	18.53
Advances	4.85	16.33
	243.35	**76.77**

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 2023 (All amounts in INR millions, unless stated otherwise)

13 Other payables

	As At March 31, 2023	As At March 31,2022
Dues to micro enterprises and small enterprises (refer note (i) below)	-	-
Dues to creditors other than micro enterprises and small enterpriseses	119.27	75.34
	119.27	**75.34**

(i) Under the Micro, Small and Medium Enterprises Development Act, 2006 ("MSMED Act") which came into force from October 2, 2006, certain disclosures are required to be made relating to micro and small 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.The disclosure as required by section 22 of MSMED Act has been given below:

	As At March 31, 2023	As At March 31,2022
(i) Principal amount remaining unpaid (but within due date as per the Micro, Small and Medium Enterprises Development Act, 2006)	-	-
(ii) Interest due thereon remaining unpaid	-	-
(iii) Interest paid by the Company in terms of Section 16 of the Micro, Small and Medium Enterprises Development Act, 2006, along-with the amount of the payment made to the supplier beyond the appointed day during the period.	-	-
(iv) Interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the period) but without adding interest specified under the Micro, Small and Medium Enterprises Development Act, 2006	-	-
(v) Interest accrued and remaining unpaid	-	-
(vi) Interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises	-	-

14 Debt securities

	As At March 31, 2023	As At March 31,2022
Secured (at amortised cost)		
Redeemable non-convertible debentures (refer note 38)	13,216.67	6,249.44
	13,216.67	**6,249.44**
Unsecured (at amortised cost)		
Commercial paper (refer note 38)	484.84	496.83
	484.84	**496.83**
	13,701.51	**6,746.27**
Borrowings in India	13,701.51	6,746.27
Borrowings outside India	-	-
	13,701.51	**6,746.27**

(i) Refer note 38 for interest rates, repayment terms and nature of security of debt securities.

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 2023 (All amounts in INR millions, unless stated otherwise)

15 Borrowings (other than debt securities)

	As At March 31, 2023	As At March 31,2022
Borrowings carried at amortised cost		
Term loans (Secured)		
From banks (refer note 38)	29,200.07	16,481.93
From financial institutions (refer note 38)	11,678.52	11,687.60
Borrowings under securitisation arrangement (refer note 38)	8,230.63	4,121.09
From financial institutions in Foreign Currency (ECB)(refer note 38)	2,047.76	-
Term loans (Unsecured)		
From financial institutions	73.27	679.23
	51,230.25	**32,969.85**
Borrowings in India	49,182.49	32,969.85
Borrowings outside India	2,047.76	**-**
	51,230.25	**32,969.85**

16 Subordinated liabilities

	As At March 31, 2023	As At March 31,2022
At amortised cost		
Unsecured term loan		
From financial institutions (refer note 38)	-	249.97
	-	**249.97**
Subordinated liabilities in India	-	249.97
Subordinated liabilities outside India	-	-
	-	**249.97**

17 Other financial liabilities

	As At March 31, 2023	As At March 31,2022
Interest accrued but not due on borrowings	946.80	299.75
Employee related payable	211.77	152.41
Payables towards securitisation/assignment transactions	907.17	109.62
Others	516.96	931.02
	2,582.70	**1,492.80**

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 2023 (All amounts in INR millions, unless stated otherwise)

18 Deferred tax asset / (liability) (net)

	As At March 31, 2023	As At March 31,2022
Tax effect of items constituting deferred tax liability:		
Direct assignment transactions	(702.43)	(566.69)
Adoption of EIR for borrowing cost	(86.51)	(59.60)
Tax effect of items constituting deferred tax asset:		
Provision for expected credit loss	562.81	498.92
Adoption of EIR for loan assets	132.33	81.04
Adoption of Ind AS 116	50.88	33.78
Others	100.67	60.30
	57.75	**47.75**

Movement in above mentioned deferred tax asset / (liability)

Particulars	As at April 1, 2021	Recognised in statement of profit and loss	Recognised in other comprehensive income	As at March 31, 2022	Recognised in statement of profit and loss	Recognised in other comprehensive income	As at March 31, 2023
Tax effect of items constituting deferred tax asset / (liability)							
Provision for expected credit loss	464.57	34.35	-	498.92	63.89	-	562.81
Adoption of EIR for loan assets	57.54	23.50	-	81.04	51.29	-	132.33
Direct assignment transactions	(446.92)	(6.73)	(113.05)	(566.69)	2.41	(138.14)	(702.43)
Adoption of EIR for borrowing cost	(24.98)	(34.61)	-	(59.60)	(26.91)	-	(86.51)
Adoption of Ind AS 116	22.67	11.11	-	33.78	17.10	-	50.88
Others	27.47	28.52	4.31	60.30	34.81	5.56	100.67
	100.35	**56.14**	**(108.74)**	**47.75**	**142.59**	**(132.58)**	**57.75**

19 Provisions

	As At March 31, 2023	As At March 31,2022
Provision for employee benefits		
Gratuity (refer note 36)	34.00	37.42
Compensated absences (refer note 36)	2.13	11.96
	36.13	**49.38**

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 2023 (All amounts in INR millions, unless stated otherwise)

20 Other non-financial liabilities

	As At March 31, 2023	As At March 31,2022
Statutory dues payable	64.24	51.22
	64.24	**51.22**

21 Equity share capital

	As At March 31, 2023	As At March 31,2022
Authorised share capital		
150,000,000 Equity shares of ₹ 10 each (March 31, 2022: 150,000,000)	1,500.00	1,500.00
50,000,000 Compulsorily convertible preference shares of ₹ 10 each (March 31, 2022: 50,000,000)	500.00	500.00
	2,000.00	**2,000.00**
Issued, subscribed and fully paid up share capital		
116,837,249 Equity shares of ₹ 10 each (March 31, 2022: 114,170,602)	1,168.38	1,141.71
23,360,260 Compulsorily Convertible Preference Shares of ₹ 10 each (March 31, 2022: 19,161,733)	233.60	191.62
	1,401.98	**1,333.33**

(i) Rights, preferences and restrictions attached to equity shares:

The company has equity shares having a par value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share. The company declares and pays dividend in Indian Rupees. The dividend proposed by the Board of Directors in any financial year is subject to the approval of the shareholders in the ensuing annual general meeting, except interim dividend. In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders. The equity shares shall be transferable subject to the provisions contained in the articles of association and in the agreements entered / to be entered into with the investors / shareholders from time to time.

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

	As At March 31, 2023		As At March 31,2022	
	No. of shares	Amount	No. of shares	Amount
Equity share capital of Rs. 10 each fully paid up				
Balance at the beginning of the year	114,170,602	1,141.71	114,170,502	1,141.71
Add: Issued during the year	2,666,647	26.67	100	0.00
Balance at the end of the year	**116,837,249**	**1,168.38**	**114,170,602**	**1,141.71**

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 2023 (All amounts in INR millions, unless stated otherwise)

(iii) Rights, preferences and restrictions attached to compulsorily convertible preference shares:

The company has issued Compulsorily Convertible Preference Shares (CCPS) having a par value of ₹ 10 per share. Each holder of CCPS is entitled to one vote per Equity Share on an As Converted Basis (with the Share Capital being calculated on an As Converted Basis). The holders of the CCPS shall be entitled to receive on their respective CCPS, a cumulative dividend at the rate of 0.001% (zero point zero zero one per-cent) of the face value of each CCPS per annum. The Company shall convert all the CCPS into Equity Shares if at any time the Company proposes to undertake a Qualified IPO.

(iv) Reconciliation of compulsorily convertible preference shares outstanding at the beginning and at the end of the year

	As At March 31, 2023		As At March 31,2022	
	No. of shares	Amount	No. of shares	Amount
Preference share capital of Rs. 10 each fully paid up				
Balance at the beginning of the year	19,161,733	191.62	-	-
Add: Issued during the year	4,198,527	41.98	19,161,733	191.62
Balance at the end of the year	**23,360,260**	**233.60**	**19,161,733**	**191.62**

(v) Shares held by the holding company

	As At March 31, 2023		As At March 31,2022	
	No. of shares	Amount	No. of shares	% holding
Muthoot Fincorp Limited	84,544,263	72.36%	72,625,449	63.61%

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

Equity shares of Rs.10 each

	As At March 31, 2023		As At March 31,2022	
	No. of shares	Amount	No. of shares	% holding
Muthoot Fincorp Limited	84,544,263	72.36%	72,625,449	63.61%
Creation Investments India LLC	13,006,778	11.13%	13,006,778	11.39%
Thomas Muthoot	3,556,959	3.04%	6,350,459	5.56%
Thomas John Muthoot	3,544,831	3.03%	6,328,806	5.54%
Thomas George Muthoot	3,543,909	3.03%	6,327,160	5.54%
Compulsorily Convertible Preference Shares of Rs.10 each				
Greater Pacific Capital WIV Ltd.	23,360,260	100.00%	19,161,733	100.00%

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 2023 (All amounts in INR millions, unless stated otherwise)

(vii) Shareholding of promoters as at balance sheet date:

	No. of shares	% of Total Shares	% Change during the year
Muthoot Fincorp Ltd	84,544,263	72.36%	8.75%
Thomas John Muthoot	3,544,831	3.03%	-2.51%
Thomas George Muthoot	3,543,909	3.03%	-2.51%
Thomas Muthoot	3,556,959	3.04%	-2.52%
Preethi John	1,513,904	1.30%	-1.07%
Nina George	1,514,826	1.30%	-1.07%
Remmy Thomas	1,501,776	1.29%	-1.06%
	99,720,468	**85.35%**	**-1.99%**

Note: The Company has issued 26,66,647 equity shares and 41,98,527 Compulsory Convertible Preference Shares (CCPS) (Both fully Paid up) during the Financial Year 2022-23.

(viii) The Company has neither issued any bonus shares nor has there been any buy-back of shares in the current year and five years immediately preceding the balance sheet date.

(ix) Refer note 43 for disclosures related to capital management of the company.

22 Other equity

	As At March 31, 2023	As At March 31,2022
Securities premium	9,473.77	8,452.14
Reserve fund u/s 45-IC of RBI Act 1934	1,120.50	792.72
Employee stock options outstanding	54.34	12.23
Loan assets through other comprehensive income	1,103.62	692.92
Retained earnings	3,393.95	2,099.37
Treasury shares	(297.56)	(25.40)
General reserve	7.89	8.48
	14,856.51	**12,032.46**

Nature and purpose of reserves

Securities premium reserve

Securities premium reserve is used to record the premium on issue of shares. The reserve can be utilised only for limited purposes such as issuance of bonus shares in accordance with the provisions of the Companies Act, 2013.

Reserve fund u/s 45-IC of RBI Act 1934

The company creates a reserve fund in accordance with the provisions of section 45-IC of the Reserve Bank of India Act, 1934 and transfers therein an amount of equal to/more than twenty per cent of its net profit of the year, before declaration of dividend. Accordingly, during the year, the Company has transferred an amount of INR 327.78 million (March 31, 2022: INR 94.80 million).

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 2023 (All amounts in INR millions, unless stated otherwise)

Employee stock options outstanding

The account is used to recognise the grant date value of options issued to employees under Employee stock option plan and adjusted as and when such options are exercised or otherwise expire.

Loan assets through other comprehensive income

The Company recognises changes in the fair value of loan assets held with business objective of collect and sell in other comprehensive income. These changes are accumulated within the FVOCI debt investments reserve within equity. The company transfers amounts from this reserve to the statement of profit and loss when the loan assets are sold. Any impairment loss on such loans are reclassified immediately to the statement of profit and loss.

Retained earnings

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

Treasury shares

Treasury shares represents company's own equity shares held by employee welfare trust.

General reserve

Represents the profits or losses made by the employee welfare trust on account of issue or sale of treasury stock.

23 Interest income

	For the year ended March 31, 2023	For the year ended March 31,2022
On financial assets measured at amortised cost		
Interest on loan assets	10,313.32	6,399.18
Interest income on deposits from banks	178.51	125.97
	10,491.83	**6,525.15**
On financial assets measured at fair value through other comprehensive income		
Interest on loan assets	2,414.62	761.08
	2,414.62	**761.08**
	12,906.45	**7,286.23**

24 Fees and commission income

	For the Year Ended March 31, 2023	For the Year Ended March 31,2022
Fee income recognised over a certain period of time (refer note 47)	19.91	4.36
Fee income that are recognised at point in time (refer note 47)	153.31	57.23
	173.22	**61.59**

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 2023 (All amounts in INR millions, unless stated otherwise)

25 Net gain on fair value changes

	For the Year Ended March 31, 2023	For the Year Ended March 31,2022
Gain on sale of loans assets recognised through Profit & Loss account	**1,115.37**	**910.31**

26 Income from investments

	For the Year Ended March 31, 2023	For the Year Ended March 31,2022
Income from investments	83.35	58.29
	83.35	**58.29**
Realised	83.35	58.29
Unrealised	-	-
	83.35	**58.29**

27 Other income

	For the Year Ended March 31, 2023	For the Year Ended March 31,2022
Interest income on security deposits	3.31	3.23
Bad debt recovered	143.59	71.17
Miscellaneous income	28.90	29.95
	175.80	**104.35**

28 Finance costs

	For the Year Ended March 31, 2023	For the Year Ended March 31,2022
On financial liabilities measured at amortised cost		
Interest on borrowings other than debt securities	4,063.02	2,639.77
Interest on debt securities	1,295.20	630.41
Interest on subordinated liabilities	2.95	34.63
Interest cost on lease liabilities (refer note 10)	128.93	96.74
	5,490.10	**3,401.55**

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 2023 (All amounts in INR millions, unless stated otherwise)

29 Fees and commission expenses

	For the Year Ended March 31, 2023	For the Year Ended March 31,2022
Fees and commission expenses	275.41	178.49
	275.41	**178.49**

30 Impairment on financial instruments

	For the Year Ended March 31, 2023	For the Year Ended March 31,2022
Loans		
Write off	1,402.81	737.80
Waive off	476.59	263.04
Provision for impairment on loan assets	353.78	110.69
	2,233.18	**1,111.53**

31 Employee benefits expenses

	For the Year Ended March 31, 2023	For the Year Ended March 31,2022
Salaries and wages	2,876.80	2,115.03
Contribution to provident and other funds	234.01	186.28
Share based payments	42.11	9.04
Gratuity and compensated absence	17.67	36.93
Staff welfare expenses	54.99	23.53
	3,225.58	**2,370.81**

32 Depreciation and amortisation

	For the Year Ended March 31, 2023	For the Year Ended March 31,2022
Depreciation (refer note 9)	104.57	84.72
Depreciation on right-of-use assets (refer note 10)	161.01	122.71
Amortisation (refer note 11)	0.48	0.41
	266.06	**207.84**

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 2023 (All amounts in INR millions, unless stated otherwise)

33 Other expenses

	For the Year Ended March 31, 2023	For the Year Ended March 31,2022
Rent	23.52	10.21
Rates and taxes	6.04	5.53
Repairs and maintenance - others	14.69	6.81
Communication expenses	70.83	47.50
Printing and stationery	31.77	20.55
Marketing expenses	13.54	10.24
Auditors' remuneration		
Statutory audit	4.36	4.36
Limited review	2.29	1.53
Tax audit	0.55	0.55
Other certifications	0.33	0.33
Reimbursement of expenses	0.22	0.22
Legal and professional charges	149.18	57.23
Traveling and conveyance	347.76	217.35
Software support charges	45.78	40.92
Power and fuel	28.32	17.86
Office expenses	37.82	25.36
Corporate social responsibility expenses*	6.23	19.95
Miscellaneous expenses	61.18	25.48
	844.41	**511.98**

***Corporate social responsibility expenses**

(a) Gross amount required to be spent by the Company during the year ended March 31, 2023 is INR 6.23 million (March 31, 2022 INR 19.95 million).

(b) Amount spent during the year :

	For the Year Ended March 31, 2023	For the Year Ended March 31,2022
(i) Construction/ acquisition of any asset		
In cash	-	-
Yet to be paid	-	-
	-	-
(ii) On purpose other than (i) above		
In cash	6.23	19.95
Yet to be paid	-	-
	6.23	19.95
	6.23	**19.95**

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 2023 (All amounts in INR millions, unless stated otherwise)

34 Earnings per share (basic and diluted)

	For the Year Ended March 31, 2023	For the Year Ended March 31,2022
Net profit for the year	1,638.89	473.98
Weighted-average number of equity shares for basic EPS	115.51	114.17
Weighted-average number of equity shares adjusted for the effect of dilution	136.77	119.28
Par value per share	10.00	10.00
Earnings per share - Basic	14.19	4.15
Earnings per share - Diluted	11.98	3.97

35 Tax expense

	For the Year Ended March 31, 2023	For the Year Ended March 31,2022
Current tax	679.91	224.05
Deferred tax	(142.59)	(56.14)
	537.32	**167.91**
The reconciliation of estimated income tax expense at statutory income tax rate to income tax expense reported in statement of profit and loss is as follows:		
Profit before tax	**2,128.70**	**647.21**
Statutory income tax rate	25.17%	25.17%
Expected income tax expense	**535.75**	**162.89**
Tax effect of adjustments to reconcile expected income tax expense to reported income tax expense		
Tax on expense not eligible for deduction	1.57	5.02
Tax effect of change in tax rate	-	-
Deferred tax liability relating to earlier years	-	-
Impact of different tax rate on certain items	-	-
Others	-	-
Total income tax expense	**537.32**	**167.91**

36 Employee benefit obligations

	As At March 31, 2023	As At March 31,2022
Defined benefit plans		
Gratuity	34.00	37.42
Leave encashment	2.13	11.96

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 2023 (All amounts in INR millions, unless stated otherwise)

A. Gratuity

(i) The Company provides for gratuity for employees in India as per the Payment of Gratuity Act, 1972. Employees who are in continuous service for a period of 5 years are eligible for gratuity. The amount of gratuity payable on retirement/termination is the employee's last drawn basic salary per month computed proportionately for 15 days multiplied by the number of years of service.

(ii) Amount recognised in the statement of profit and loss

	As At March 31, 2023	As At March 31,2022
Current service cost	24.97	23.28
Interest cost (net)	2.32	1.72
Actuarial loss/(gain) recognised during the year	22.09	17.14
Amount recognised in total comprehensive income	**49.38**	**42.14**

(iii) Movement in the present value of defined benefit obligation recognised in the balance sheet

	As At March 31, 2023	As At March 31, 2022
Present value of defined benefit obligation as at the beginning of the year	**140.22**	**102.25**
Current service cost	24.97	23.28
Interest cost	8.68	5.88
Benefits paid	(18.21)	(8.80)
Actuarial loss/ (gain)	22.80	17.61
Present value of defined benefit obligation as at the end of the year	**178.46**	**140.22**

(iv) Movement in the plan assets recognised in the balance sheet

	As At March 31, 2023	As At March 31,2022
Fair value of plan assets at the beginning of the year	**102.80**	**71.92**
Expected return on plan assets	6.36	4.16
Contributions by employer	52.80	35.05
Benefits paid	(18.21)	(8.80)
Actuarial (loss)/gain	0.71	0.47
Fair value of plan assets at the end of the year	**144.46**	**102.80**

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

	As At March 31, 2023	As At March 31,2022
Present value of funded obligation as at the end of the year	178.46	140.22
Fair value of plan assets as at the end of the period funded status	144.46	102.80
Funded net liability recognized in balance sheet	**34.00**	**37.42**

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 2023 (All amounts in INR millions, unless stated otherwise)

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

	As At March 31, 2023	As At March 31,2022
Actuarial loss/(gain) on assets	(0.71)	(0.47)
Actuarial (gain)/loss on liabilities		
Actuarial (gain)/loss from change in demographic assumption	(4.56)	(3.60)
Actuarial (gain)/loss from change in financial assumption	(2.32)	(2.15)
Actuarial (gain)/loss from experience adjustment	29.68	23.36
Total Actuarial (gain)/loss on liabilities	**22.80**	**17.61**
Total actuarial (gain)/loss	**22.09**	**17.14**

(vii) Actuarial assumptions used for determination of the liability of the Company:

	As At March 31, 2023	As At March 31,2022
Discount rate	7.30%	6.19%
Rate of increase in compensation levels	7.75%	7.00%
Attrition rate		
Field employees	37.05%	33.58%
Other than field employees	29.59%	21.49%
Retirement age	60 years	60 years
Expected average remaining working lives of employees (in years)	32.76	32.86

Notes to actuarial assumptions:

(a) Gratuity is payable to the employees on death or resignation or on retirement at the attainment of superannuation age.

(b) These assumptions were developed by management with the assistance of independent actuarial appraisers. Discount factors are determined close to each year-end by reference to government bonds and that have terms to maturity approximating to the terms of the related obligation. Other assumptions are based on management's historical experience.

(c) The discount rate is based on the prevailing market yield of Government of India bonds as at the balance sheet date for the estimated terms of obligations.

(d) The estimates of future salary increases considered takes into account the inflation, seniority, promotion and other relevant factors.

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 2023 (All amounts in INR millions, unless stated otherwise)

(viii) Sensitivity analysis for gratuity liability

	As At March 31, 2023	As At March 31,2022
Present value of obligation at the end of the year	178.46	140.22
a) Impact of change in discount rate		
- Impact due to increase of 0.50%	(1.99)	(2.25)
- Impact due to decrease of 0.50%	2.05	2.34
b) Impact of change in salary increase		
- Impact due to increase of 1%	3.94	4.50
- Impact due to decrease of 1%	(3.81)	(4.28)
c) Impact of change in attrition rate		
- Impact due to increase of 5%	(4.20)	(4.83)
- Impact due to decrease of 5%	4.69	5.49

The above sensitivity analysis is based on a change an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied which was applied while calculating the defined benefit obligation liability recognised in the balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to previous year.

(ix) Maturity profile of defined benefit obligation

	As At March 31, 2023	As At March 31,2022
Within next 12 months	46.93	26.20
Between 1-5 years	117.09	86.10
Beyond 5 years	52.07	65.31
	216.08	**177.61**

(x) Category of plan assets

	As At March 31, 2023	As At March 31,2022
Fund managed by insurer	144.46	102.80

(xi) The Company expects to contribute INR 39.93 millions (previous year INR 33.59 millions) to its gratuity plan for the next year.

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 2023 (All amounts in INR millions, unless stated otherwise)

B. Compensated absence

(i) The Company provides encashment of compensated absence based on the approved Company policy. Employees whose service is permanent will be eligible for privilege of compensated absence on calendar year basis, and it is mandatory that a minimum of 5 leaves need to be taken in an year.

(ii) Amount recognised in the statement of profit and loss

	As At March 31, 2023	As At March 31,2022
Current service cost	6.17	9.62
Interest cost (net)	0.57	1.01
Actuarial loss/(gain) recognised during the year	(16.40)	1.27
Amount recognised in total comprehensive income	**(9.66)**	**11.90**

(iii) Movement in the present value of defined benefit obligation recognised in the balance sheet

	As At March 31, 2023	As At March 31, 2022
Present value of defined benefit obligation as at the beginning of the year	**64.21**	**50.60**
Current service cost	6.17	9.62
Interest cost	3.08	3.16
Benefits paid	(1.77)	(0.53)
Actuarial loss/ (gain)	(15.40)	1.36
Present value of defined benefit obligation as at the end of the year	**56.29**	**64.21**

(iv) Movement in the plan assets recognised in the balance sheet

	As At March 31, 2023	As At March 31,2022
Fair value of plan assets at the beginning of the Year	**52.25**	**34.55**
Expected return on plan assets	2.51	2.15
Contributions by employer	0.18	15.97
Benefits paid	(1.77)	(0.53)
Actuarial (loss)/gain	1.00	0.09
Fair value of plan assets at the end of the year	**54.15**	**52.25**

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

	As At March 31, 2023	As At March 31,2022
Present value of funded obligation as at the end of the year	56.29	64.21
Fair value of plan assets as at the end of the period funded status	54.15	52.25
Funded net liability recognized in balance sheet	**2.14**	**11.96**

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 2023 (All amounts in INR millions, unless stated otherwise)

(vi) Actuarial (gain)/loss recognised in the statement of profit and loss

	As At March 31, 2023	As At March 31,2022
Actuarial (gain)/loss on assets	**(1.00)**	**(0.09)**
Actuarial (gain)/loss on liabilities		
Actuarial (gain)/loss from change in demographic assumption	(1.80)	(2.09)
Actuarial (gain)/loss from change in financial assumption	(0.19)	(0.48)
Actuarial (gain)/loss from experience adjustment	(13.41)	3.92
Total Actuarial (gain)/loss on liabilities	**(15.40)**	**1.36**
Total actuarial (gain)/loss	**(16.40)**	**1.27**

(vii) Actuarial assumptions used for determination of the liability of the Company:

	As At March 31, 2023	As At March 31,2022
Discount rate	7.30%	6.63%
Rate of increase in compensation levels	7.75%	7.00%
Attrition rate		
Field employees	37.05%	33.58%
Other than field employees	29.59%	21.49%
Retirement age	60 years	60 years
Expected average remaining working lives of employees (in years)	31.41	31.68

Notes to actuarial assumptions:

(a) Encashment of compensated absence is payable to the employees on death or resignation or on retirement at the attainment of superannuation age, and it is not applicable on termination and unserved notice period of an employee.

(b) These assumptions were developed by management with the assistance of independent actuarial appraisers. Discount factors are determined close to each year-end by reference to government bonds and that have terms to maturity approximating to the terms of the related obligation. Other assumptions are based on management's historical experience.

(c) The discount rate is based on the prevailing market yield of Government of India bonds as at the balance sheet date for the estimated terms of obligations.

(d) The estimates of future salary increases considered takes into account the inflation, seniority, promotion and other relevant factors.

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 2023 (All amounts in INR millions, unless stated otherwise)

(viii) Sensitivity analysis for compensated absence liability

	As At March 31, 2023	As At March 31,2022
a) Impact of change in discount rate		
Present value of obligation at the end of the year	56.29	64.21
- Impact due to increase of 0.50 %	(0.42)	(0.56)
- Impact due to decrease of 0.50 %	0.43	0.57
b) Impact of change in salary increase		
Present value of obligation at the end of the year		
- Impact due to increase of 1 %	0.86	1.14
- Impact due to decrease of 1 %	(0.84)	(1.11)
c) Impact of change in attrition rate		
Present value of obligation at the end of the year		
- Impact due to increase of 5 %	(1.20)	(3.16)
- Impact due to decrease of 5 %	1.42	3.83

The above sensitivity analysis is based on a change in assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied which was applied while calculating the defined benefit obligation liability recognised in the balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to previous year.

(ix) Maturity profile of defined benefit obligation

	As At March 31, 2023	As At March 31,2022
Within next 12 months	27.46	28.23
Between 1-5 years	32.24	38.01
Beyond 5 years	3.87	6.76
Total	**63.57**	**73.00**

(x) Category of plan assets

	As At March 31, 2023	As At March 31,2022
Fund managed by insurer	54.15	52.25

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 2023 (All amounts in INR millions, unless stated otherwise)

37 Related parties disclosures

Names of related parties

Nature of relationship	Name of the party
Holding Company	Muthoot Fincorp Limited
Entities in which KMP are able to exercise control or have significant influence	Muthoot Exim Private Limited
	Muthoot Pappachan Foundation
Fellow subsidiary	Muthoot Pappachan Technologies Limited
Common directorship	The Thinking Machine Media Private Limited
	M-Liga Sports Excellence Private Limited
Key Management Personnel (KMP)	Thomas Muthoot, Managing Director
	Thomas John Muthoot, Director
	Thomas George Muthoot, Director
	John Tyler Day, Director
	T S Vijayan, Independent Director
	Alok Prasad, Independent Director
	Bhama Krishnamurthy, Independent Director
	Pushpy B Muricken, Independent Director
	Akshaya Prasad, Non-executive Director
	R. Anand, Independent Director
	Sadaf Sayeed, Chief Executive Officer
	Praveen.T, Chief Financial Officer
	Neethu Ajay, Company Secretary

Note : Mr.John Tyler Day (20.12.2022) and Mr.R. Anand (20.12.2022) were appointed during the year and Mr.Kenneth Dan Vander Weele (21.11.2022) and Mr.Thomas Muthoot John (27.03.2023) were resigned during the year.

Transactions with related parties

Nature	Name of the party	Year ended March 31, 2023	Year ended March 31, 2022
Cash management charges*	Muthoot Fincorp Limited	50.16	34.11
Commission income*	Muthoot Fincorp Limited	0.07	2.87
Commission income*	Muthoot Exim Private Limited	5.05	3.56
Software support charges*	Muthoot Pappachan Technologies Limited	12.15	12.88
Rent expenses*	Muthoot Fincorp Limited	2.31	3.15
Rent expenses*	Thomas Muthoot	2.90	2.69
Rent expenses*	Thomas George Muthoot	4.96	3.17
Rent expenses*	Thomas John Muthoot	1.29	1.16
Rental deposits given/ (refunded)	Muthoot Fincorp Limited	(0.25)	0.13

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 2023 (All amounts in INR millions, unless stated otherwise)

Nature	Name of the party	Year ended March 31, 2023	Year ended March 31, 2022
CSR expenditure	Muthoot Pappachan Foundation	6.23	19.93
Travel expenses*	Muthoot Fincorp Limited	0.26	0.35
Trade mark Fees*	Thomas George Muthoot	0.03	0.20
Trade mark Fees*	Thomas John Muthoot	0.03	0.20
Trade mark Fees*	Thomas Muthoot	0.03	0.20
Sitting fees*	Pushpy B Muricken	0.54	0.66
Sitting fees*	T S Vijayan	0.66	0.63
Sitting fees*	Alok Prasad	0.75	0.78
Sitting fees*	Bhama Krishnamurthy	0.66	0.78
Sitting fees*	R.Anand	0.09	-
Remuneration	Sadaf Sayeed	37.31	43.17
Remuneration	Praveen T	4.95	4.17
Remuneration	Neethu Ajay	1.92	1.62
Gold Auction	Muthoot Exim Private Limited	0.91	-
Marketing Expenses*	M-Liga Sports Excellence Private Limited	5.00	-

* excluding taxes

Balance at the end of the year

Nature	Name of the party	Year ended March 31, 2023	Year ended March 31, 2022
Cash management charges and Commission payable	Muthoot Fincorp Limited	4.03	3.69
Other receivable (commission income)	Muthoot Fincorp Limited	0.00	0.03
Other receivable (commission income)	Muthoot Exim Private Limited	0.23	0.47
Rent payable	Muthoot Fincorp Limited	0.19	0.29
Rent payable	Thomas Muthoot	0.27	0.25
Rent payable	Thomas George Muthoot	0.66	0.29
Rent payable	Thomas John Muthoot	0.14	0.10
Rental deposit	Muthoot Fincorp Limited	0.54	0.79
Rental deposit	Thomas Muthoot	0.18	0.18
Rental deposit	Thomas George Muthoot	0.10	0.10
Rental deposit	Thomas John Muthoot	0.08	0.08
Travel charges payable	Muthoot Fincorp Limited	0.10	-
Trade mark fee payable	Thomas George Muthoot	0.04	0.04
Trade mark fee payable	Thomas John Muthoot	0.04	0.04
Trade mark fee payable	Thomas Muthoot	0.04	0.04
Sitting fee payable	Alok prasad	0.02	-

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 2023 (All amounts in INR millions, unless stated otherwise)

Nature	Name of the party	Year ended March 31, 2023	Year ended March 31, 2022
Sitting fee payable	Bhama Krishnamurthy	0.03	-
Sitting fee payable	Pushpy Muricken	0.03	-
Sitting fee payable	T S Vijayan	0.03	-
Sitting fee payable	R Anand	0.03	-
Investment in equity instruments	The Thinking Machine Media Private Limited	0.45	0.45

Key management personnel remuneration includes the following expenses:

Nature	Year ended March 31, 2023	Year ended March 31, 2022
Short-term employee benefits (current)	44.10	48.29
Post-employment benefits	0.08	0.67
	44.18	**48.95**

38 Details of terms & conditions of debt securities, borrowings and subordinated liabilities

	Debt securities	Interest commencement month	Principal repayment month	Interest rate p.a	Nature of the security	Outstanding as at	
S No.	Repayment terms					March 31, 2023	March 31, 2022
1	Principal: Bullet repayment, Interest: Half-yearly	Mar-18	Sep-23	11.90%	Exclusive charge over book debts equivalent to 100% of loan and interest amount.	749.81	749.39
2	Principal: Bullet repayment, Interest: Half-yearly	May-20	Nov-24	12.06%	Exclusive charge over book debts equivalent to 100% of loan and interest amount.	699.42	699.07
3	Principal: Bullet repayment, Interest: Half-yearly	May-21	Nov'23 and May'24	12.06%	Exclusive charge over book debts equivalent to 100% of loan and interest amount.	450.00	450.00
4	Principal: Bullet repayment, Interest: Half-yearly	May-21	May-22	10.50%	Exclusive charge over book debts equivalent to 110% of loan and interest amount.	-	399.72
5	Principal: Bullet repayment, Interest: Bullet repayment	Dec-22	Dec-22	10.25%	Exclusive charge over book debts equivalent to 110% of loan and interest amount.	-	737.27
6	Principal: Bullet repayment, Interest: Bullet repayment	Jul-23	Jul-23	10.50%	Exclusive charge over book debts equivalent to 110% of loan and interest amount.	497.64	489.45
7	Principal: Bullet repayment, Interest: Bullet repayment	Mar-24	Mar-24	10.60%	Exclusive charge over book debts equivalent to 110% of loan and interest amount.	1,137.46	1,120.91

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 2023 (All amounts in INR millions, unless stated otherwise)

S No.	Debt securities Repayment terms	Interest commencement month	Principal repayment month	Interest rate p.a	Nature of the security	Outstanding as at March 31, 2023	 March 31, 2022
8	Principal: Bullet repayment, Interest: Bullet repayment	Oct-23	Oct-23	10.40%	Exclusive charge over book debts equivalent to 110% of loan and interest amount.	990.48	972.47
9	Principal: Bullet repayment, Interest: Bullet repayment	Sep-23	Sep-23	10.10%	Exclusive charge over book debts equivalent to 110% of loan and interest amount.	643.85	631.16
10	Principal: Bullet repayment, Interest: Bullet repayment	Apr-22	Apr-22	9.95%	Unsecured	-	248.64
11	Principal: Bullet repayment, Interest: Bullet repayment	Apr-22	Apr-22	9.95%	Unsecured	-	248.19
12	Principal: Bullet repayment, Interest: Half-yearly	Nov-22	May-25	11.46%	Exclusive charge over book debts equivalent to 105%	379.35	-
13	Principal: Bullet repayment, Interest: Half-yearly	Dec-22	Jun-25	11.55%	Exclusive charge over book debts equivalent to 105%	1,119.34	-
14	Principal: Half-yearly, Interest: Quarterly	Sep-22	Dec'24, Jun'25 and Dec'25	9.90%	Exclusive charge over book debts equivalent to 100%	929.70	-
15	Principal: Bullet repayment, Interest: Bullet repayment	Jan-24	Jan-24	10.45%	Exclusive charge over book debts equivalent to 110%	984.37	-
16	Principal: Bullet repayment, Interest: Bullet repayment	Apr-24	Apr-24	10.60%	Exclusive charge over book debts equivalent to 110%	686.50	-
17	Principal: Bullet repayment, Interest: Bullet repayment	Jan-24	Jan-24	10.45%	Exclusive charge over book debts equivalent to 110%	982.25	-
18	Principal: Bullet repayment, Interest: Bullet repayment	Jun-24	Jun-24	10.00%	Exclusive charge over book debts equivalent to 110%	984.06	-
19	Principal: Half-yearly, Interest: Monthly	Feb-23	Jan'24, Jul'24, Jan'25, Jul'25, Jan'26	11.00%	Exclusive charge over book debts equivalent to 110%	1,982.45	-
20	Principal: Bullet repayment, Interest: Bullet repayment	Sep-22	Sep-22	9.95%	Unsecured	-	-
21	Principal: Bullet repayment, Interest: Bullet repayment	Jul-23	Jul-23	9.65%	Unsecured	484.84	-
					Total	**13,701.51**	**6,746.27**

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 2023 (All amounts in INR millions, unless stated otherwise)

Subordinated liabilities

						Outstanding as at	
S No.	Repayment terms	Interest commencement month	Principal repayment month	Interest rate p.a	Nature of the security	March 31, 2023	March 31, 2022
1	Principal: Bullet repayment Interest: Monthly"	Aug-16	Apr-22	13.75%	Unsecured	-	249.97
					Total	**-**	**249.97**

Borrowings (other than debt securities) - from banks (Secured)

								Outstanding as at	
S No.	Repayment terms	No of instalments	Amount per instalment	Repayment commencement month	Interest Type	Interest Rate terms	Nature of the security	March 31, 2023	March 31, 2022
1	Quarterly	12	29.00	May-21	Variable	MCLR + 4.00.%	Cash margin of 5%, Exclusive charge over book debts equivalent to 117%	117.81	233.24
2	Monthly	30	50.00	Mar-20	Variable	MCLR+2.35%	Exclusive charge over book debts equivalent to 115% of loan amount and Cash margin of 5%.	-	349.41
3	Monthly	36	8.06	May-19	Variable	MCLR + 155 bps	Exclusive charge over book debts equivalent to 105% of loan amount and Cash margin of 5%.	-	8.06
4	Monthly	21	4.76	Mar-21	Fixed	9.75%	Exclusive charge over book debts equivalent to 105% of loan amount	-	38.06
5	Monthly	24	23.30	May-21	Fixed	11%	Exclusive charge over book debts equivalent to 110%	19.06	232.45
6	Half Yearly	5	100.00	Dec-21	Variable	MCLR + 0.60%	Exclusive charge over book debts equivalent to 110%	199.09	397.25
7	Monthly	24	29.17	Mar-21	Fixed	10.50%	Exclusive charge over book debts equivalent to 110% of loan amount	-	320.38
8	Quarterly	12	166.70	Apr-21	Variable	MCLR + 3%	Exclusive charge over book debts equivalent to 133% of loan amount and Cash margin of 5%.	664.36	1,325.07
9	Monthly	30	8.33	Apr-20	Variable	MCLR+2.75%	Exclusive charge over book debts equivalent to 105% of loan amount and Cash margin of 5%.	0.00	49.95

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 2023 (All amounts in INR millions, unless stated otherwise)

								Outstanding as at	
S No.	Repayment terms	No of instalments	Amount per instalment	Repayment commencement month	Interest Type	Interest Rate terms	Nature of the security	March 31, 2023	March 31, 2022
10	Monthly	30	16.67	Jul-20	Variable	MCLR+2.75%	Exclusive charge over book debts equivalent to 105% of loan amount and Cash margin of 5%.	-	149.81
11	Bullet payment	1	187.50	Jun-22	Variable	9.75%	Exclusive charge over book debts equivalent to 105% of loan amount and Cash margin of 5%.	-	187.50
12	Monthly	24	10.42	Jul-21	Variable	10.75%	Exclusive charge over book debts equivalent to 110% of loan amount and Cash Margin of 5%	31.22	155.54
13	Monthly	36	12.44	Sep-21	Variable	EBMR + 7.4%	Exclusive charge over book debts equivalent to 110% of loan amount	194.80	313.68
14	Monthly	32	15.63	Jan-22	Variable	MCLR + 1%	Exclusive charge over book debts equivalent to 110% of loan amount and Cash Margin of 5%	264.41	449.60
15	Monthly	36	27.80	Oct-21	Variable	MCLR + 1.25%	Exclusive charge over book debts equivalent to 110% of loan amount	496.54	824.21
16	Monthly	24	11.67	Oct-21	Variable	MCLR + 2.1%	Exclusive charge over book debts equivalent to 110% of loan amount and Cash margin of 5%.	69.66	207.04
17	Monthly	33	60.61	Jan-22	Variable	MCLR + 1.2%	Exclusive charge over book debts equivalent to 110% of loan amount and Cash Margin 5%	-	1,807.40
18	Monthly	36	27.78	Oct-21	Variable	MCLR + 2%	Exclusive charge over book debts equivalent to 110% of loan amount and Cash Margin 5%	498.58	829.48
19	Bullet payment	1	62.50	Oct-22	Variable	9.75%	Exclusive charge over book debts equivalent to 105% of loan amount and Cash Margin 5%	-	62.50
20	Quarterly	8	100.00	Feb-22	Variable	8.75%	Exclusive charge over book debts equivalent to 105% of loan amount and Cash Margin 5%	299.75	698.58
21	Bullet payment	1	200.00	Nov-22	Variable	9.75%	Exclusive charge over book debts equivalent to 105% of loan amount and Cash Margin 5%	-	200.00

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 2023 (All amounts in INR millions, unless stated otherwise)

22	Monthly	24	12.92	Jan-22	Variable	MCLR +2.1%	Exclusive charge over book debts equivalent to 105% of loan amount	102.62	267.09
23	Quarterly	7	178.57	Jul-22	Variable	BB-EBR + 2.56%	Exclusive charge over book debts equivalent to 105% of loan amount	534.42	1,244.67
24	Quarterly	7	107.14	Sep-22	Variable	BB-EBR + 2.56%	Exclusive charge over book debts equivalent to 105% of loan amount	427.59	746.30
25	Monthly	22	68.18	Mar-22	Variable	MCLR +3.50%	Exclusive charge over book debts equivalent to 110% of loan amount and Cash Margin 5%	612.25	1,424.41
26	Monthly	24	20.90	Feb-22	Variable	Repo rate + 6.25%	Exclusive charge over book debts equivalent to 110% of loan amount and Cash Margin 5%	206.78	455.05
27	Half Yearly	5	100.00	Nov-22	Variable	MCLR + 0.85%	Exclusive charge over book debts equivalent to 110% of loan amount	399.14	498.08
28	Monthly	24	20.83	Mar-22	Variable	MCLR + Spread	Exclusive charge over book debts equivalent to 100% of loan amount	228.22	475.89
29	Bullet payment	1	412.50	Jan-23	Variable	9.75%	Exclusive charge over book debts equivalent to 105% of loan amount and Cash Margin 5%	-	412.50
30	Monthly	24	20.83	Jul-22	Variable	RRLR + 350 bps	Exclusive charge over book debts equivalent to 100% of loan amount	312.08	498.61
31	Monthly	30	50.00	Sep-22	Variable	9.50%	Exclusive charge over book debts equivalent to 110% of loan amount and Cash margin of 5%.	397.35	497.05
32	Monthly	23	31.25	Jun-22	Fixed	10.50%	Exclusive charge over book debts equivalent to 110% of loan amount	436.94	748.06
33	Bullet payment	1	375.00	Apr-22	Variable	9.75%	Exclusive charge over book debts equivalent to 105% of loan amount and Cash Margin 5%	-	375.00
34	Monthly	22	31.82	Sep-22	Variable	MCLR03 + 1.85%	Exclusive charge over book debts equivalent to 110% of loan amount,Cash margin of 5%.	475.63	-

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 2023 (All amounts in INR millions, unless stated otherwise)

35	Monthly	22	2.27	Oct-22	Variable	MCLR03 + 1.85%	Exclusive charge over book debts equivalent to 110% of loan amount,Cash margin of 5%.	36.22	-
36	Monthly	24	10.42	Jul-22	Variable	T Bill Rate + Spread	Exclusive charge over book debts equivalent to 110% of loan amount,Cash margin of 5%.	155.99	-
37	Quarterly	10	25.00	Jan-23	Variable	Repo rate + 5.85%	Exclusive charge over book debts equivalent to 110% of loan amount,Cash margin of 5%.	223.80	-
38	Quarterly	8	25.00	Oct-22	Variable	MCLR + 300 bps	Exclusive charge over book debts equivalent to 110% of loan amount,Cash margin of 5%.	149.51	-
39	Monthly	24	10.42	Aug-22	Variable	3M T Bill +4.85%	Exclusive charge over book debts equivalent to 105% of loan amount,Cash margin of 5%.	166.05	-
40	Monthly	24	10.42	Mar-23	Variable	3M T Bill +4.85%	Exclusive charge over book debts equivalent to 105% of loan amount,Cash margin of 5%.	238.12	-
41	Quarterly	9	277.78	Dec-22	Variable	I MCLR-3M+ Spread	Exclusive charge over book debts equivalent to 105% of loan amount,Cash margin of 5%.	1,936.84	-
42	Quarterly	11	272.73	Feb-23	Variable	6M MCLR +255 bps	Exclusive charge over book debts equivalent to 125% of loan amount,Cash margin of 5%.	2,702.14	-
43	Monthly	24	20.83	Dec-22	Variable	3M MCLR+Spread	Exclusive charge over book debts equivalent to 110% of loan amount,Cash margin of 5%.	412.41	-
44	Monthly	24	20.83	Feb-23	Variable	3M MCLR+Spread	Exclusive charge over book debts equivalent to 110% of loan amount,Cash margin of 5%.	454.63	-
45	Monthly	24	20.83	Oct-22	Variable	Repo rate+ Spread	Exclusive charge over book debts equivalent to 110% of loan amount	383.27	-
46	Monthly	35	42.86	Oct-22	Variable	MCLR +Spread	Exclusive charge over book debts equivalent to 117% of loan amount, Cash margin of 5%.	1,231.54	-

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 2023 (All amounts in INR millions, unless stated otherwise)

47	Quarterly	12	58.33	Dec-22	Variable	3M MCLR+300bps	Exclusive charge over book debts equivalent to 112% of loan amount,Cash margin of 10%.	576.63	-
48	Monthly	33	30.30	Dec-22	Variable	MCLR +2.25%	Exclusive charge over book debts equivalent to 110% of loan amount,Cash margin of 10%.	867.45	-
49	Quarterly	12	83.33	Dec-22	Variable	MCLR+2.50%	Exclusive charge over book debts equivalent to 110% of loan amount,Cash margin of 5%.	822.00	-
50	Monthly	24	27.92	Jan-23	Variable	EBLR+Spread	Exclusive charge over book debts equivalent to 110% of loan amount	580.00	-
51	Quarterly	8	87.50	Feb-24	Fixed	10.10%	Exclusive charge over book debts equivalent to 105% of loan amount,Cash margin of 5%.	687.30	-
52	Monthly	24	16.67	Feb-23	Fixed	11.10%	Exclusive charge over book debts equivalent to 110% of loan amount	365.89	-
53	Monthly	24	4.17	May-23	Fixed	11.50%	Exclusive charge over book debts equivalent to 110% of loan amount	100.00	-
54	Quarterly	7	285.71	Jun-23	Variable	EBR+Spread	Exclusive charge over book debts equivalent to 110% of loan amount	1,995.55	-
55	Monthly	24	16.67	Mar-23	Variable	3M MCLR +Spread	Exclusive charge over book debts equivalent to 100% of loan amount	380.75	-
56	Quarterly	8	62.50	Mar-23	Variable		Exclusive charge over book debts equivalent to 110% of loan amount	432.21	-
57	Monthly	24	20.83	Feb-23	Variable		Exclusive charge over book debts equivalent to 110% of loan amount.	450.69	-
58	Monthly	22	28.64	Apr-23	Variable		Exclusive charge over book debts equivalent to 110% of loan .	626.23	-
59	Quarterly	8	237.50	May-23	Fixed		Exclusive charge over book debts equivalent to 105% of loan amount,Cash margin of 5%.	1,895.33	-
60	Bullet Payment	1	300.00	Feb-24	Fixed		Exclusive charge over book debts equivalent to 105% of loan amount,Cash margin of 5%.	299.27	-

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for the year ended March 31, 2023 (All amounts in INR millions, unless stated otherwise)

61	Monthly	36	27.78	Apr-23	Variable		Exclusive charge over book debts equivalent to 111% of loan amount,Cash margin of 10%.	997.28	-
62	Quarterly	9	61.11	Jul-23	Variable		Exclusive charge over book debts equivalent to 105% of loan amount,Cash margin of 5%.	544.67	-
63	Monthly	21	119.05	Jul-23	Variable		Exclusive charge over book debts equivalent to 110% of loan amount	2,500.00	-

Borrowings (other than debt securities) - from financial institutions (Secured)

S No.	Repayment terms	No of instalments	Amount per instalment	Repayment commencement month	Interest Type	Interest Rate terms	Nature of the security	Outstanding as at March 31, 2023	Outstanding as at March 31, 2022
64	Quarterly	12	33.34	Jun-21	Fixed	11%	Exclusive charge over book debts equivalent to 105% of loan amount and Cash margin of 5%.	133.14	266.14
65	Monthly	24	20.83	Jan-21	Variable	Mas PLR - 4.7%	Exclusive charge over book debts equivalent to 110% of loan amount and Cash margin of 5%.	0.00	186.74
66	Monthly	28	35.72/ 35.56	Mar-20	Variable	Interest + Spread	Exclusive charge over book debts equivalent to 100% of loan amount	-	106.91
67	Monthly	11	750.00	Jan-19	Variable	As per RBI norms	Exclusive charge over book debts equivalent to 110% of loan amount	199.88	399.55
68	Half Yearly	11	375.00	Jul-19	Variable	As per RBI norms	Exclusive charge over book debts equivalent to 110% of loan amount	149.90	249.73
69	Half Yearly	11	7.50	Jan-20	Variable	As per RBI norms	Exclusive charge over book debts equivalent to 112.74% of loan amount	88.00	275.00
70	Yearly	2	1,190.00	Dec-21	Fixed	7.05%	Exclusive charge over book debts equivalent to 112% of loan amount and Cash Margin of 10%	-	510.00
71	Monthly	30	66.66	Sep-20	Fixed	12%	Cash margin of 10.00%.	-	732.81

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for the year ended March 31, 2023 (All amounts in INR millions, unless stated otherwise)

72	Monthly	24	9.31	May-21	Fixed	10.75%	Exclusive charge over book debts equivalent to 110% of loan amount and Cash margin of 5%	10.12	114.25
73	Quarterly	12	12.50	Jun-21	Fixed	12%	Exclusive charge over book debts equivalent to 110% of loan amount and Cash margin of 5%.	49.89	99.78
74	Monthly	24	10.42	Sep-21	Variable	CGCL LTRR +/- applicable margin	Exclusive charge over book debts equivalent to 115% of loan amount	52.05	176.71
75	Annually	2	1400 & 600	Jul-22	Fixed	7% & 9.25%	Exclusive charge over book debts equivalent to 113% of loan amount and Cash margin of 10%.	-	2,000.00
76	Quarterly	8	43.75	Feb-22	Fixed	11.50%	Exclusive charge over book debts equivalent to 110% of loan amount	131.00	304.90
77	Monthly	24	16.67	Feb-22	Variable	MAS PLR - 5.15%	Exclusive charge over book debts equivalent to 110% of loan amount and Cash margin of 5%.	166.33	365.08
78	Monthly	36	4.26	May-22	Fixed	11.10%	Exclusive charge over book debts equivalent to 110% of loan amount and Cash margin of 5%.	94.47	129.38
79	Monthly	36	4.92	May-22	Fixed	11.10%	Exclusive charge over book debts equivalent to 110% of loan amount and Cash margin of 5%.	109.00	149.28
80	Monthly	36	0.66	May-22	Fixed	11.10%	Exclusive charge over book debts equivalent to 110% of loan amount and Cash margin of 5%.	14.53	19.90
81	Monthly	10	100.00	May-22	Variable	Repo Rate + 2%	Exclusive charge over book debts equivalent to 110% of loan amount	-	999.02

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82	Monthly	30	33.33	Aug-22	Variable	Repo Rate + 6%	Exclusive charge over book debts equivalent to 100% of loan amount and Cash Margin 10%	733.01	1,000.00
83	Monthly	33	60.60	Jun-22	Fixed	5.15%	Exclusive charge over book debts equivalent to 100% of loan amount	1,385.16	1,979.83
84	Quarterly	8	18.75	May-22	Fixed	11.50%	Exclusive charge over book debts equivalent to 110% of loan amount	74.81	149.23
85	Quarterly	12	25.00	Jun-22	Fixed	11.40%	Exclusive charge over book debts equivalent to 110% of loan amount and Cash margin of 5%.	201.38	299.22
86	Monthly	12	88.62	May-22	Fixed	11.50%	Exclusive charge over book debts equivalent to 110% of loan amount	-	995.07
87	Quarterly	12	25.00	Jun-22	Fixed	11.00%	Exclusive charge over book debts equivalent to 110% of loan amount and Cash margin of 5%.	103.00	179.07
88	Monthly	21	9.52	Aug-22	Fixed	10.75%	Exclusive charge over book debts equivalent to 110% of loan amount	122.90	-
89	Monthly	21	14.29	Sep-22	Fixed	10.75%	Exclusive charge over book debts equivalent to 110% of loan amount	199.73	-
90	Monthly	24	18.33	Jul-22	Variable	LTLR-8.80%	Exclusive charge over book debts equivalent to 110% of loan amount	273.08	-
91	Monthly	24	25.00	Aug-22	Variable	FFR+Spread	Exclusive charge over book debts equivalent to 115% of loan amount	412.15	-
92	Monthly	24	41.67	Oct-22	Variable	3M MCLR+Spread	Exclusive charge over book debts equivalent to 110% of loan amount	767.95	-
93	Quarterly	8	43.75	Dec-22	Fixed	11.50%	Exclusive charge over book debts equivalent to 111% of loan amount	261.40	-
94	Monthly	24	12.50	Oct-22	Fixed	11.75%	Exclusive charge over book debts equivalent to 110% of loan amount	231.07	-

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for the year ended March 31, 2023 (All amounts in INR millions, unless stated otherwise)

95	Monthly	24	8.33	Oct-22	Variable	MAS PLR-5.60%	Exclusive charge over book debts equivalent to 110% of loan amount,Cash margin of 5%.	149.69	-
96	Quarterly	11	45.45	May-23	Fixed	11.50%	Exclusive charge over book debts equivalent to 110% of loan amount	498.90	-
97	Monthly	21	23.81	May-23	Variable	PLR-925 bps	Exclusive charge over book debts equivalent to 110% of loan amount	497.83	-
98	Quarterly	11	272.73	Jun-23	Fixed	10.95%	Exclusive charge over book debts equivalent to 110% of loan amount,Cash margin of 5%.	2,999.49	-
99	Monthly	24	12.50	Feb-23	Variable	LTRR-Spread	Exclusive charge over book debts equivalent to 110% of loan amount	373.23	-
100	Monthly	24	12.50	Jan-23	Variable	MAS PLR-5.60%	Exclusive charge over book debts equivalent to 110% of loan amount,Cash margin of 5%.	262.25	-
101	Monthly	24	8.33	Feb-23	Variable	MAS PLR-5.60%	Exclusive charge over book debts equivalent to 110% of loan amount,Cash margin of 5%.	183.16	-
102	Monthly	24	31.25	Apr-23	Fixed	11.00%	Exclusive charge over book debts equivalent to 110% of loan amount	750.00	-

Borrowings (other than debt securities) - from financial institutions (Unsecured)

								Outstanding as at	
S No.	**Repayment terms**	**No of instalments**	**Amount per instalment**	**Repayment commencement month**	**Interest Type**	**Interest Rate terms**	**Nature of the security**	**March 31, 2023**	**March 31, 2022**
103	Monthly	24	47.31	Jan-21	Variable	FBLR - 1.3%	Unsecured	-	402.81
104	Monthly	24	18.923	Aug-21	Variable	FBLR - 1.3%	Unsecured	73.27	276.42

Borrowings (other than debt securities) - under securitisation arrangements

								Outstanding as at	
S No.	**Repayment terms**	**No of instalments**	**Amount per instalment**	**Repayment commencement month**	**Interest Type**	**Interest Rate terms**	**Nature of the security**	**March 31, 2023**	**March 31, 2022**
105	Monthly	18	Based on Actual collection	Jan-21	Fixed	9.75%	Exclusive charge over book debts equivalent to 110% of loan amount and Cash margin of 8%.	-	107.60
106	Monthly	24	Based on Actual collection	Jan-21	Fixed	9.25% and 12%	Exclusive charge over book debts equivalent to 108.30% of loan amount and Cash margin of 10%.	-	34.51

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for the year ended March 31, 2023 (All amounts in INR millions, unless stated otherwise)

107	Monthly	15	Based on Actual collection	Apr-21	Fixed	9.00%	Exclusive charge over book debts equivalent to 108.0% of loan amount and Cash margin of 10%.	-	103.96
108	Monthly	15	Based on Actual collection	Apr-21	Fixed	8.75% and 12%	Exclusive charge over book debts equivalent to 108.0% of loan amount and Cash margin of 8%.	-	77.82
109	Monthly	17	Based on Actual collection	Apr-21	Fixed	9.25%	Exclusive charge over book debts equivalent to 110.0% of loan amount and Cash margin of 7.25%.	-	536.16
110	Monthly	17	Based on Actual collection	Jul-21	Fixed	9.15%	Exclusive charge over book debts equivalent to 108.70% of loan amount and Cash margin of 12%.	-	235.94
111	Monthly	21	Based on Actual collection	Sep-21	Fixed	9.60%	Exclusive charge over book debts equivalent to 111.11% of loan amount and Cash margin of 10%.	-	666.26
112	Monthly	18	Based on Actual collection	Nov-21	Fixed	9.15%	Exclusive charge over book debts equivalent to 108.68% of loan amount and Cash margin of 12%.	-	295.97
113	Monthly	17	Based on Actual collection	Nov-21	Fixed	9.20%	Exclusive charge over book debts equivalent to 111.21% of loan amount and Cash margin of 10%.	-	355.83
114	Monthly	19	Based on Actual collection	Jan-22	Fixed	9.15%	Exclusive charge over book debts equivalent to 108.70% of loan amount and Cash margin of 12%.	25.44	335.76
115	Monthly	20	Based on Actual collection	Jan-22	Fixed	9.15%	Exclusive charge over book debts equivalent to 108.70% of loan amount and Cash margin of 12%.	-	504.71
116	Monthly	18	Based on Actual collection	Feb-22	Fixed	9.50%	Exclusive charge over book debts equivalent to 111.12% of loan amount and Cash margin of 10%.	69.14	866.58
117	Monthly	18	Based on Actual collection	Jun-22	Fixed	9.15%	Exclusive charge over book debts equivalent to 111% of loan amount,Cash margin of 10%.	209.69	-
118	Monthly	18	Based on Actual collection	Jul-22	Fixed	9.50%	Exclusive charge over book debts equivalent to 111% of loan amount,Cash margin of 10%.	266.38	-

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 2023 (All amounts in INR millions, unless stated otherwise)

119	Monthly	18	Based on Actual collection	Aug-22	Fixed	9.50%	Exclusive charge over book debts equivalent to 111% of loan amount,Cash margin of 10%.	290.79	-
120	Monthly	17	Based on Actual collection	Aug-22	Fixed	9.50%	Exclusive charge over book debts equivalent to 114% of loan amount,Cash margin of 8%.	211.62	-
121	Monthly	17	Based on Actual collection	Oct-22	Fixed	9.75%	Exclusive charge over book debts equivalent to 111% of loan amount,Cash margin of 12.50%.	338.62	-
122	Monthly	17	Based on Actual collection	Sep-22	Fixed	9.25%	Exclusive charge over book debts equivalent to 114% of loan amount,Cash margin of 10%.	554.04	-
123	Monthly	17	Based on Actual collection	Oct-22	Fixed	9.60%	Exclusive charge over book debts equivalent to 114% of loan amount,Cash margin of 7.4%.	940.72	-
124	Monthly	15	Based on Actual collection	Dec-22	Fixed	9.85%	Exclusive charge over book debts equivalent to 114% of loan amount,Cash margin of 9.5%.	575.73	-
125	Monthly	17	Based on Actual collection	Jan-23	Fixed	9.25%	Exclusive charge over book debts equivalent to 114% of loan amount,Cash margin of 7.5%.	729.28	-
126	Monthly	18	Based on Actual collection	Mar-23	Fixed	9.25%	Exclusive charge over book debts equivalent to 114% of loan amount,Cash margin of 5.5%.	2,751.96	-
127	Monthly	17	Based on Actual collection	Apr-23	Fixed	9.25%	Exclusive charge over book debts equivalent to 114% of loan amount,Cash margin of 5.5%.	1,267.23	-
							Total	**49,182.49**	**32,969.85**

External Commercial Borrowing

S No.	Repayment terms	Interest commencement month	Principal repayment month	Interest rate p.a	Nature of the security	March 31, 2023	March 31, 2022
1	Principal: Yearly, Interest: Half-yearly	Apr-23	Oct'24, Oct'25 and Oct'26	Limited to SOFR plus 500bps	Exclusive charge over book debts equivalent to 110%	1,232.10	-
2	Principal: Yearly, Interest: Half-yearly	May-23	Nov'24, Nov'25 and Nov'26	Limited to SOFR plus 500bps	Exclusive charge over book debts equivalent to 110%	815.66	-

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 2023 (All amounts in INR millions, unless stated otherwise)

S No.	Repayment terms	Interest commencement month	Principal repayment month	Interest rate p.a	Nature of the security	March 31, 2023	March 31, 2022
					Total	**2,047.76**	**-**
						64,931.76	**39,966.09**

39 Assets pledged as security

The carrying amounts of assets pledged as security are:

	As at March 31, 2023	As at March 31, 2022
Financial assets		
First charge		
Loans	63,733.11	35,017.39
Term deposits with bank	3,908.44	2,939.80
Second charge	-	-
Total financial assets pledged as security	**67,641.55**	**37,957.19**
Non financial assets		
First charge		
Vehicles	0.15	0.24
Second charge	-	-
Total non financial assets pledged as security	**0.15**	**0.24**
Total assets pledged as security	**67,641.70**	**37,957.43**

40 Contingent liabilities and commitments

Credit enhancements provided by the Company towards securitisation transactions aggregate to INR 3,381.96 million (March 31, 2022: INR 2,025.34 million).

41 Financial instruments and Fair value disclosures

Financial instruments

A Financial assets and liabilities

The carrying amounts of financial instruments by category are as follows:

Particulars	Notes to schedule	As at March 31, 2023	As at March 31, 2022
Financial assets measured at fair value			
Loans	5	21,436.67	20,689.41
Financial assets measured at amortised cost			
Cash and cash equivalents	2	7,594.55	7,058.27
Bank balances other than cash and cash equivalents	3	3,909.58	2,940.89

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for the year ended March 31, 2023 (All amounts in INR millions, unless stated otherwise)

Particulars	Notes to schedule	As at March 31, 2023	As at March 31, 2022
Other receivables	4	722.10	167.73
Loans	5	48,830.18	23,291.70
Investments	6	633.59	0.45
Other financial assets	7	40.61	33.68
Total		**83,167.28**	**54,182.13**

Particulars	Notes to schedule	As at March 31, 2023	As at March 31, 2022
Financial liabilities measured at amortised cost			
Other payables	13	119.27	75.34
Debt securities	14	13,701.51	6,746.27
Borrowings (other than debt securities)	15	51,230.25	32,969.85
Subordinated liabilities	16	-	249.97
Lease liabilities	10	1,299.40	913.96
Other financial liabilities	17	2,582.70	1,492.80
Total		**68,933.13**	**42,448.19**

B Fair values hierarchy

The fair value of financial instruments as referred to in note 'A' above has been classified into three categories depending on the inputs used in the valuation technique. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities [Level 1 measurements] and lowest priority to unobservable inputs [Level 3 measurements].

The categories used are as follows:

Level 1: Quoted prices (unadjusted) for identical instruments in an active market;

Level 2: Directly (i.e. as prices) or indirectly (i.e. derived from prices) observable market inputs, other than Level 1 inputs; and

Level 3: Inputs which are not based on observable market data (unobservable inputs).

B.1 Valuation framework

Loan assets carried at fair value through other comprehensive income are categorized in Level 3 of the fair value hierarchy.

The Company's fair value methodology and the governance over its models includes a number of controls and other procedures to ensure the quality and adequacy of the fair valuation. In order to arrive at the fair value of the above instruments, the Company obtains independent valuations. The valuation techniques and specific considerations for level 3 inputs are explained in detail below. The objective of the valuation techniques is to arrive at a fair value that reflects the price that would be received to sell the asset or paid to transfer the liability in the market at any given measurement date.

The fair valuation of the financial instruments and its ongoing measurement for financial reporting purposes is ultimately the responsibility of the finance team which reports to the Chief Financial Officer. The team ensures that

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for the year ended March 31, 2023 (All amounts in INR millions, unless stated otherwise)

final reported fair value figures are in compliance with Ind AS and will propose adjustments wherever required. When relying on third-party sources, the team is also responsible for understanding the valuation methodologies and sources of inputs and verifying their suitability for Ind AS reporting requirements.

B.2 Financial assets and liabilities measured at fair value - recurring fair value measurements

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

As at March 31, 2023	Level 1	Level 2	Level 3	Total
Asset at fair value through other comprehensive income				
Loans	-	-	21,436.67	**21,436.67**
As at March 31, 2022	**Level 1**	**Level 2**	**Level 3**	**Total**
Asset at fair value through other comprehensive income				
Loans	-	-	20,689.41	**20,689.41**

B.3 Valuation techniques

B.3A Loan assets carried at fair value through other comprehensive income

Loan receivables valuation is carried out for two portfolios segregated on the basis of repayment frequency – monthly and weekly. The valuation of each portfolio is done by discounting the aggregate future cash flows with risk-adjusted discounting rate for the remaining portfolio tenor.

Following inputs have been used to calculate the fair value of loans receivables:

(i) Future cash flows: Include principal receivable, interest receivable and tenor information based on the repayment schedule agreed with the borrowers.

(ii) Risk-adjusted discount rate:

This rate has been arrived using the cost of funds approach.

The following inputs have been used:

(i) Cost of funds

(ii) Credit spread of borrowers

(iii) Servicing cost of a financial asset

Loan portfolio	Fair valuation as at March 31, 2023	Fair valuation as at March 31, 2022
Monthly	15,110.52	14,633.07
Weekly	4,883.33	6,593.81
Total	**19,993.85**	**21,226.88**

Fair value measurement sensitivity to significant unobservable inputs as at the end of each reporting year is as follows:

Loan portfolio	March 31, 2023	March 31, 2022
Impact on fair value if change in risk adjusted discount rate		
- Impact due to increase of 0.50 %	(85.00)	(91.60)

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for the year ended March 31, 2023 (All amounts in INR millions, unless stated otherwise)

Loan portfolio	March 31, 2023	March 31, 2022
- Impact due to decrease of 0.50 %	85.50	92.20
Impact on fair value if change in probability of default (PD)		
- Impact due to increase of 0.50 %	(34.70)	(31.60)
- Impact due to decrease of 0.50 %	34.80	31.70
Impact on fair value if change in loss given default (LGD)		
- Impact due to increase of 0.50 %	(1.40)	(8.90)
- Impact due to decrease of 0.50 %	1.40	8.90

B.4 Reconciliation

The following tables show the reconciliation of the opening and closing amounts of Level 3 financial assets and liabilities measured at fair value:

Loan portfolio	March 31, 2023	March 31, 2022
	Loan assets	Loan assets
Opening balance	21,226.87	9,884.50
Loan originated	19,917.62	20,655.89
Sales/derecognition	(6,551.78)	(3,265.60)
Total gain and losses		
in profit and loss	-	-
in OCI	548.84	449.13
Settlements / conversion	(15,147.70)	(6,497.05)
Closing balance	**19,993.85**	**21,226.87**

B.5 Fair value of instruments measured at amortised cost

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

(i) The management assessed that fair values of the following financial instruments to be approximate their respective carrying amounts, largely due to the short-term maturities of these instruments:

Cash and cash equivalents

Bank balances other than cash and cash equivalents

Other receivables

Other payables

Other financial assets and liabilities

(ii) Majority of the Company's borrowings are at a variable rate interest and hence their carrying values represent best estimate of their fair value as these are subject to changes in underlying interest rate indices.

(iii) The management assessed that fair values arrived by using the prevailing interest rates at the end of the reporting periods to be approximate their respective carrying amounts in case of the following financial instruments-

Loans

Lease liabilities

Debt securities

Subordinated liabilities

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42 Financial risk management

Introduction and risk profile

The Company has operations in India. The Company's activities expose it to market risk, liquidity risk and credit risk. The Company's board of directors has overall responsibility for the establishment and oversight of the Company risk management framework. This note explains the sources of risk which the entity is exposed to and how the entity manages the risk and the related impact in the financial statements.

Risk	Exposure arising from	Measurement	Management
Credit risk	Cash and cash equivalents, receivables, loans, investments, financial assets measured at amortised cost	Ageing analysis	Bank deposits, diversification of asset base, and credit limits.
Liquidity risk	Payables, debt securities, borrowings, subordinated liabilities, and other financial liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities
Market risk - interest rate	Debt securities, borrowings, subordinated liabilities at variable rates	Sensitivity analysis	Negotiation of terms that reflect the market factors

A Credit risk

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

A.1 Credit risk management

The Company assesses and manages credit risk based on internal credit rating system. Internal credit rating is performed for each class of financial instruments with different characteristics. The Company assigns the following credit ratings to each class of financial assets based on the assumptions, inputs and factors specific to the class of financial assets:

(i) Low credit risk

(ii) Moderate credit risk

(iii) High credit risk

The company provides for expected credit loss based on the following:

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

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

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for the year ended March 31, 2023 (All amounts in INR millions, unless stated otherwise)

Assets are written off when there is no reasonable expectation of recovery, such as a borrower become non contactable or in financial distress or a litigation decided against the Company. The Company continues to engage with parties whose balances are written off and attempts to enforce repayment. Recoveries made subsequently are recognized in the statement of profit and loss.

A.2 Financial assets that expose the entity to credit risk

Loan portfolio	As at March 31, 2023	As at March 31, 2022
(i) Low credit risk on financial reporting date		
Cash and cash equivalents	7,594.55	7,058.27
Bank balances other than cash and cash equivalents	3,909.58	2,940.89
Other receivables	722.10	167.73
Loans*	69,408.82	40,665.01
Investments	633.59	0.45
Other financial assets	40.61	33.68
(ii) Moderate credit risk		
Identified loans*	436.67	2,642.24
(iii) High credit risk		
Identified loans*	2,141.53	2,890.01

* These represent gross carrying values of financial assets, without deduction for expected credit losses

A.3 Management of credit risk for financial assets other than loans

Cash and cash equivalents and bank deposits

Credit risk related to cash and cash equivalents and bank deposits is considered to be very low as the Company only deals with high rated banks. The risk is also managed by diversifying bank deposits and accounts in different banks across the country.

Other receivables

The Company faces very less credit risk under this category as most of the transactions are entered with highly rated organisations and credit risk relating to these are managed by monitoring recoverability of such amounts continuously.

Other financial assets measured at amortised cost

Other financial assets measured at amortised cost includes advances to employees and security deposits. Credit risk related to these financial assets is managed by monitoring the recoverability of such amounts continuously.

A.4 Expected credit losses for financial assets other than loans

March 31, 2023	Estimated gross carrying amount at default	Expected probability of default	Expected credit losses	Carrying amount net of impairment provision
Cash and cash equivalents	7,594.55	-	-	7,594.55
Bank balances other than above	3,909.58	-	-	3,909.58
Other receivables	722.10	-	-	722.10
Investments	633.59	-	-	633.59
Other financial assets	40.61	-	-	40.61

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for the year ended March 31, 2023 (All amounts in INR millions, unless stated otherwise)

March 31, 2022	Estimated gross carrying amount at default	Expected probability of default	Expected credit losses	Carrying amount net of impairment provision
Cash and cash equivalents	7,058.27	-	-	7,058.27
Bank balances other than above	2,940.89	-	-	2,940.89
Other receivables	167.73	-	-	167.73
Investments	0.45	-	-	0.45
Other financial assets	33.68	-	-	33.68

A.5 Management of credit risk for loans

Credit risk on loans is the single largest risk of the Company's business, and therefore the Company has developed several processes and controls to manage it. The Company is engaged in the business of providing unsecured micro finance facilities to women having limited source of income, savings and credit histories repayable in weekly or monthly installments.

The Company duly complies with the RBI guidelines ('Non-Banking Financial Company-Micro Finance Institutions' (NBFC-MFIs - Directions) with regards to disbursement of loans namely:

- Microfinance loans are given to an individual having annual household income up to INR 3,00,000

- Maximum FOIR (Fixed Obligation to Income Ratio) should be 50%

The credit risk on loans can be further bifurcated into the following elements:

(i) Credit default risk

(ii) Concentration risk

(i) Management of credit default risk:

Credit default risk is the risk of loss arising from a debtor being unlikely to pay the loan obligations in full or the debtor is more than 90 days past due on any material credit obligation. The Company majorly manages this risk by following ""joint liability mechanism"" wherein the loans are disbursed to borrowers who form a part of an informal joint liability group ("JLG"), generally comprising of eight to fourty five members. Each member of the JLG provide a joint and several guarantees for all the loans obtained by each member of the group.

In addition to this, there is set critieria followed by the Company to process the loan applications. Loans are generally disbursed to the identified target segments which include economically active women having regular cash flow engaged in the business such as small shops, vegetable vendors, animal husbandry business, tailoring business and other self-managed business. Out of the people identified out of target segments, loans are only disbursed to those people who meet the set criterion - both finanical and non-financial as defined in the credit policy of the Company. Some of the criteria include - annual income, repayment capacity, multiple borrowings, age, group composition, health conditions, and economic activity etc. Some of the segments identified as non-target segments are not eligible for a loan. Such segments include - wine shop owners, political leaders, police & lawyers, individuals engaged in the business of running finance & chit funds and their immediate family member or people with criminal records etc.

(ii) Management of concentration risk:

Concentration risk is the risk associated with any single exposure or group of exposures with the potential to produce large enough losses to threaten Company's core operations. It may arise in the form of single name

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 2023 (All amounts in INR millions, unless stated otherwise)

concentration or industry concentration. In order to avoid excessive concentrations of risk, the Company's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentration risks are controlled and managed accordingly.

A.5.1 Credit risk measurement - Expected credit loss measurement

Ind AS 109 outlines a ""three stage"" model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit impaired on initial recognition and whose credit risk has not increased significantly since initial recognition is classified as ""Stage 1""
- If a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to ""Stage 2"" but is not yet deemed to be credit impaired.
- If a financial instrument is credit impaired, it is moved to ""Stage 3""

ECL for depending on the stage of financial instrument:

- Financial instrument in Stage 1 have their ECL measured at an amount equal to expected credit loss that results from default events possible within the next 12 months.
- Instruments in Stage 2 or Stage 3 criteria have their ECL measured on lifetime basis.

A.5.2 Criteria for significant increase in credit risk

The Company considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative or qualitative criteria are met.

(i) Quantitative criteria

The remaining lifetime probability of default at the reporting date has increased, compared to the residual lifetime probability of default expected at the reporting date when the exposure was first recognized. The Company considers loan assets as Stage 2 when the default in repayment is within the range of 30 to 90 days.

(ii) Qualitative criteria

If other qualitative aspects indicate that there could be a delay/default in the repayment of the loans, the Company assumes that there is significant increase in risk and loan is moved to stage 2.

The Company considers the date of initial recognition as the base date from which significant increase in credit risk is determined.

A.5.3 Criteria for default and credit-impaired assets

The Company defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets the following criteria:

(i) Quantitative criteria

The Company considers loan assets as Stage 3 when the default in repayment has moved beyond 90 days.

(ii) Qualitative criteria

The Company considers factors that indicate unlikeliness of the borrower to repay the loan which include instances like the signficant financial difficulty of the borrower or breach of any financial covenants by the borrower etc

A.5.4 Measuring ECL - explanation of inputs, assumptions and estimation techniques

Expected credit losses are the discounted product of the probability of default (PD), exposure at default (EAD) and loss given default (LGD), defined as follows:

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 2023 (All amounts in INR millions, unless stated otherwise)

- PD represents the likelihood of the borrower defaulting on its obligation either over next 12 months or over the remaining lifetime of the instrument.
- EAD is based on the amounts that the Company expects to be owed at the time of default over the next 12 months or remaining lifetime of the instrument.
- LGD represents the Company's expectation of loss given that a default occurs. LGD is expressed in percentage and remains unaffected from the fact that whether the financial instrument is a Stage 1 asset, or Stage 2 or even Stage 3. However, it varies by type of borrower, availability of security or other credit support.

Probability of default (PD) computation model

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

Loss given default (LGD) computation model

The loss rate is the likely loss intensity in case a borrower defaults. It provides an estimation of the exposure that cannot be recovered in the event of a default and thereby captures the severity of the loss. The loss rate is computed by factoring the main drivers for losses (e.g. joint group liability mechanism, historical recoveries trends etc.) and arriving at the replacement cost.

A.6 Credit risk exposure

	As at March 31, 2023				As at March 31, 2022			
	ECL Staging				ECL Staging			
Internal rating grade	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Category 1*	29,980.48	302.05	1,437.52	**31,720.05**	22,524.80	2,093.50	1,451.77	26,070.07
Category 2#	39,428.34	134.62	704.01	**40,266.97**	18,140.21	548.74	1,438.24	20,127.19
Gross carrying amount	**69,408.82**	**436.67**	**2,141.53**	**71,987.02**	**40,665.01**	**2,642.24**	**2,890.01**	**46,197.26**
Loss allowance	383.14	53.84	1,283.19	**1,720.17**	580.94	47.49	1,587.72	2,216.15
Carrying amount	**69,025.68**	**382.83**	**858.34**	**70,266.85**	**40,084.07**	**2,594.75**	**1,302.29**	**43,981.11**

* The company catagorises loans disbursed to Kerala and Tamil Nadu under category 1.
# The company catagorises loans disbursed to other than Kerala and Tamil Nadu under category 2.

A.6.1 Credit enhancements

The assessment of significant increase in risk and the calculation of ECL both incorporate forward-looking information. The Company has evaluated that the analysis of forward-looking information reveal that the scenario applicable to the Company is "Base Case Scenario" which assumes that the that Macroeconomic conditions are normal and is similar to previous periods. In this case normal credit rating and corresponding PD & LGD is considered for ECL computation.

A.7 Loss allowance

The loss allowance recognized in the period is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or step down") between 12-month and Lifetime ECL.
- Additional allowances for new financial instruments recognized during the period, as well as releases for financial instruments de-recognized in the period

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 2023 (All amounts in INR millions, unless stated otherwise)

- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period

The following table further explains changes in the gross carrying amount of the Loan portfolio to help explain their significance to the changes in the loss allowance for the same portfolio as discussed above:

	Stage 1	Stage 2	Stage 3	
Gross amount	**12 months ECL**	**Lifetime ECL**	**Lifetime ECL**	**Total**
Balance as at April 1, 2021	**30,890.18**	**1,566.51**	**2,589.09**	**35,045.78**
New assets originated	45,796.29	238.04	54.45	**46,088.78**
Assets derecognised or repaid (excluding write offs)	(33,308.97)	(668.49)	(671.18)	**(34,648.64)**
Transfers to Stage 1	466.06	(461.51)	(4.55)	**0.00**
Transfers to Stage 2	(2,566.96)	2,570.84	(3.87)	**0.00**
Transfers to Stage 3	(1,060.71)	(603.15)	1,663.87	**-**
Amounts written off	-	-	(737.80)	**(737.80)**
Change in fair value of loan assets	449.13	-	-	**449.13**
Balance as at March 31, 2022	**40,665.01**	**2,642.24**	**2,890.01**	**46,197.26**

	Stage 1	Stage 2	Stage 3	
Gross amount	**12 months ECL**	**Lifetime ECL**	**Lifetime ECL**	**Total**
Balance as at April 1, 2022	**40,665.01**	**2,642.24**	**2,890.01**	**46,197.26**
New assets originated	79,078.08	127.33	34.87	**79,240.28**
Assets derecognised or repaid (excluding write offs)	(49,957.94)	(2,624.50)	(14.10)	**(52,596.54)**
Transfers to Stage 1	29.36	(29.04)	(0.32)	**-**
Transfers to Stage 2	(378.93)	379.29	(0.37)	**-**
Transfers to Stage 3	(575.60)	(58.65)	634.25	**-**
Amounts written off	-	-	(1,402.81)	**(1,402.81)**
Change in fair value of loan assets	548.84	-	-	**548.84**
Balance as at March 31, 2023	**69,408.82**	**436.67**	**2,141.53**	**71,987.02**

The following tables explain the changes in the loss allowance between the beginning and the end of the annual period due to these factors:

	Stage 1	Stage 2	Stage 3	
Loss allowance	**12 months ECL**	**Lifetime ECL**	**Lifetime ECL**	**Total**
Balance as at April 1, 2021	**551.40**	**31.27**	**1,135.71**	**1,718.38**
New assets originated	452.73	3.10	16.66	**472.49**
Assets derecognised or repaid (excluding write offs)	(206.17)	(0.01)	(132.34)	**(338.53)**

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 2023 (All amounts in INR millions, unless stated otherwise)

	Stage 1	Stage 2	Stage 3	
Loss allowance	**12 months ECL**	**Lifetime ECL**	**Lifetime ECL**	**Total**
Transfers to Stage 1	3.50	(7.78)	(1.09)	**(5.37)**
Transfers to Stage 2	(46.91)	27.17	(0.80)	**(20.54)**
Transfers to Stage 3	(17.93)	(15.64)	435.11	**401.54**
Changes to models and inputs used for ECL calculation	(155.67)	9.37	99.30	**(47.00)**
Amounts written off	-	-	(350.95)	**(350.95)**
Balance as at March 31, 2022	**580.94**	**47.49**	**1,201.60**	**1,830.03**
Additional credit loss provided by Management*	-	-	386.12	386.12
Provision as per books	**580.94**	**47.49**	**1,587.72**	**2,216.15**

* Management has given additional provision for increase in the delinquency situation due to COVID-19

	Stage 1	Stage 2	Stage 3	
Loss allowance	**12 months ECL**	**Lifetime ECL**	**Lifetime ECL**	**Total**
Balance as at April 1, 2022	**580.94**	**47.49**	**1,201.60**	**1,830.02**
New assets originated	295.19	1.61	39.06	**335.86**
Assets derecognised or repaid (excluding write offs)	(242.62)	(23.50)	(768.39)	**(1,034.51)**
Transfers to Stage 1	0.14	(1.07)	(0.23)	**(1.16)**
Transfers to Stage 2	(10.48)	54.36	(0.46)	**43.41**
Transfers to Stage 3	(13.26)	(11.32)	614.25	**589.68**
Changes to models and inputs used for ECL calculation	(226.76)	(13.73)	157.16	**(83.34)**
Amounts written off	-	-	(44.74)	**(44.74)**
Balance as at March 31, 2023	**383.14**	**53.84**	**1,198.24**	**1,635.21**
Additional credit loss provided by Management	-	-	84.94	84.94
Provision as per books	**383.14**	**53.84**	**1,283.18**	**1,720.16**

A.8 Concentration of credit risk

The Company monitors concentration of credit risk by type of industry in which the borrower operates, further bifurcated into type of borrower, whether state or private.

Industry	As at March 31, 2023	As at March 31, 2022
Gross carrying amount of loans	71,987.02	46,197.26
Concentration by industry		
Agriculture	17,781.99	6,113.43
Animal husbandry	27,138.59	15,471.59
Manufacturing (Including MSME)	3,266.11	1,338.64

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for the year ended March 31, 2023 (All amounts in INR millions, unless stated otherwise)

Industry	As at March 31, 2023	As at March 31, 2022
Services	16,994.81	6,107.21
Trading (Including MSME)	5,963.10	12,303.04
Consumption	307.64	247.07
Education	110.90	4,352.33
Personal Loan	259.43	218.95
Corporate Loan	164.45	45.00
	71,987.02	**46,197.26**
Concentration by Geography		
Loans disbursed in Kerala and Tamil Nadu	31,720.05	26,070.07
Loans disbursed outside Kerala and Tamil Nadu	40,266.97	20,127.19
Gross Carrying Amount	**71,987.02**	**46,197.26**

A.9 Write off policy

The Company writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery.

Indicators that there is no reasonable expectation of recovery include:

- Ceasing enforcement activity
- Where the Company's recovery method is foreclosing and there is no reasonable expectation of recovery in full.
- Specific identification by Management

  The Company may write off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during the year ended March 31, 2023 was INR 1,402.81 million (March 31, 2022: INR 737.80 million). The Company still seeks to recover amounts it is legally owed in full, but which have been partially written off due to no reasonable expectation of full recovery.

B Liquidity risk

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

B.1 Maturities of financial liabilities

The tables below analyse the Company financial liabilities into relevant maturity groupings based on their contractual maturities.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

March 31, 2023	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Other payables	-	117.39	1.88	-	-	119.27
Debt securities	18.03	212.43	8,624.46	7,962.36	-	16,817.28

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for the year ended March 31, 2023 (All amounts in INR millions, unless stated otherwise)

Borrowings (other than debt securities)	2,330.86	6,857.44	25,920.61	22,705.30	-	57,814.20
Subordinated liabilities	-	-	-	-	-	-
Lease liabilities	-	68.19	204.56	1,031.32	592.53	1,896.60
Other financial liabilities	175.52	1,738.90	593.12	75.16	-	2,582.70
Total	**2,524.41**	**8,994.35**	**35,344.63**	**31,774.14**	**592.53**	**79,230.06**

March 31, 2022	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Other payables	-	73.83	1.51	-	-	75.34
Debt securities	955.47	108.71	1,218.83	5,687.26	-	7,970.27
Borrowings (other than debt securities)	1,147.06	4,223.03	18,157.89	12,822.79	-	36,350.77
Subordinated liabilities	252.92	-	-	-	-	252.92
Lease liabilities	-	48.89	146.68	762.17	374.74	1,332.48
Other financial liabilities	299.75	1,193.04	-	-	-	1,492.79
Total	**2,655.20**	**5,647.50**	**19,524.91**	**19,272.22**	**374.74**	**47,474.57**

C Market risk - Interest rate risk

C.1 Liabilities

The Company's policy is to minimize interest rate cash flow risk exposures on long-term financing. At March 31, 2023, the Company is exposed to changes in market interest rates through borrowings at variable interest rates.

Interest rate risk exposure

Below is the overall exposure of the Company to interest rate risk:

Particulars	As at March 31, 2023	As at March 31, 2022
Debt securities		
Variable rate	-	-
Fixed rate	13,701.51	6,746.27
Borrowings (other than debt securities)		
Variable rate	35,173.62	19,580.94
Fixed rate	16,056.63	13,388.91
Subordinated liabilities		
Variable rate	-	-
Fixed rate	-	249.97

Sensitivity

Below is the sensitivity of profit or loss in interest rates.

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Particulars	As at March 31, 2023	As at March 31, 2022
Interest sensitivity*		
Interest rates – increase by 50 basis points	(175.87)	(97.90)
Interest rates – decrease by 50 basis points	175.87	97.90

*Holding all other variables constant

C.1.2 Assets

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

43 Capital management

The Company's capital management objectives are

- to ensure the Company's ability to continue as a going concern
- to provide an adequate return to shareholders

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

A Net Debt equity ratio

Particulars	As at March 31, 2023	As at March 31, 2022
Debt securities	13,701.51	6,746.27
Borrowings (other than debt securities)	51,230.25	32,969.85
Subordinated liabilities	-	249.97
Total borrowings	**64,931.76**	**39,966.09**
Less:		
Cash and cash equivalents	7,594.55	7,058.27
Bank balances other than cash and cash equivalents	3,909.58	2,940.89
	11,504.13	**9,999.16**
Net debt	**53,427.63**	**29,966.93**
Equity share capital	1,401.98	1,333.33
Other equity	14,856.51	12,032.46
Total equity	**16,258.49**	**13,365.79**
Net debt to equity ratio/gearing ratio	**3.29**	**2.24**

44 Share based payments

The Company has implemented Employee Stock Option Plan under Muthoot Microfin Employee Stock Option Plan 2016 ("ESOP 2016") and Muthoot Microfin Limited Employee Stock Option Plan 2022 ("ESOP 2022"). The objective

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for the year ended March 31, 2023 (All amounts in INR millions, unless stated otherwise)

is to reward employees for their association with the Company, their performance as well as to attract, retain and motivate employees to contribute to the growth and profitability of the Company.

Details of ESOP trust and plan:

Particulars	ESOP 2016			ESOP 2022
	Grant -1	Grant -2	Grant -3	Grant -1
Date of grant	December 5, 2016	February 22, 2018	November 9, 2021	November 04, 2022
Date of Board Meeting, where ESOP was approved	December 5, 2016			November 04, 2022
Date of Committee Meeting where grant of options were approved	December 5, 2016	February 22, 2018	November 8, 2021	November 04, 2022
No. of options granted	1,443,864 (Including 28,250 options lapsed due to resignation of employees). Total ESOP 2016 is 1,415,614 shares.			2,465,500 Shares
Method of settlement	Equity			
Vesting conditions	The actual vesting of options will depend on continuation to hold the services being provided to the Company at the time of exercise of options and such other conditions as mentioned in the ESOP Scheme.			
Vesting period	Option will be vested at the End of year 1: 25% from the grant of option End of year 2 : 25% from the grant of option End of year 3 : 25% from the grant of option End of year 4 : 25% from the grant of option"			
Exercise period	Vested Options can be exercised by the employees by giving in writing on or prior to a Liquidity event (Liquidity event means Listing of shares on any recognized stock exchange in India; or Any other event, which the Committee may designate as a Liquidity Event)			
Pricing Formula	The market price was in accordance with the valuation of a registered valuer.			

Details of grant and exercise of such options are as follows:

Particulars	ESOP 2016						ESOP 2022	
	Grant – 1		Grant – 2		Grant – 3		Grant -1	
No. of options granted	665,000		299,000		479,864		2,465,500	
Date of grant of options	December 5, 2016		February 22, 2018		November 9, 2021		November 04, 2022	
No. of employee to whom such options were granted	4		62		37		106	
Financial year	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22
Exercise Price*	14.00	14.00	67.00	67.00	77.20	77.20	151.00	-
No. of employees who have exercised the option	-	4	-	35	-	-	-	-
No. of options exercised	-	166,250	-	48,250	-	-	-	-

*Based on the valuation of a registered valuer. As per ESOP 2016, exercise price shall be equal to the fair market value as on the date of grant of options.

NOTES TO FINANCIAL STATEMENTS

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Summary of options granted under the plan:

Particulars	As at March 31, 2023		As at March 31, 2022	
	No. of options	Weighted average exercise price (INR)	No. of options	Weighted average exercise price (INR)
Outstanding options at the beginning of the year	785,864	61.96	564,750	35.63
Granted during the year	2,465,500	151.00	479,864	77.20
Forfeited during the year	24,625	70.69	44,250	66.69
Exercised during the year	-	-	214,500	25.85
Expired/lapsed during the year	-	-	-	-
Outstanding options at the end of the year	3,226,739	129.48	785,864	61.96
Shares Not Granted Under ESOP Plan at the end of the year	241,772	-	16,000	
Number of equity shares of INR 10 each fully paid up to be issued on exercise of option	3,468,511		801,864	
Exercisable at the end of the year	401,341		306,000	

Share options outstanding at the end of the year having the following expiry date and exercise price:

Grant	Grant Date	Expiry date	Exercise price INR	Share options March 31, 2023	Share options March 31, 2022
Grant 1 ESOP 2016	5-Dec-16	4-Jun-21	14.00	166,250	166,250
Grant 2 ESOP 2016	22-Feb-18	22-Feb-22	67.00	124,500	139,750
Grant 3 ESOP 2016	9-Nov-21	8-Nov-25	77.20	470,489	479,864
Grant 1 ESOP 2022	4-Nov-22	3-Nov-26	151.00	2,465,500	-
Total				**3,226,739**	**785,864**
Weighted average remaining contractual life of options outstanding at the end of the year (in years)				3.13	2.20

The Company has INR 312.11 millions (March 31, 2022: INR 39.95 millions) recoverable from Muthoot Welfare Trust pursuant to ESOP schemes.

The fair value of the options was estimated on the date of grant using the Black-Scholes model with the following significant assumptions:

Particulars	Grant 1 ESOP 2016	Grant 2 ESOP 2016	Grant 3 ESOP 2016	Grant 1 ESOP 2022
Vesting period	4 years	4 years	4 years	4 years
Exercise price	14.00	67.00	77.20	151.00
Expected volatility (%)*	56.49%	49.98%	50.53%	52.28%
Expected option life (in years)	6.25	6.25	5.00	5.00
Expiry date	June 4, 2021	February 22, 2022	November 8, 2025	November 3, 2026
Share price at grant date	18.50	66.69	77.20	150.96

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for the year ended March 31, 2023 (All amounts in INR millions, unless stated otherwise)

Particulars	Grant 1 ESOP 2016	Grant 2 ESOP 2016	Grant 3 ESOP 2016	Grant 1 ESOP 2022
Expected dividends yield	-	-	-	-
Risk free interest rate	6.29%	7.58%	5.67%	7.34%

* The expected volatility was determined based on historical volatility data of a comparable company whose shares are listed on the National Stock Exchange of India Limited.

Number of options granted during the year - 2,465,500 shares (March 31, 2022 - 479,864 shares)

45 Operating segments

The company is primarily engaged in business of micro finance and the business activity falls within one operating segment, as this is how the chief operating decision maker of the Company looks at the operations. All activities of the Company revolve around the main business. Hence the disclosure requirement of Indian Accounting Standard 108 of "Segment Reporting" is not considered applicable.

46 Transfer of financial assets

Transferred financial assets that are derecognised in their entirety

During the year ended March 31, 2023, the Company has sold some loans and advances measured at at fair value through other comprehensive income as per assignment deals, as a source of finance. As per the terms of these deals, since substantial risks and rewards related to these assets were transferred to the buyer, the assets have been derecognised from the Company's balance sheet.

The Company has assessed the business model under Ind AS 109 ""Financial Instruments"" and consequently the financial assets are measured at fair value through other comprehensive income.

The gross carrying value of the loan assets derecognised during the year ended March 31, 2023 amounts to INR 18,322.48 millions (March 31, 2022: INR 16,391.08 millions) and the gain from derecognition during the year ended March 31, 2023 amounts to INR 1,363.16 millions (March 31, 2022: INR 1,130.79 millions)

Transferred financial assets that are not derecognised in their entirety

In the course of its micro finance or lending activity, the company makes transfers of financial assets, where legal rights to the cash flows from the asset are passed to the counterparty and where the company retains the rights to the cash flows but assumes a responsibility to transfer them to the counterparty.

Securitisation	As at 31 March 2023	As at 31 March 2022
Carrying value and fair value of securitised assets	8,233.01	3,849.71
Carrying value and fair value of associated liabilities	8,256.39	4,130.42

47 Revenue from contracts with customers

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

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 2023 (All amounts in INR millions, unless stated otherwise)

	For the Year ended March 31, 2023	For the Year ended March 31, 2022
Type of service		
Commission income	173.22	61.59
	173.22	**61.59**
Geographical markets		
India	173.22	**61.59**
Outside India	-	-
	173.22	**61.59**
Timing of revenue recognition		
Services transferred over time	19.91	4.36
Services transferred at a point in time	153.31	57.23
	173.22	**61.59**

Contract balances

	As At March 31, 2023	As At March 31, 2022
Other receivables	159.85	8.90
	159.85	**8.90**

Other receivables are non-interest bearing and are generally on terms of 30 to 90 days. During the year ended March 31, 2023 an amount of Nil (March 31, 2022: Nil) was recognised as provision for expected credit losses on other receivable.

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

	For the Year ended March 31, 2023	For the Year ended March 31, 2022
Revenue as per contract	173.22	61.59
Adjustments	-	-
Revenue from contract with customers	**173.22**	**61.59**

Revenue recognition for contract with customers - Commission income:

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

(i) Sourcing of loans

(ii) Servicing of loans

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

No allocation of the consideration between both the promises was required as the management believes that the contracted price are close to the standalone fair value of these services.

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 2023 (All amounts in INR millions, unless stated otherwise)

Revenue recognition for both the promises:

(i) Sourcing of loans : The consideration for this service is arrived based on an agreed percentage/fee on the loans disbursed during the year. Revenue for sourcing of loans shall be recognized as and when the loans are disbursed. The revenue therefore, for this service, shall be recognized based on the disbursements actually made during each year.

(ii) Servicing of loans: The consideration for this service is arrived based on an agreed percentage on the actual collections during the year. The Company receives servicing commission only on actual collections. Revenue for servicing of loans shall be recognized over a period of time, as the customer benefits from the services as and when it is delivered by the Company. However, since the Company has a right to consideration from a customer in an amount that corresponds directly with the value of service provided to date, applying the practical expedient available under the standard, the Company shall recognise revenue for the amount to which it has a right to invoice.

48 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 March 31, 2023			As At March 31,2022		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Assets						
Financial assets						
Cash and cash equivalents	7,594.55	-	**7,594.55**	7,058.27	-	**7,058.27**
Bank balances other than cash and cash equivalents	1,596.94	2,312.64	**3,909.58**	1,865.40	1,075.49	**2,940.89**
Other receivables	707.28	14.82	**722.10**	133.88	33.85	**167.73**
Loans	43,459.47	26,807.38	**70,266.85**	28,601.19	15,379.92	**43,981.11**
Investments	-	633.59	**633.59**	-	0.45	**0.45**
Other financial assets	6.07	34.54	**40.61**	5.79	27.89	**33.68**
Non-financial assets						
Current tax assets (net)	-	104.60	**104.60**	-	395.45	**395.45**
Deferred tax asset (net)	-	57.75	**57.75**	-	47.75	**47.75**
Property, plant and equipment	-	594.37	**594.37**	-	420.45	**420.45**
Right of use assets	178.37	943.35	**1,121.72**	656.64	134.55	**791.19**
Other intangible assets	-	2.92	**2.92**	-	0.84	**0.84**
Other non-financial assets	242.68	0.67	**243.35**	76.77	-	**76.77**
Total	**53,785.36**	**31,506.63**	**85,291.99**	**38,397.94**	**17,516.64**	**55,914.58**
Liabilities						
Financial liabilities						
Payables						
Other payables						

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 2023 (All amounts in INR millions, unless stated otherwise)

	As At March 31, 2023			As At March 31,2022		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
total outstanding dues to micro enterprises and small enterprises	-	-	-	-	-	**-**
total outstanding dues to creditors other than micro enterprises and small enterprises	119.27	-	119.27	75.34	-	**75.34**
Debt securities	7,058.89	6,642.62	13,701.51	2,074.44	4,671.83	**6,746.27**
Borrowings (other than debt securities)	30,222.93	21,007.32	51,230.25	20,694.74	12,275.11	**32,969.85**
Subordinated liabilities	-	-	-	249.97	-	**249.97**
Lease liability	258.88	1,040.52	1,299.40	741.18	172.78	**913.96**
Other financial liabilities	2,507.54	75.16	2,582.70	1,492.80	-	**1,492.80**
Non financial liabilities						
Deferred tax liability (net)	-	-	-	-	-	**-**
Provisions	-	36.13	36.13	-	49.38	**49.38**
Other non financial liabilities	64.24	-	64.24	51.22	-	**51.22**
Total	**40,231.75**	**28,801.75**	**69,033.50**	**25,379.71**	**17,169.09**	**42,548.79**

49 Reconciliation of liabilities from financing activities

		Cash flow		Non-cash				
	As at April 1, 2022	Additions	Payment	Interest Expense	Additions to lease liabilities	Deletions to lease liabilities	Upfront fees and amortisation	As at March 31, 2023
Debt securities	6,746.27	9,091.27	(2,121.26)	-	-	-	(14.77)	13,701.51
Borrowings (other thandebt securities)	32,969.84	49,487.43	(31,134.86)	-	-	-	(92.16)	51,230.25
Subordinated liabilities	249.98	-	(250.00)	-	-	-	0.03	0.00
Lease liabilities	913.96	-	(225.30)	128.93	497.32	(15.51)	-	1,299.40
Total liabilities from financial activities	**40,880.05**	**58,578.70**	**(33,731.42)**	**128.93**	**497.32**	**(15.51)**	**(106.90)**	**66,231.16**

		Cash flow		Non-cash				
	As at April 1, 2021	Additions	Payment	Interest Expense	Additions to lease liabilities	Deletions to lease liabilities	Upfront fees and amortisation	As at March 31, 2022
Debt securities	4,524.69	5,019.44	(2,709.11)	-	-	-	(88.75)	6,746.27
Borrowings (other than debt securities)	25,382.26	28,694.72	(21,058.00)	-	-	-	(49.13)	32,969.84
Subordinated liabilities	249.63	-	-	-	-	-	0.35	249.98
Lease liabilities	779.89	-	(167.56)	96.74	235.55	(30.67)	-	913.96
Total liabilities from financial activities	**30,936.47**	**33,714.16**	**(23,934.67)**	**96.74**	**235.55**	**(30.67)**	**(137.53)**	**40,880.05**

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 2023 (All amounts in INR millions, unless stated otherwise)

50 Additional Regulatory information as per amendments in Schedule III of Companies Act, 2013 (MCA notification dated March 24, 2021)

(i) The Company doesn't have any immovable property whose title deeds are not held in the name of the Company.

(ii) Investments made by the Company is carried at amortized cost in the financials.

(iii) The Company has not revalued its Property, Plant and Equipment (including Right-of-Use Assets) during the FY 2022-23.

(iv) The Company has not revalued its intangible assets during the FY 2022-23.

(v) The Company has not given any loans or advances in the nature of loans to promoters, directors, KMPs and the related parties (as defined under Companies Act, 2013), either severally or jointly with any other person, that are a) repayable on demand; or b) without specifying any terms or period of repayment.

(vi) Capital Work in Progress & Intangible Assets under Development are nil for current year & Previous year.

(vii) The company doesn't hold any benami property under the Benami Transactions (Prohibition) Act, 1988 (45 of 1988) and rules made thereunder and no proceedings have been initiated or pending against the company for the same.

(viii) The Company has not made any default in repayment of its financial obligations and is not declared wilful defaulter by any bank or financial Institution or other lender.

(ix) The company doesn't have any transactions with companies struck off under section 248 of the Companies Act, 2013 or section 560 of Companies Act, 1956.

(x) There is no charges or satisfaction to be registered with ROC beyond the statutory period.

(xi) The Company has complied with the number of layers prescribed under clause (87) of section 2 of the Act read with the Companies (Restriction on number of Layers) Rules, 2017.

(xii) Company has not traded/invested in crypto currency or virtual currency for the current financial year and previous year.

(xiii) The Company has not advanced or loaned or invested funds (either borrowed funds or share premium or any other sources or kind of funds) to any other person(s) or entity(ies), including foreign entities (Intermediaries) with the understanding (whether recorded in writing or otherwise) that the Intermediary shall

(a) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the company (Ultimate Beneficiaries) or

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

(xiv) The Company has not received any fund from any person(s) or entity(ies), including foreign entities (Funding Party) with the understanding (whether recorded in writing or otherwise) that the company shall

(a) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party (Ultimate Beneficiaries) or

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

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 2023 (All amounts in INR millions, unless stated otherwise)

(xv) Liquidity Coverage Ratio:-

	March 31, 2023		March 31, 2022	
	Unweighted Value	Weighted Value	Unweighted Value	Weighted Value
High Quality Liquid Assets				
Cash in hand	17.34	17.34	46.81	46.81
Balances with banks in current account	2,713.55	2,713.55	4,891.79	4,891.79
Balance with cash collection agents	58.01	58.01	48.59	48.59
Term deposits with residual maturity of 3 months or less with scheduled banks	4,805.65	4,805.65	2,071.08	2,071.08
	7,594.55	**7,594.55**	**7,058.27**	**7,058.27**
Cash Outflow				
Deposits	-	-	-	-
Unsecured retail funding	6,497.72	7,472.38	2,534.38	2,914.53
Secured retail funding	1.11	1.28	102.02	117.32
Outflows related to derivative exposures and other collateral requirements	-	-	-	-
Outflows related to loss of funding on debt products	-	-	-	-
Credit and liquidity facilities	-	-	-	-
Other contractual funding obligations	1,704.74	1,960.45	1,787.68	2,055.83
Other contingent funding obligations	-	-	-	-
	8,203.57	**9,434.10**	**4,424.07**	**5,087.68**
Cash Inflows				
Unsecured Lending	2,992.66	2,244.50	2,023.84	1,517.88
Inflows from fully performing exposures	-	-	-	-
Other cash inflows	-	-	-	-
	2,992.66	**2,244.50**	**2,023.84**	**1,517.88**
75% of Stressed Outflows		7,075.58		3,815.76
Total Net Cash Outflows		7,189.60		3,569.80
Liquidity Coverage Ratio		**105.63%**		**197.72%**

51 Additional disclosures as required by the Reserve Bank of India

(A) Disclosure as per Master Direction DNBR.PD.008/03.10.119/2016-17 (updated as on December 29, 2022) are as under:-

(i) Capital to Risk Assets Ratio ("CRAR"):-

	As At March 31, 2023	As At March 31, 2022
CRAR (%)	21.87%	28.75%
CRAR – Tier I capital (%)	21.87%	28.38%
CRAR – Tier II capital (%)	0.00%	0.38%
Amount of subordinated debt raised during the year included in Tier-II capital	-	-

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 2023 (All amounts in INR millions, unless stated otherwise)

Amount raised by issue of perpetual debt instruments	-	-

(ii) Investments

The Investment of the company as on March, 31 2023 : INR 633.59 million (March31, 2022: INR 0.45 Million). (Refer Note -6)

(iii) Derivatives

The Company has no transactions / exposure in derivatives in the current and previous years.

The Company has no unhedged foreign currency exposure as on March, 31 2023 (March 31, 2022: Nil).

(iv) (a) Disclosures relating to securitisation:-

	As At March 31, 2023	As At March 31, 2022
SPVs relating to outstanding securitisation transactions		
Number of SPVs sponsored by the NBFC for securitisation transactions as on the date of the balance sheet (Nos)	14	12
Total amount of securitised assets as per books of the SPVs sponsored as on the date of the balance sheet	8,256.39	4,130.42
Total amount of exposures retained by the NBFC to comply with minimum retention requirement ('MRR')		
Off-balance sheet exposures		
First loss	-	-
Others	-	-
On-balance sheet exposures		
First loss (cash collateral)	1,448.60	1,032.29
Others (credit enhancement)	1,933.36	993.05
Amount of exposures to securitisation transactions other than MRR Off-balance sheet exposures		
Exposure to own securitizations		
First loss		
Others	-	-
Exposure to third party securitisations	-	-
First loss		
Others	-	-
On-balance sheet exposures	-	-
Exposure to own securitizations		
First loss (cash collateral)		
Others	-	-
Exposure to third party securitisations	-	-
First loss		
Others	-	-

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 2023 (All amounts in INR millions, unless stated otherwise)

(iv) (b) Disclosure as per RBI circular no.DBOD.No.BP.BC.60/21.04.048/200506 dated February 1, 2006.

		As At March 31, 2023	As At March 31, 2022
i)	Total number of loan assets securitized during the year (Nos)	432,536	179,293
ii)	Book value of loans assets securitized during the year	14,829.88	5,348.48
iii)	Sale consideration received during the year	13,092.63	4,857.22
iv)	Credit enhancement provided during the year	-	-
	Principal subordination	2,615.66	491.26
	Cash collateral	1,202.01	586.99

(v) Details of financial assets sold to securitization / reconstruction company for asset reconstruction:-

		As At March 31, 2023	As At March 31, 2022
i)	Total number of loans assets sold during the year (Nos)	142,791	-
ii)	Aggregate value (net of provisions) of accounts sold to SC / RC	2,096.91	-
iii)	Aggregate consideration	900.00	-
iv)	Additional consideration realized in respect of accounts transferred in earlier years	-	-
v)	Aggregate gain / loss over net book value	1,196.91	-

(vi) Details of assignment transactions undertaken:-

		As At March 31, 2023	As At March 31, 2022
i)	Total number of loans assets assigned during the year (Nos)	537,668	527,134
ii)	Book value of loan assets assigned during the year including MRR	18,322.48	16,391.08
iii)	Sale consideration received during the year	16,133.49	14,104.09

(vii) Details of non-performing financial assets purchased/sold

The Company has not purchased /sold non-performing financial assets in the current and previous year. The non performing assets sold to Asset Reconstruction Company is mentioned in Note 50 (A)(v)

(viii) Exposures:-

The Company has no exposure to the real estate sector and capital market directly or indirectly in the current and previous year.

There is no intra group exposure in the current and previous year

(ix) Details of financing of parent company products

The Company does not finance the products of the parent / holding company.

(x) Unsecured advances

Refer note 12 for details of unsecured advances.

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 2023 (All amounts in INR millions, unless stated otherwise)

(xi) Registration obtained from other financial sector regulators:-

The Company is not registered with any other financial sector regulators.

(xii) Disclosure of Penalties imposed by RBI & other regulators:-

No penalty has been imposed by RBI or any other lending institutions in connection with any lending arrangements during current and previous year.

(xiii) Draw down from reserves:-

There has been no draw down from reserve during the year ended 31 March 2023 (31 March 2022: Nil)

(xiv) Asset Liability Management Maturity pattern of certain items of assets and liabilities:-

As At March 31, 2023

Particulars	1 to 7 Days	8 to 14 Days	15 to 30/31 Days	Over one to 2 months	Over 2 months upto 3 months	Over 3 months upto 6 months	Over 6 months upto 1 Year	Over 1 Year upto 3 Year	Over 3 Year upto 5 Year	Over 5 Year	Total
Liabilities											
Borrowings	159.10	338.08	1,207.56	2,740.21	3,115.58	10,457.52	19,538.41	24,164.25	1,500.00	-	63,220.71
Foreign Currency Liabilities	-	-	-	-	-	-	-	1,369.87	684.93	-	2,054.80
Assets											-
Advances	1,010.63	1,098.46	883.57	3,414.16	3,350.80	10,496.24	20,318.27	26,993.27	725.54	-	68,290.94
Deposits	842.88	3,902.50	61.42	13.55	3.19	437.26	1,118.55	2,299.62	-	-	8,678.97
Investments	-	-	-	-	-	-	-	-	633.14	0.45	633.59

As at 31 March 2022

Particulars	1 to 7 Days	8 to 14 Days	15 to 30/31 Days	Over one to 2 months	Over 2 months upto 3 months	Over 3 months upto 6 months	Over 6 months upto 1 Year	Over 1 Year upto 3 Year	Over 3 Year upto 5 Year	Over 5 Year	Total
Liabilities											
Borrowings	166.83	354.53	1,266.32	2,025.82	1,702.67	6,681.27	10,743.47	17,262.02	-	-	40,202.93
Assets											
Advances	603.26	715.35	705.23	2,229.92	2,245.55	7,121.59	12,915.55	15,687.52	665.17	-	42,889.14
Deposits	-	2,000.41	102.92	-	79.77	539.14	1,185.98	1,059.41	15.00	-	4,982.64
Investments	-	-	-	-	-	-	-	-	-	0.45	0.45

* Asset Liability Management pattern is disclosed in accordance with "Master Direction- Non Banking Financial Company- Non systematically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016" issued by Reserve Bank of India. The Company is to disclose expected fund inflows and outflows and hence fair valuation / amortisation adjustments made on account of adoption of Ind AS are not considered here.

(xv) During the year, the Company's various instruments were rated, the details of these ratings for the year ended March 2023 are as under:-

	Rating agency	Date of rating	Valid upto	Rating assigned	Borrowing limit
Bank Loan Rating	CRISIL	19-Jan-23	18-Jan-24	CRISIL A+/ Stable (Reaffirmed)	45,000.00

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 2023 (All amounts in INR millions, unless stated otherwise)

	Rating agency	Date of rating	Valid upto	Rating assigned	Borrowing limit
MFI rating	CRISIL	13-Jul-22	12-Jul-23	M1C1	Not applicable
NCD	CRISIL	19-Jan-23	18-Jan-24	CRISIL A+/ Stable (Reaffirmed)	3,750.00
NCD	CRISIL	19-Jan-23	18-Jan-24	CRISIL A+/ Stable (Assigned)	5,000.00
NCD-MLD	CRISIL	19-Jan-23	18-Jan-24	CRISIL PPMLD A+r/ Stable (Reaffirmed)	9,700.00
Commercial paper	CRISIL	19-Jan-23	18-Jan-24	A1+ (Reaffirmed)	500.00
Bank Loan Rating	India Rating & Research	17-Nov-22	16-Nov-23	IND A/ Stable (Affirmed)	2,000.00
NCD	India Rating & Research	17-Nov-22	16-Nov-23	IND A / Stable (Affirmed)	750.00

Note: A fresh letter of revalidation from CRISIL is required if the proposed facilities are not availed within a period of 180 days from the date of rating.

(xvi) Provisions and contingencies:-

	Year ended March 31, 2023	Year ended March 31, 2022
Break up of 'Provisions for loan losses and write-offs' shown under the head expenditure in statement of profit and loss		
Provision towards NPA	545.23	73.34
Provision made towards income tax	679.91	224.05
Provision for gratuity	49.38	42.17
Provision for compensated absences	(9.63)	11.89
Provision towards standard assets	(191.45)	37.35

(xvii) Concentration of advances, exposures and NPAs:-

	Year ended March 31, 2023	Year ended March 31, 2022
Concentration of Advances		
Total Advances to twenty largest borrowers	74.71	48.53
Percentage of Advances to twenty largest borrowers to Total Advances of the NBFC	0.09%	0.10%
Concentration of Exposures		
Total Exposure to twenty largest borrowers / customers	162.77	47.53
Percentage of Exposures to twenty largest borrowers/customers to total exposure	0.23%	0.11%
Concentration of NPAs		
Total Exposure to top four NPA accounts	0.42	0.62

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 2023 (All amounts in INR millions, unless stated otherwise)

(xviii) Sector-wise NPAs:-

	Year ended March 31, 2023			Year ended March 31,2022		
Sector	**Gross carrying amount**	**Gross NPA**	**% of NPAs to total advance to that sector**	**Gross carrying amount**	**Gross NPA**	**% of NPAs to total advance to that sector**
Agriculture	17,781.99	206.55	1.16%	6,113.43	274.51	4.49%
Animal husbandry	27,138.59	657.32	2.42%	15,471.59	773.56	5.00%
Manufacturing (Including MSME)	3,266.11	188.15	5.76%	1,338.64	230.43	17.21%
Services	16,994.81	768.11	4.52%	6,107.21	955.11	15.64%
Trading (Including MSME)	5,963.10	246.11	4.13%	12,303.04	341.54	2.78%
Consumption	307.64	4.97	1.62%	247.07	32.48	13.15%
Education	110.90	70.33	63.42%	4,352.33	282.38	6.49%
Personal Loan	259.43	-	-	218.95	-	-
Corporate Loan	164.45	-	-	45.00	-	-

(xix) Movement of Stage 3 assets:-

	Year ended March 31, 2023	Year ended March 31, 2022
Net stage 3 assets to net advances (%)	**1.22%**	**2.96%**
Movement of stage 3 assets (gross)		
Opening balance	2,890.01	2,589.09
Additions during the year	669.12	1,718.32
Reductions during the year	(1,417.60)	**(1,417.39)**
Closing balance	**2,141.53**	**2,890.01**
Movement of net stage 3 assets		
Opening balance	1,302.29	1,080.55
Addition during the year	-	1,167.25
Reductions during the year	(443.96)	(945.51)
Closing balance	**858.33**	**1,302.29**
Movement of provisions for stage 3 assets		
Opening balance	1,587.72	1,508.54
Addition during the year	810.47	551.06
Reduction/ write off during the year	(1,115.00)	(471.89)
Closing balance	**1,283.19**	**1,587.72**

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 2023 (All amounts in INR millions, unless stated otherwise)

(xx) Comparison between provisions required under IRACP and impairment allowances made under Ind AS 109 :-

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	69,408.82	383.14	69,025.68	13.15	369.99
	Stage 2	436.67	53.84	382.82	2.78	51.06
Subtotal		**69,845.49**	**436.98**	**69,408.50**	**15.93**	**421.05**
Non-Performing Assets (NPA)						
Standard	Stage 3	44.18	18.11	26.07	0.09	18.02
Substandard	Stage 3	1,238.29	652.47	585.82	674.70	(22.23)
Doubtful - up to 1 year	Stage 3	441.32	342.95	98.36	451.47	(108.51)
1 to 3 years	Stage 3	407.01	261.99	145.03	417.61	(155.63)
More than 3 years	Stage 3	10.74	7.67	3.07	13.40	(5.72)
Subtotal for doubtful		**2,141.53**	**1,283.19**	**858.35**	**1,557.26**	**(274.07)**
Loss	Stage 3	-	-	-	-	-
Subtotal for NPA		**2,141.53**	**1,283.19**	**858.35**	**1,557.26**	**(274.07)**
Other items such as guarantees, loan commitments, etc. which are in the scope of Ind AS 109 but not covered under current Income Recognition, Asset Classification and Provisioning (IRACP) norms	Stage 1	-	-	-	-	-
	Stage 2	-	-	-	-	-
	Stage 3	-	-	-	-	-
Subtotal	-	-	-	-	-	
Total	**Stage 1**	**69,408.82**	**383.14**	**69,025.68**	**13.15**	**369.99**
	Stage 2	**436.67**	**53.84**	**382.82**	**2.78**	**51.06**
	Stage 3	**2,141.53**	**1,283.19**	**858.35**	**1,557.26**	**(274.08)**
	Total	**71,987.02**	**1,720.17**	**70,266.86**	**1,573.19**	**146.97**

(xxi) Details of resolution plan implemented under the Resolution Framework for COVID-19-related Stress as per RBI circular dated May 5, 2021 (Resolution Framework 2.0) are given below:

	As At March 31, 2023	As At March 31, 2022
a) Number of accounts where resolution plan has been implemented under this window	194,824	194,824
b) Exposure to accounts mentioned at (a) before implementation of the plan	4,506.81	4,506.81
c) Active number of accounts where the resolution plan is implemented	77,582	173,019
d) Exposure to accounts mentioned at (c) on the reporting date	1,227.22	3,862.65
e) Increase in provisions on account of the implementation of the resolution plan	68.77	268.91

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 2023 (All amounts in INR millions, unless stated otherwise)

(xxii) Instances of fraud:-

	As at March 31, 2023				As at March 31,2022			
	Less than 1 lakh	1 lakh to 5 lakh	5 lakh to 25 Lakh	More than 25 Lakh	Less than 1 lakh	1 lakh to 5 lakh	5 lakh to 25 Lakh	More than 25 Lakh
Nature of fraud (cash embezzlement)								
A) Persons involved								
Staff								
No. of accounts (Victims)	-	611	2,788	1,639	-	853	245	402
Amount	-	1.55	5.24	57.19	-	2.60	1.32	3.69
B) Type of fraud								
Unauthorised credit facility extended	-	-	-	-	-	-	-	-
Misappropriation and criminal breach of trust								
No. of accounts (Victims)	-	611	665	1,639	-	853	245	402
Amount	-	1.55	2.88	57.19	-	2.60	1.32	3.69
Cheating and forgery	-	-	-	-	-	-	-	-
No. of accounts (Victims)	-	-	2,123	-	-	-	-	-
Amount	-	-	2.36	-	-	-	-	-

(xxiii) Public disclosure on Liquidity Risk as on March 31, 2022 pursuant to RBI notification RBI/2019-20/88 DOR.NBFC (PD) CC. No.102/03.10.001/2019-20 dated November 04, 2019 on Liquidity Risk Management Framework for Non-Banking Financial Companies and Core Investment Companies:-

(a) Funding concentration based on significant counterparty (both deposits and borrowings)

	As At March 31, 2023	As At March 31, 2022
Number of significant counterparties	27	29
Amount	47,675.94	37,647.75
% of total deposits	-	-
% of total liabilities	**73.42%**	**94.20%**

(b) Top 20 large deposits and 10 borrowing

	Outstanding Amount as at March 31, 2023	% of total liabilities
Top 20 large deposits	-	-
Top 10 large borrowings	**32,235.32**	**49.64%**

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 2023 (All amounts in INR millions, unless stated otherwise)

	Outstanding Amount as at March 31, 2022	% of total liabilities
Top 20 large deposits	-	-
Top 10 large borrowings	**22,674.41**	**56.73%**

(c) Funding concentration based on significant instrument/product

	Amount as at March 31, 2023	% of total liabilities
Term Loan	40,951.86	63.07%
Securitisation	8,230.63	12.68%
External Commercial Borrowing	2,047.76	3.15%
Non-convertible debentures	13,216.67	20.35%
Commercial paper	484.84	0.75%
Tier II	-	0.00%
Total	**64,931.77**	**100.00%**

	Amount as at March 31, 2022	% of total liabilities
Term Loan	28,848.75	72.18%
Securitisation	4,121.09	10.31%
Non-convertible debentures	6,249.44	15.64%
Commercial paper	496.83	1.24%
Tier II	249.97	0.63%
Total	**39,966.09**	**100.00%**

(d) Stock ratios

	March 31, 2023			
	Amount	% of public fund	% of total liabilities*	% of total assets
Commercial paper	484.84	0.75%	0.70%	0.57%
Non-convertible debentures	13,216.67	20.35%	19.15%	15.50%

	March 31, 2022			
	Amount	% of public fund	% of total liabilities*	% of total assets
Commercial paper	496.83	1.24%	1.17%	0.89%
Non-convertible debentures	6,249.44	15.64%	14.69%	11.18%

*Total liabilities has been computed as sum of all liabilities as per balance sheet.

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 2023 (All amounts in INR millions, unless stated otherwise)

(e) Institutional set-up for liquidity risk management

The Board has the overall responsibility for management of liquidity risk. The Company has a risk management committee responsible for evaluating the overall risks faced by the Company including liquidity risk. The asset liability management committee is also responsible for ensuring adherence to the risk tolerance and implementing the liquidity risk management strategy.

(xxiv) Summary information on complaints received by the NBFCs from customers and from the Offices of Ombudsman:-

	Year ended March 31, 2023	Year ended March 31, 2022
Complaints received by the Company from customers		
a) Number of complaints pending at the beginning of the year (Nos)	3	-
b) Number of complaint received during the year (Nos)	433	428
c) Number of complaint disposed during the year (Nos)	428	425
d) Number of complaints rejected out of (c) (Nos)	-	-
e) Number of complaints pending at the end of the year (Nos)	8	3
Maintainable complaints received by the Company from Office of Ombudsman	**-**	**-**

(xxv) Top five grounds of complaints received by the NBFC from customers

Grounds of complaints	Number of complaints pending at the beginning of the year	Number of complaints received during the year	% increase/ decrease in the number of complaints received over the previous year	Number of complaints pending at the end of the year	Of 5, number of complaints pending beyond 30 days
1	2	3	4	5	6
Year ended March 31, 2023					
Mis-selling	-	41	116%	-	-
Updation of repayment records	-	172	(38%)	1	-
Insurance claim settlement	3	192	56%	5	-
Digital transactions	-	9	125%	-	-
Fraud Conducted by staff	-	13	100%	2	-
Interest rates	-	1	0%	-	-
Updation/dispute on data in Credit Information Report (CIR)	-	5	100%	-	-
Total	**3**	**433**	**1.17%**	**8**	**-**

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 2023 (All amounts in INR millions, unless stated otherwise)

Grounds of complaints	Number of complaints pending at the beginning of the year	Number of complaints received during the year	% increase/ decrease in the number of complaints received over the previous year	Number of complaints pending at the end of the year	Of 5, number of complaints pending beyond 30 days
Year ended March 31, 2022					
Mis-selling or forced selling of third party products	-	19	375%	-	-
Updation of repayment records	-	279	253%	-	-
Insurance claim settlement	-	123	(7%)	3	-
Digital transactions	-	4	100%	-	-
Fraud Conducted by external agencies	-	2	100%	-	-
Interest rates	-	1	100%	-	-
Total	**-**	**428**	**99%**	**3**	**-**

(xxvi) Related party disclosure:-

Nature of relationship	Holding Company		Entities in which KMP are able to exercise control or have significant influence		Fellow subsidiary		Common directorship		Key Management Personnel (KMP)	
Items	**Year ended March 31, 2023**	**Year ended March 31, 2022**	**Year ended March 31, 2023**	**Year ended March 31, 2022**	**Year ended March 31, 2023**	**Year ended March 31, 2022**	**Year ended March 31, 2023**	**Year ended March 31, 2022**	**Year ended March 31, 2023**	**Year ended March 31, 2022**
Cash management charges	50.16	34.11	-	-	-	-	-	-	-	-
Commission income	0.07	2.87	5.05	3.56	-	-	-	-	-	-
Software support charges	-	-	-	-	12.15	12.88	-	-	-	-
Rent expenses	2.31	3.15	-	-	-	-	-	-	9.15	7.02
Rental deposits given/ (refunded)	(0.25)	0.13	-	-	-	-	-	-	-	-
CSR expenditure	-	-	-	-	6.23	19.93	-	-	-	-
Travel expenses	0.26	0.35	-	-	-	-	-	-	-	-
Trade mark Fees	-	-	-	-	-	-	-	-	0.10	0.60
Sitting fees	-	-	-	-	-	-	-	-	2.70	2.85
Remuneration	-	-	-	-	-	-	-	-	44.18	48.95
Gold Auction	-	-	0.91	-	-	-	-	-	-	-
Marketing Expenses	-	-	-	-	-	-	5.00	-	-	-

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 2023 (All amounts in INR millions, unless stated otherwise)

(xxvii) Breach of Covenant:-

Interest payment of Rs.64.86 million towards ISIN- INE046W07180 which was due on December 5, 2022 was paid on December 7, 2022. As the payment was made within the curing period, it has not been considered as default as per terms of respective agreement. The delay was a one-off event due to an inadvertent operational error. The Company had comfortable liquidity position with unencumbered cash and bank balance of Rs.2,131.73 Million and undrawn sanction in hand of Rs.9,320 Million as on December 5, 2022.

The Company has entered into financing arrangements with various non-banking financial institutions (Refer note 38) where the Company need to comply with various key performance indicators. The Company is not in compliance with KPI with three institutions, where the Company has submitted necessary waiver letters. The company has received one confirmation for waiver letter and awaiting two other responses. The Company will not have any adverse impact on the liquidity position even if the waiver request is rejected by the lenders.

(xxviii) Details of Single Borrower Limit (SGL) / Group Borrower Limit (GBL) exceeded by the NBFC

The Company did not exceed the limits prescribed for single and group borrower during the current and previous year.

(xxix) Overseas assets

The Company did not have any joint ventures and subsidiaries abroad.

(xxx) Off-balance sheet SPVs sponsored

There are no off-balance sheet SPVs sponsored which are required to be consolidated as per accounting norms as at end of current and previous year.

52 Percentage of loans granted against collateral of gold jewellery to total assets

	As At March 31, 2023	As At March 31, 2022
Gold Loans granted against collateral of gold jewellery	145.54	217.72
Total assets of the Company	85,291.99	55,914.58
Percentage of Gold Loans to Total Assets	0.17%	0.39%

53 Previous year's figures have been regrouped and reclassified, wherever necessary to conform to current year's presentation / classification.

For **Sharp & Tannan Associates**
Chartered Accountants
Firm's Registration No.: 109983W

For and on behalf of the Board of Directors of
Muthoot Microfin Limited

Tirtharaj Khot
Partner
Membership No.: 037457
Place: Pune

Thomas Muthoot
Managing Director
DIN: 00082099
Place: Kochi

Thomas John Muthoot
Director
DIN: 00011618
Place: Kochi

Thomas George Muthoot
Director
DIN: 00011552
Place: Kochi

Praveen T
Chief Financial Officer
Place: Kochi

Neethu Ajay
Company Secretary
Place: Kochi

Date: 06 May 2023

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