DRAFT RED HERRING PROSPECTUS
Dated: May 8, 2021
(This Draft Red Herring Prospectus will be updated upon filing with the RoC)
Please read Section 32 of the Companies Act, 2013
100% Book Built Issue

FINCARE SMALL FINANCE BANK LIMITED

Our Bank was incorporated as Banas Finlease Private Limited at Palanpur, Gujarat as a private limited company under the Companies Act, 1956, and a certificate of incorporation was granted by the Assistant Registrar of Companies, Gujarat, Dadra and Nagar Haveli on April 5, 1995. The name of our Bank changed from Banas Finlease Private Limited to Disha Microfin Private Limited as a result of change in management of our Bank and a fresh certificate of incorporation consequent upon change of name was granted by the Assistant Registrar of Companies, Gujarat, Dadra and Nagar Haveli on March 26, 2010. On October 7, 2015, our Bank was granted an in-principle approval by the RBI to convert into a small finance bank in the private sector under Section 22 of the Banking Regulation Act, 1949. Subsequently, our Bank was converted into a public limited company pursuant to a special resolution passed by our Shareholders at the EGM held on November 29, 2016, and a certificate of incorporation consequent upon conversion to public limited company was granted by the Registrar of Companies, Gujarat at Ahmendabad ("**RoC**") on December 13, 2016. Thereafter, our Bank was granted a license by the RBI on May 12, 2017, to carry on small finance bank business in India in terms of Section 22 (1) of the Banking Regulation Act, 1949. Consequently, the name of our Bank changed from Disha Microfin Limited to Fincare Small Finance Bank Limited, and on June 14, 2017 a fresh certificate of incorporation pursuant to change of name, was granted by the RoC. Our Bank commenced its operations as a small finance bank with effect from July 21, 2017. Our Bank was included in the second schedule to the RBI Act pursuant to a notification dated March 28, 2019 issued by the RBI. For further details, see "*History and Certain Corporate Matters*" on page 177.

Registered Office: 301-306, 3rd Floor, Abhijeet -V, Opp. Mayor's Bunglow, Law Garden Road, Mithakhali, Ahmedabad 380 006, Gujarat, India; **Tel**: +91 79 4001 1000
Corporate Office: 5th Floor, Bren Mercury, Kaikondanahalli, Sarjapur Main Road, Bengaluru 560035, Karnataka, India; **Tel**: +91 80 4250 4444
Website: www.fincarebank.com; **Contact Person**: Shefaly Kothari, Company Secretary and Compliance Officer; **E-mail**: sfbcompsec@fincarebank.com
Corporate Identity Number: U67120GJ1995PLC025373

OUR PROMOTER: FINCARE BUSINESS SERVICES LIMITED

INITIAL PUBLIC OFFER OF UP TO [●] EQUITY SHARES OF FACE VALUE OF ₹10 EACH ("EQUITY SHARES") OF FINCARE SMALL FINANCE BANK LIMITED ("BANK" OR "ISSUER" OR "FSFBL") FOR CASH AT A PRICE OF ₹[●] PER EQUITY SHARE (INCLUDING A SHARE PREMIUM OF ₹[●] PER EQUITY SHARE) (THE "OFFER PRICE") AGGREGATING UP TO ₹13,300 MILLION ("OFFER") COMPRISING OF A FRESH ISSUE BY OUR BANK OF UP TO [●] EQUITY SHARES AGGREGATING UP TO ₹3,300 MILLION (THE "FRESH ISSUE") AND AN OFFER FOR SALE OF UP TO [●] EQUITY SHARES AGGREGATING UP TO ₹10,000 MILLION ("OFFER FOR SALE") BY FINCARE BUSINESS SERVICES LIMITED ("PROMOTER SELLING SHAREHOLDER" AND SUCH EQUITY SHARES, THE "OFFERED SHARES"). THIS OFFER INCLUDES A RESERVATION OF UP TO [●] EQUITY SHARES, AGGREGATING UP TO ₹[●] MILLION (CONSTITUTING UP TO [●]% OF THE POST-OFFER PAID-UP EQUITY SHARE CAPITAL), FOR SUBSCRIPTION BY ELIGIBLE EMPLOYEES ("EMPLOYEE RESERVATION PORTION"). THE OFFER LESS THE EMPLOYEE RESERVATION PORTION IS HEREINAFTER REFERRED TO AS THE "NET OFFER". OUR BANK AND THE PROMOTER SELLING SHAREHOLDER MAY, IN CONSULTATION WITH THE MANAGERS, OFFER A DISCOUNT OF UP TO ₹[●] TO THE OFFER PRICE (EQUIVALENT OF ₹[●] PER EQUITY SHARE) TO ELIGIBLE EMPLOYEES BIDDING IN THE EMPLOYEE RESERVATION PORTION ("EMPLOYEE DISCOUNT"). THE OFFER AND THE NET OFFER SHALL CONSTITUTE AT LEAST [●]% AND [●]%, RESPECTIVELY, OF THE POST-OFFER PAID-UP EQUITY SHARE CAPITAL OF OUR BANK.

OUR BANK MAY, IN CONSULTATION WITH THE MANAGERS, CONSIDER A PRE-IPO PLACEMENT OF SUCH NUMBER OF EQUITY SHARES FOR AN AGGREGATE AMOUNT OF UP TO ₹2,000 MILLION ("PRE-IPO PLACEMENT). THE PRE-IPO PLACEMENT WILL BE AT A PRICE TO BE DECIDED BY OUR BANK, IN CONSULTATION WITH THE MANAGERS AND THE PRE-IPO PLACEMENT, IF ANY, WILL BE UNDERTAKEN PRIOR TO FILING OF THE RED HERRING PROSPECTUS WITH THE ROC. IF THE PRE-IPO PLACEMENT IS UNDERTAKEN, THE AGGREGATE AMOUNT RAISED FROM THE PRE-IPO PLACEMENT WILL BE REDUCED FROM THE FRESH ISSUE, SUBJECT TO THE MINIMUM ISSUE SIZE CONSTITUTING AT LEAST [●]% OF THE POST-OFFER PAID-UP EQUITY SHARE CAPITAL OF OUR BANK.

THE PRICE BAND, THE MINIMUM BID LOT AND THE EMPLOYEE DISCOUNT (IF ANY) SHALL BE DECIDED BY OUR BANK AND THE PROMOTER SELLING SHAREHOLDER, IN CONSULTATION WITH THE MANAGERS AND WILL BE ADVERTISED IN ALL EDITIONS OF [●], AN ENGLISH NATIONAL DAILY NEWSPAPER, ALL EDITIONS OF [●], A HINDI NATIONAL DAILY NEWSPAPER, AND IN ALL EDITIONS OF [●], A GUJARATI DAILY NEWSPAPER, EACH WITH WIDE CIRCULATION (GUJARATI BEING THE REGIONAL LANGUAGE OF GUJARAT WHERE OUR REGISTERED OFFICE IS LOCATED) AT LEAST TWO WORKING DAYS PRIOR TO THE BID/ OFFER OPENING DATE AND SHALL BE MADE AVAILABLE TO THE BSE LIMITED ("BSE") AND THE NATIONAL STOCK EXCHANGE OF INDIA LIMITED ("NSE", AND TOGETHER WITH BSE, THE "STOCK EXCHANGES") FOR THE PURPOSE OF UPLOADING ON THEIR RESPECTIVE WEBSITES IN ACCORDANCE WITH THE SEBI ICDR REGULATIONS.

In case of any revision in the Price Band, the Bid/ Offer Period will be extended by at least three additional Working Days after such revision in the Price Band, subject to the Bid/ Offer Period not exceeding 10 Working Days. In cases of force majeure, banking strike or similar circumstances, our Bank and the Promoter Selling Shareholder may, in consultation with the Managers, for reasons to be recorded in writing, extend the Bid/Offer Period for a minimum of three Working Days, subject to the Bid/ Offer Period not exceeding 10 Working Days. Any revision in the Price Band and the revised Bid/ Offer Period, if applicable, shall be widely disseminated by notification to the Stock Exchanges, by issuing a public notice, and also by indicating the change on the respective websites of the Managers and at the terminals of the Syndicate Members and by intimation to Self Certified Syndicate Members, Designated Intermediaries and the Sponsor Bank.

The Offer is being made through the Book Building Process, in terms of Rule 19(2)(b) of the Securities Contracts (Regulation) Rules, 1957, as amended ("**SCRR**") read with Regulation 31 of the SEBI ICDR Regulations and in compliance with Regulation 6(2) of the SEBI ICDR Regulations, wherein not less than 75% of the Net Offer shall be allocated on a proportionate basis to Qualified Institutional Buyers ("**QIBs**") ("**QIB Portion**"), provided that our Bank and the Promoter Selling Shareholder may, in consultation with the Managers, allocate up to 60% of the QIB Portion to Anchor Investors on a discretionary basis in accordance with the SEBI ICDR Regulations ("**Anchor Investor Portion**"), of which one-third shall be reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the Anchor Investor Allocation Price. In the event of under-subscription, or non-allocation in the Anchor Investor Portion, the balance Equity Shares shall be added to the Net QIB Portion. Further, 5% of the Net QIB Portion shall be available for allocation on a proportionate basis only to Mutual Funds, subject to valid Bids being received at or above the Offer Price, and the remainder of the Net QIB Portion shall be available for allocation on a proportionate basis to all QIBs, including Mutual Funds. Further, not more than 15% of the Net Offer shall be available for allocation on a proportionate basis to Non-Institutional Investors and not more than 10% of the Net Offer shall be available for allocation to Retail Individual Bidders in accordance with the SEBI ICDR Regulations, subject to valid Bids being received at or above the Offer Price. Further, Equity Shares will be allotted on a proportionate basis to Eligible Employees applying under the Employee Reservation Portion, subject to valid Bids received from them at or above the Offer Price (net of Employee Discount, if any). All potential Bidders (except Anchor Investors) are required to mandatorily utilise the Application Supported by Blocked Amount ("**ASBA**") process providing details of their respective ASBA accounts, and UPI ID (in case of RIBs) if applicable, in which the corresponding Bid Amounts will be blocked by the SCSBs or under the UPI Mechanism, as applicable. Anchor Investors are not permitted to participate in the Offer through the ASBA process. For details, see "*Offer Procedure*" on page 349.

RISKS IN RELATION TO THE FIRST OFFER

This being the first public issue of our Bank, there has been no formal market for the Equity Shares of our Bank. The face value of the Equity Shares is ₹10. The Floor Price, Cap Price and Offer Price as determined and justified by our Bank and the Promoter Selling Shareholder, in consultation with the Managers, in accordance with the SEBI ICDR Regulations, as stated under "*Basis for Offer Price*" on page 90 should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active and/or sustained trading in the Equity Shares nor regarding the price at which the Equity Shares will be traded after listing.

GENERAL RISK

Investments in equity and equity-related securities involve a degree of risk and investors should not invest any funds in the Offer unless they can afford to take the risk of losing their entire investment. Investors are advised to read the risk factors of the Red Herring Prospectus carefully before taking an investment decision in the Offer. For taking an investment decision, investors must rely on their own examination of our Bank and the Offer, including the risks involved. The Equity Shares in the Offer have not been recommended or approved by the Securities and Exchange Board of India ("**SEBI**"), nor does SEBI guarantee the accuracy or adequacy of the contents of this Draft Red Herring Prospectus. Specific attention of the investors is invited to "*Risk Factors*" on page 20.

ISSUER'S AND PROMOTER SELLING SHAREHOLDER'S ABSOLUTE RESPONSIBILITY

Our Bank, having made all reasonable inquiries, accepts responsibility for and confirms that this Draft Red Herring Prospectus contains all information with regard to our Bank and the Offer, which is material in the context of the Offer, that the information contained in this Draft Red Herring Prospectus is true and correct in all material aspects and is not misleading in any material respect, that opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this Draft Red Herring Prospectus as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect. The Promoter Selling Shareholder accepts responsibility for and confirms that the statements specifically made or confirmed by the Promoter Selling Shareholder in this Draft Red Herring Prospectus to the extent of information specifically pertaining to itself and its Offered Shares and assumes responsibility that such statements are true and correct in all material respects and not misleading in any material respect.

LISTING

The Equity Shares issued through the Red Herring Prospectus are proposed to be listed on the Stock Exchanges. Our Bank has received 'in-principle' approvals from BSE and NSE for the listing of the Equity Shares pursuant to letters dated [●] and [●], respectively. For the purposes of the Offer, the Designated Stock Exchange shall be [●]. A signed copy of the Red Herring Prospectus and the Prospectus shall be delivered to the RoC in accordance with Section 26(4) of the Companies Act 2013. For details of the material contracts and documents available for inspection from the date of the Red Herring Prospectus up to the Bid/ Offer Closing Date, see "*Material Contracts and Documents for Inspection*" on page 369.

GLOBAL COORDINATORS AND BOOK RUNNING LEAD MANAGERS				BOOK RUNNING LEAD MANAGER	REGISTRAR TO THE OFFER
ICICI Securities Limited ICICI Centre, H. T. Parekh Marg Churchgate Mumbai 400 020 Maharashtra, India Tel: +91 22 2288 2460 E-mail: fincare.ipo@icicisecurities.com Investor grievance e-mail: customercare@icicisecurities.com Website: www.icicisecurities.com Contact Person: Shekher Asnani / Anurag Byas SEBI Registration No.: INM000011179	**Axis Capital Limited** 1st Floor, Axis House C 2 Wadia International Centre P. B. Marg, Worli Mumbai 400 025 Maharashtra, India Tel: +91 22 4325 2183 E-mail: fincare.ipo@axiscap.in Investor grievance e-mail: complaints@axiscap.in Website: www.axiscapital.co.in Contact Person: Ankit Bhatia SEBI Registration No.: INM000012029	**IIFL Securities Limited** 10th Floor, IIFL Centre Kamala City, Senapati Bapat Marg Lower Parel (West) Mumbai 400 013 Maharashtra, India Tel: +91 22 4646 4600 E-mail: fincare.ipo@iiflcap.com Investor grievance e-mail: ig.ib@iiflcap.com Website: www.iiflcap.com Contact Person: Sachin Jagad/Nishita Mody SEBI Registration No.: INM00001094	**SBI Capital Markets Limited** 202, Maker Tower 'E' Cuffe Parade Mumbai 400 005 Maharashtra, India Tel: +91 22 2217 8300 E-mail: fincare.ipo@sbicaps.com Investor grievance e-mail: investor.relations@sbicaps.com Website: www.sbicaps.com Contact Person: Aditya Deshpande SEBI Registration No.: INM000003531	**Ambit Private Limited** Ambit House 449, Senapati Bapat Marg Lower Parel Mumbai 400 013 Maharashtra, India Tel: +91 22 6623 3000 E-mail: fincare.ipo@ambit.co Investor grievance e-mail: customerservicemb@ambit.co Website: www.ambit.co Contact Person: Nikhil Bhiwapurkar/ Jaspreet Thukral SEBI Registration No.: INM000010585	**KFin Technologies Private Limited** ***(formerly known as "Karvy Fintech Private Limited")*** Selenium, Tower B, Plot No. - 31 and 32 Financial District Nanakramguda, Serilingampally Hyderabad, Rangareddi 500 032 Telangana, India Tel: +91 40 6716 2222 E-mail: fincarebank.ipo@kfintech.com Website: www.kfintech.com Investor grievance e-mail: einward.ris@kfintech.com Contact Person: M Murali Krishna SEBI Registration Number: INR000000221
BID/ OFFER SCHEDULE					
BID/ OFFER OPENS ON	[●](1)	**BID/ OFFER CLOSES ON**			[●](2)

(1) *Our Bank and the Promoter Selling Shareholder may, in consultation with the Managers, consider participation by Anchor Investors in accordance with the SEBI ICDR Regulations. The Anchor Investor Bid/ Offer Period shall be one Working Day prior to the Bid/ Offer Opening Date i.e. [●]*

(2) *Our Bank and the Promoter Selling Shareholder may, in consultation with the Managers, consider closing the Bid/ Offer Period for QIBs one Working Day prior to the Bid/ Offer Closing Date in accordance with the SEBI ICDR Regulations*

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SECTION I: GENERAL

DEFINITIONS AND ABBREVIATIONS

This Draft Red Herring Prospectus uses certain definitions and abbreviations which, unless the context otherwise indicates or implies, shall have the meaning as provided below. References to any legislation, act, regulation, rules, guidelines or policies shall be to such legislation, act, regulation, rules, guidelines or policies as amended, supplemented or re-enacted from time to time, and any reference to a statutory provision shall include any subordinate legislation made from time to time under that provision.

The words and expressions used in this Draft Red Herring Prospectus but not defined herein shall have, to the extent applicable, the same meaning ascribed to such terms under the SEBI ICDR Regulations, the Companies Act, the SCRA, the Depositories Act and the rules and regulations made thereunder, as applicable. Notwithstanding the foregoing, the terms used in "Industry Overview", "Key Regulations and Policies", "Statement of Special Tax Benefits", "Financial Statements", "Basis for Offer Price", "History and Certain Corporate Matters", "Selected Statistical Information", "Financial Indebtedness", "Other Regulatory and Statutory Disclosures", "Outstanding Litigation and Material Developments" and "Description of Equity Shares and Terms of Articles of Association" on pages 101, 165, 93, 234, 90, 177, 214, 317, 327, 319 and 363 respectively shall have the meaning ascribed to them in the relevant section.

General Terms

Term	Description
"our Bank", "the Bank", "the Issuer"	Fincare Small Finance Bank Limited, a company incorporated under the Companies Act, 1956 and a small finance bank registered with the RBI, having its Registered Office at 301-306, 3rd Floor, Abhijeet -V, Opp. Mayor's Bunglow, Law Garden Road, Mithakhali, Ahmedabad 380 006, Gujarat, India
"we", "us" or "our"	Unless the context otherwise indicates or implies, refers to our Bank

Bank Related Terms

Term	Description
"Articles of Association" or "AoA"	Articles of association of our Bank, as amended
Audit Committee	Audit committee of our Board, constituted in accordance with the applicable provisions of the Companies Act, 2013, the Listing Regulations, guidelines issued by the RBI from time to time, and as described in "*Our Management*" on page 186
"Auditors" or "Statutory Auditors"	Walker Chandiok & Co. LLP, current statutory auditors of our Bank
"Board" or "Board of Directors"	Board of directors of our Bank, as constituted from time to time
Business Transfer Agreement	Business transfer agreement dated April 13, 2016 entered into between Future Financial Services Private Limited and our Bank, then known as 'Disha Microfin Private Limited', as amended by the supplementary agreement dated September 23, 2016
"CFO" or "Chief Financial Officer"	Chief Financial Officer of our Bank, being Keyur Doshi. For details, see "*Our Management*" on page 186
"Company Secretary and "Compliance Officer"	Company Secretary and Compliance Officer of our Bank, being Shefaly Kothari. For details, see "*Our Management*" on page 186
Corporate Office	Current corporate office of our Bank, located at 5th Floor, Bren Mercury, Kaikondanahalli, Sarjapur Main Road, Bengaluru 560 035, Karnataka, India
Corporate Social Responsibility Committee	Corporate social responsibility committee of our Board, constituted in accordance with the applicable provisions of the Companies Act, 2013 and as described in "*Our Management*" on page 186
CRISIL Report	Report titled '*Analysis of small finances banks and various retail loan products'* issued in March 2021 by CRISIL Research, a division of CRISIL Limited
Director(s)	The directors on the Board of our Bank
Equity Shares	Equity shares of our Bank of face value of ₹10 each
ESOP 2018	Employee stock option plan of our Bank, named "ESOP-2018-3-FSFB"
Independent Directors	Independent directors on the Board, as described in "*Our Management*" on page 186
"Key Managerial Personnel" or "KMP"	Key managerial personnel of our Bank in accordance with Regulation 2(1)(bb) of the SEBI ICDR Regulations as described in "*Our Management*" on page 186
FFSPL	Future Financial Services Private Limited
Lok	Lok Management Services Private Limited, an erstwhile fellow subsidiary of our Bank, which has merged into our Promoter with effect from March 5, 2020
Managing Director and Chief Executive Officer	Managing Director and Chief Executive Officer of our Bank, Rajeev Yadav
"Memorandum of Association" or "MoA"	Memorandum of association of our Bank, as amended
Nomination and Remuneration Committee	Nomination and remuneration committee of our Board, constituted in accordance with the applicable provisions of the Companies Act, 2013, the Listing Regulations and guidelines issued by the RBI from time to time and as described in "*Our Management*" on page 186
"Promoter" or "FBSL" or "Promoter Selling Shareholder"	Our Promoter, Fincare Business Services Limited

Term	Description
RBI Final Approval	RBI letter dated May 12, 2017, pursuant to which RBI granted license no. MUM:135 to our Bank to carry on the SFB business in terms of Section 22 of the Banking Regulation Act
RBI In-Principle Approval	RBI letter dated October 7, 2015, pursuant to which our Bank was granted an in-principle approval bearing reference no. DBR.PSBD.NBC (SFB-UFSPL) No. 4922/16.13.216/2015-16, by the RBI to convert into an SFB in the private sector under Section 22 of the Banking Regulation Act
Registered Office	Registered office of our Bank located at 301-306, 3rd Floor, Abhijeet -V, Opp. Mayor's Bunglow, Law Garden Road, Mithakhali, Ahmedabad 380 006, Gujarat, India
"Registrar of Companies" or "RoC"	Registrar of Companies, Gujarat at Ahmedabad
Restated Financial Statements	Restated financial statements of our Bank for the nine months period ended December 31, 2020 and the financial years ended March 31, 2020, March 31, 2019 and March 31, 2018 (prepared in accordance with Indian GAAP read with Section 133 of the Companies Act, 2013 and restated in accordance with the SEBI ICDR Regulations) which comprises the restated statement of assets and liabilities, the restated statement of profit and loss, the restated statement of cash flows and the restated statement of changes in equity and notes thereto
Shareholders	Shareholders holding Equity Shares of our Bank from time to time
SPSSA	Share purchase and share subscription agreement dated January 9, 2017, as amended by agreement dated February 27, 2017 entered into amongst our Promoter and certain shareholders of our Promoter, in relation to their shareholding in our Promoter
Stakeholders' Relationship Committee	Stakeholders' relationship committee of our Board, constituted in accordance with the applicable provisions of the Companies Act, 2013 and the Listing Regulations and as described in "*Our Management*" on page 186

Offer Related Terms

Term	Description
Abridged Prospectus	Abridged prospectus means a memorandum containing such salient features of a prospectus as may be specified by the SEBI in this behalf
Acknowledgement Slip	The slip or document issued by a Designated Intermediary to a Bidder as proof of registration of the Bid cum Application Form
"Allot" or "Allotment" or "Allotted"	Unless the context otherwise requires, allotment of the Equity Shares pursuant to the Fresh Issue and transfer of the Offered Shares pursuant to the Offer for Sale to the successful Bidders
Allotment Advice	Note or advice or intimation of Allotment sent to the successful Bidders who have been or are to be Allotted the Equity Shares after the Basis of Allotment has been approved by the Designated Stock Exchange
Allottee	A successful Bidder to whom the Equity Shares are Allotted
Ambit	Ambit Private Limited
Anchor Investor	A Qualified Institutional Buyer, applying under the Anchor Investor Portion in accordance with the requirements specified in the SEBI ICDR Regulations and the Red Herring Prospectus and who has Bid for an amount of at least ₹100 million
Anchor Investor Allocation Price	Price at which Equity Shares will be allocated to Anchor Investors in terms of the Red Herring Prospectus and the Prospectus, which will be decided by our Bank and the Promoter Selling Shareholder in consultation with the Managers during the Anchor Investor Bid/Offer Period
Anchor Investor Application Form	Application form used by an Anchor Investor to make a Bid in the Anchor Investor Portion and which will be considered as an application for Allotment in terms of the Red Herring Prospectus and Prospectus
Anchor Investor Bid/Offer Period	One Working Day prior to the Bid/ Offer Opening Date, on which Bids by Anchor Investors shall be submitted and allocation to Anchor Investors shall be completed
Anchor Investor Offer Price	Final price at which the Equity Shares will be Allotted to Anchor Investors in terms of the Red Herring Prospectus and the Prospectus, which price will be equal to or higher than the Offer Price but not higher than the Cap Price The Anchor Investor Offer Price will be decided by our Bank and the Promoter Selling Shareholder in consultation with the Managers
Anchor Investor Portion	Up to 60% of the QIB Portion which may be allocated by our Bank in consultation with the Managers, to Anchor Investors on a discretionary basis in accordance with the SEBI ICDR Regulations One-third of the Anchor Investor Portion shall be reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the Anchor Investor Allocation Price, in accordance with the SEBI ICDR Regulations
"Application Supported by Blocked Amount" or "ASBA"	Application, whether physical or electronic, used by ASBA Bidders to make a Bid and authorizing an SCSB to block the Bid Amount in the ASBA Account and will include applications made by RIBs using the UPI Mechanism where the Bid Amount will be blocked upon acceptance of UPI Mandate Request by RIBs using the UPI Mechanism
ASBA Account	Bank account maintained with an SCSB by an ASBA Bidder, as specified in the ASBA Form submitted by ASBA Bidders for blocking the Bid Amount mentioned in the relevant ASBA Form and includes the account of an RIB which is blocked upon acceptance of a UPI Mandate Request made by the RIBs using the UPI Mechanism
ASBA Bid	A Bid made by an ASBA Bidder
ASBA Bidders	All Bidders except Anchor Investors

Term	Description
ASBA Form	Application form, whether physical or electronic, used by ASBA Bidders which will be considered as the application for Allotment in terms of the Red Herring Prospectus and the Prospectus
Axis	Axis Capital Limited
Bankers to the Offer	Collectively, Escrow Collection Bank(s), Public Offer Bank(s), Sponsor Bank(s) and Refund Bank(s)
Basis of Allotment	Basis on which Equity Shares will be Allotted to successful Bidders under the Offer and which is described in "*Offer Structure*" on page 345
Bid	Indication to make an offer during the Bid/ Offer Period by an ASBA Bidder pursuant to submission of the ASBA Form, or during the Anchor Investor Bid/Offer Period by an Anchor Investor, pursuant to submission of the Anchor Investor Application Form, to subscribe to the Equity Shares at a price within the Price Band, including all revisions and modifications thereto as permitted under the SEBI ICDR Regulations and in terms of the Red Herring Prospectus and the Bid cum Application Form. The term "Bidding" shall be construed accordingly
Bid Amount	The highest value of optional Bids indicated in the Bid cum Application Form and, in the case of RIBs Bidding at the Cut off Price, the Cap Price multiplied by the number of Equity Shares Bid for by such Retail Individual Bidder and mentioned in the Bid cum Application Form and payable by the Bidder or blocked in the ASBA Account of the Bidder, as the case may be, upon submission of the Bid. However, RIBs and Eligible Employees applying in the Employee Reservation Portion can apply at the Cut off Price, net of Employee Discount, if any (in case of Eligible Employees), and the Bid Amount shall be Cap Price, net of Employee Discount, if any (in case of Eligible Employees), multiplied by the number of Equity Shares Bid for by such RIBs or Eligible Employee and mentioned in the Bid cum Application Form. The maximum Bid Amount under the Employee Reservation Portion by an Eligible Employee shall not exceed ₹500,000 (net of Employee Discount, if any). However, the initial Allotment to an Eligible Employee in the Employee Reservation Portion shall not exceed ₹200,000 (net of Employee Discount, if any). Only in the event of under-subscription in the Employee Reservation Portion, such unsubscribed portion will be available for allocation and Allotment, proportionately to all Eligible Employees who have Bid in excess of ₹200,000 (net of Employee Discount, if any), subject to the maximum value of Allotment made to such Eligible Employee not exceeding ₹500,000 (net of Employee Discount, if any)
Bid cum Application Form	Anchor Investor Application Form or the ASBA Form, as the context requires
Bid Lot	[●] Equity Shares and in multiples of [●] Equity Shares thereafter
Bid/ Offer Closing Date	Except in relation to any Bids received from the Anchor Investors, the date after which the Designated Intermediaries will not accept any Bids, which shall be notified in [●] editions of [●], an English national daily newspaper and [●] editions of [●], a Hindi national daily newspaper and [●] editions of [●], a Gujarati national daily newspaper (Gujarati also being the regional language of Gujarat, where our Registered Office is located), each with wide circulation, and in case of any such extension, the extended Bid/Offer Closing Date shall also be notified on the website and terminals of the Syndicate Members and communicated to the Designated Intermediaries and the Sponsor Bank. Our Bank and the Promoter Selling Shareholder may, in consultation with the Managers, consider closing the Bid/Offer Period for QIBs one Working Day prior to the Bid/Offer Closing Date in accordance with the SEBI ICDR Regulations. In case of any revision if any (in case of Eligible Employees), the extended Bid/ Offer Closing Date shall also be notified on the websites of the Managers and at the terminals of the Syndicate Members, and communicated to the Designated Intermediaries and the Sponsor Bank, which shall also be notified in an advertisement in same newspapers in which the Bid/Offer Opening Date was published, as required under the SEBI ICDR Regulations.
Bid/ Offer Opening Date	Except in relation to any Bids received from the Anchor Investors, the date on which the Designated Intermediaries shall start accepting Bids, which shall be notified in [●] editions of [●], an English national daily newspaper and [●] editions of [●], a Hindi national daily newspaper and [●] editions of [●], a Gujarati national daily newspaper (Gujarati also being the regional language of Gujarat, where our Registered Office is located), each with wide circulation
Bid/ Offer Period	Except in relation to Anchor Investors, the period between the Bid/ Offer Opening Date and the Bid/ Offer Closing Date, inclusive of both days, during which prospective Bidders can submit their Bids, including any revisions thereof, in accordance with SEBI ICDR Regulations. Provided that the Bidding shall be kept open for a minimum of three Working Days for all categories of Bidders, other than Anchor Investors Our Bank and the Promoter Selling Shareholders may, in consultation with the Managers, consider closing the Bid/Offer Period for the QIB Portion one Working Day prior to the Bid/Offer Closing Date in accordance with the SEBI ICDR Regulations. The Bid/Offer Period will comprise of Working Days only
Bidder	Any prospective investor who makes a Bid pursuant to the terms of the Red Herring Prospectus and the Bid cum Application Form and unless otherwise stated or implied, includes an Anchor Investor
Bidding Centres	Broker centres at which the Designated Intermediaries shall accept the ASBA Forms, i.e., Designated Branches for SCSBs, Specified Locations for the Syndicate, Broker Centres for Registered Brokers, Designated RTA Locations for RTAs and Designated CDP Locations for CDPs
Book Building Process	Book building process, as provided in Schedule XIII of the SEBI ICDR Regulations, in terms of which the Offer is being made

Term	Description
"Book Running Lead Manager" or "BRLM"	The book running lead manager to the Offer, namely, Ambit
Broker Centres	Centres notified by the Stock Exchanges where Bidders can submit the ASBA Forms to a Registered Broker The details of such Broker Centres, along with the names and contact details of the Registered Brokers are available on the respective websites of the Stock Exchanges (www.bseindia.com and www.nseindia.com)
"CAN" or "Confirmation of Allocation Note"	Notice or intimation of allocation of the Equity Shares sent to Anchor Investors, who have been allocated the Equity Shares, on/after the Anchor Investor Bid/ Offer Period
Cap Price	Higher end of the Price Band, above which the Offer Price and the Anchor Investor Offer Price will not be finalised and above which no Bids will be accepted
Cash Escrow and Sponsor Bank Agreement	Agreement to be entered amongst our Bank, the Promoter Selling Shareholder, the Managers, Syndicate Members, the Bankers to the Offer and Registrar to the Offer, *inter alia*, for collection of the Bid Amounts from Anchor Investors, transfer of funds to the Public Offer Account and where applicable, refunds of the amounts collected from Bidders, on the terms and conditions thereof
Client ID	Client identification number maintained with one of the Depositories in relation to demat account
"Collecting Depository Participant" or "CDP"	A depository participant as defined under the Depositories Act, 1996 registered with SEBI and who is eligible to procure Bids at the Designated CDP Locations in terms of circular no. CIR/CFD/POLICYCELL/11/2015 dated November 10, 2015 issued by SEBI as per the list available on the websites of BSE and NSE
Cut-off Price	Offer Price, as finalised by our Bank and the Promoter Selling Shareholder in consultation with the Managers, which shall be any price within the Price Band. Only RIBs Bidding in the Retail Portion and Eligible Employees Bidding in the Employee Reservation Portion are entitled to Bid at the Cut-off Price (net of Employee Discount, if any, for Eligible Employees). QIBs (including Anchor Investors) and Non-Institutional Bidders are not entitled to Bid at the Cut-off Price
Demographic Details	Details of the Bidders including the Bidders' address, name of the Bidders' father/husband, investor status, occupation, bank account details and UPI ID, wherever applicable
Designated Branches	Such branches of the SCSBs which shall collect the ASBA Forms, a list of which is available on the website of SEBI at https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognised=yes or at such other website as may be prescribed by SEBI from time to time
Designated CDP Locations	Such locations of the CDPs where Bidders can submit the ASBA Forms. The details of such Designated CDP Locations, along with names and contact details of the Collecting Depository Participants eligible to accept ASBA Forms are available on the respective websites of the Stock Exchanges (www.bseindia.com and www.nseindia.com), as updated from time to time
Designated Date	The date on which the Escrow Collection Bank(s) transfer funds from the Escrow Account to the Public Offer Account or the Refund Account, as the case may be, and the instructions are issued to the SCSBs (in case of RIBs using UPI Mechanism, instructions being issued through the Sponsor Bank) for the transfer of amounts blocked by the SCSBs in the ASBA Accounts to the Public Offer Account or the Refund Account, as the case may be, in terms of the Red Herring Prospectus following which Equity Shares will be Allotted in the Offer
Designated Intermediary(ies)	In relation to ASBA Forms submitted by RIBs by authorising an SCSB to block the Bid Amount in the ASBA Account, Designated Intermediaries shall mean SCSBs. In relation to ASBA Forms submitted by RIBs where the Bid Amount will be blocked upon acceptance of UPI Mandate Request by such RIB using the UPI Mechanism, Designated Intermediaries shall mean Syndicate, sub-syndicate/agents, Registered Brokers, CDPs and RTAs. In relation to ASBA Forms submitted by QIBs and non-institutional Bidders, Designated Intermediaries shall mean Syndicate, Sub-Syndicate/ agents, SCSBs, Registered Brokers, the CDPs and RTAs
Designated RTA Locations	Such locations of the RTAs where Bidders can submit the ASBA Forms to RTAs. The details of such Designated RTA Locations, along with names and contact details of the RTAs eligible to accept ASBA Forms are available on the respective websites of the Stock Exchanges (www.bseindia.com and www.nseindia.com)
Designated Stock Exchange	[●]
"Draft Red Herring Prospectus" or "DRHP"	This draft red herring prospectus dated May 8, 2021 issued in accordance with the SEBI ICDR Regulations, which does not contain complete particulars of the price at which the Equity Shares will be Allotted and the size of the Offer, including any addenda or corrigenda thereto
Eligible Employees	Permanent employees, working in India or outside India, of our Bank or a Director of our Bank, whether whole-time or not, as on the date of the filing of the Red Herring Prospectus with the RoC, but not including (i) Promoter; or (ii) Directors who either themselves or through their relatives or through any body corporate, directly or indirectly, hold more than 10% of the outstanding equity shares of our Bank The maximum Bid Amount under the Employee Reservation Portion by an Eligible Employee shall not exceed ₹500,000 (net of Employee Discount, if any). However, the initial Allotment to an Eligible Employee in the Employee Reservation Portion shall not exceed ₹200,000. Only in the event of an under-subscription in the Employee Reservation Portion post initial Allotment, such unsubscribed

Term	Description
	portion may be Allotted on a proportionate basis to Eligible Employees Bidding in the Employee Reservation Portion, for a value in excess of ₹200,000, subject to the total Allotment to an Eligible Employee not exceeding ₹500,000
Eligible NRI(s)	NRI(s) from jurisdictions outside India where it is not unlawful to make an Offer or invitation under the Offer and in relation to whom the ASBA Form and the Red Herring Prospectus will constitute an invitation to subscribe to or to purchase the Equity Shares
Employee Discount	A discount of up to [●]% to the Offer Price (equivalent of ₹[●] per Equity Share) as may be offered by our Bank and the Promoter Selling Shareholder, in consultation with the Managers, to Eligible Employees and which shall be announced at least two Working Days prior to the Bid / Offer Opening Date
Employee Reservation Portion	The portion of the Offer being up to [●] Equity Shares aggregating up to ₹[●] million, available for allocation to Eligible Employees, on a proportionate basis
Escrow Account(s)	Account(s) to be opened with the Escrow Collection Bank(s) and in whose favour the Anchor Investors will transfer money through NACH/direct credit/NEFT/RTGS in respect of the Bid Amount when submitting a Bid
Escrow Collection Bank(s)	Bank(s) which are clearing member(s) and registered with SEBI as banker(s) to an issue and with whom the Escrow Account(s) will be opened, in this case being [●]
First or sole Bidder	Bidder whose name shall be mentioned in the Bid cum Application Form or the Revision Form and in case of joint Bids, whose name shall also appear as the first holder of the beneficiary account held in joint names
Floor Price	Lower end of the Price Band, subject to any revision(s) thereto, not being less than the face value of Equity Shares, at or above which the Offer Price and the Anchor Investor Offer Price will be finalised and below which no Bids will be accepted
Fresh Issue	Fresh issue of up to [●] Equity Shares aggregating up to ₹3,300 million by our Bank
"Global Coordinators and Book Running Lead Managers" or "GCBRLMs"	The global coordinators and book running lead managers to the Offer, namely, I-Sec, Axis, IIFL and SBICAP
General Information Document	The General Information Document for investing in public issues, prepared and issued in accordance with the SEBI circular (SEBI/HO/CFD/DIL1/CIR/P/2020/37) dated March 17, 2020, suitably modified and updated pursuant to, among others, the SEBI circular (SEBI/HO/CFD/DIL2/CIR/P/2020/50) dated March 30, 2020.
IIFL	IIFL Securities Limited
I-Sec	ICICI Securities Limited
Managers	Together, the Global Coordinators and Book Running Lead Managers and the Book Running Lead Manager
Maximum RIB Allottees	Maximum number of RIBs who can be allotted the minimum Bid Lot. This is computed by dividing the total number of Equity Shares available for Allotment to RIBs by the minimum Bid Lot, subject to valid Bids being received at or above the Offer Price
Mutual Fund Portion	5% of the Net QIB Portion, or [●] Equity Shares which shall be available for allocation to Mutual Funds only, subject to valid Bids being received at or above the Offer Price
Net Offer	The Offer less the Employee Reservation Portion
Net Proceeds	Proceeds of the Fresh Issue less the Bank's share of Offer expenses. For further details regarding the use of the Net Proceeds and the Offer expenses, see "*Objects of the Offer*" on page 87
Net QIB Portion	The QIB Portion less the number of Equity Shares Allotted to the Anchor Investors
Non-Institutional Bidders	All Bidders that are not QIBs or RIBs or Eligible Employees and who have Bid for Equity Shares for an amount of more than ₹200,000 (but not including NRIs other than Eligible NRIs)
Non-Institutional Portion	Portion of the Offer being not more than 15% of the Net Offer consisting of not more than [●] Equity Shares which shall be available for allocation on a proportionate basis to Non-Institutional Bidders, subject to valid Bids being received at or above the Offer Price
Non-Resident	Person resident outside India, as defined under FEMA
Offer	The initial public offer of up to [•] Equity Shares aggregating up to ₹13,300 million, comprising of the Net Offer and the Employee Reservation Portion Our Bank may, in consultation with the Managers, consider a Pre-IPO Placement of such number of Equity Shares for an aggregate amount not exceeding ₹2,000 million. The Pre-IPO Placement, if undertaken, will be at a price to be decided by our Bank, in consultation with the Managers and the Pre-IPO Placement will be completed prior to filing of the Red Herring Prospectus with the RoC. If the Pre-IPO Placement is undertaken, the aggregate amount raised from the Pre-IPO Placement will be reduced from the Fresh Issue, subject to the minimum Offer Size constituting at least [●]% of the post-Offer paid-up equity share capital of our Bank
Offer Agreement	Agreement dated May 8, 2021 entered amongst our Bank, the Promoter Selling Shareholder and the Managers, pursuant to which certain arrangements have been agreed to in relation to the Offer
Offer for Sale	The offer for sale of up to [●] Equity Shares by the Promoter Selling Shareholder at the Offer Price aggregating up to ₹10,000 million pursuant to the Offer
Offer Price	The final price at which Equity Shares will be Allotted to ASBA Bidders in terms of the Red Herring Prospectus and the Prospectus. Equity Shares will be Allotted to Anchor Investors at the Anchor Investor Offer Price which will be decided by our Bank and the Promoter Selling Shareholder in consultation with the Managers in terms of the Red Herring Prospectus and the Prospectus. The Offer Price will be decided by our Bank and the Promoter Selling Shareholder, in consultation with the Managers, on the Pricing Date in accordance with the Book Building Process and the Red

Term	Description
	Herring Prospectus.
Offer Proceeds	The gross proceeds of the Fresh Issue which shall be available to our Bank and the proceeds of the Offer for Sale which will be available to the Promoter Selling Shareholder. For further information about use of the Offer Proceeds, see "*Objects of the Offer*" on page 87
Offered Shares	Up to [●] Equity Shares aggregating to ₹10,000 million offered by the Promoter Selling Shareholder pursuant to the Offer for Sale
Pre-IPO Placement	A pre-Offer placement of Equity Shares by our Bank, in consultation with the Managers, of such number of Equity Share for an aggregate amount not exceeding ₹2,000 million. The Pre-IPO Placement, if undertaken, will be at a price to be decided by our Bank, in consultation with the Managers and the Pre-IPO Placement will be completed prior to filing of the Red Herring Prospectus with the RoC. If the Pre-IPO Placement is undertaken, the amount raised from the Pre-IPO Placement will be reduced from the Fresh Issue, subject to the minimum Offer Size constituting at least [●]% of the post-Offer paid-up equity share capital of our Bank
Price Band	Price band of a minimum price of ₹[●] per Equity Share (Floor Price) and the maximum price of ₹[●] per Equity Share (Cap Price) including any revisions thereof The Price Band, minimum Bid Lot and Employee Discount (if any) will be decided by our Bank and the Promoter Selling Shareholder in consultation with the Managers, and will be advertised, at least two Working Days prior to the Bid/ Offer Opening Date, in [●] editions of [●], an English national daily newspaper, [●] editions of [●], a Hindi national daily newspaper and [●] edition of [●], a Gujarati daily newspaper (Gujrati being the regional language of Gujarat, where our Registered Office is located), each with wide circulation and shall be made available to the Stock Exchanges for the purpose of uploading on their respective websites
Pricing Date	Date on which our Bank and the Promoter Selling Shareholder in consultation with the Managers, will finalise the Offer Price
Prospectus	Prospectus to be filed with the RoC after the Pricing Date in accordance with Section 26 of the Companies Act, 2013, and the SEBI ICDR Regulations containing, *inter alia*, the Offer Price, the size of the Offer and certain other information, including any addenda or corrigenda thereto
Public Offer Account	Bank account to be opened with the Public Offer Account Bank, under Section 40(3) of the Companies Act, 2013 to receive monies from the Escrow Account(s) and ASBA Accounts on the Designated Date
Public Offer Bank	A bank which is a clearing member and registered with SEBI as a banker to an issue and with which the Public Offer Account will be opened, in this case being [●]
QIB Portion	The portion of the Net Offer (including the Anchor Investor Portion) being not less than 75% of the Net Offer consisting of not less than [●] Equity Shares which shall be available for allocation to QIBs (including Anchor Investors), subject to valid Bids being received at or above the Offer Price or Anchor Investor Offer Price (for Anchor Investors)
Qualified Institutional Buyers or QIBs or QIB Bidders	Qualified institutional buyers as defined under Regulation 2(1)(ss) of the SEBI ICDR Regulations
Red Herring Prospectus or RHP	Red Herring Prospectus to be issued in accordance with Section 32 of the Companies Act, 2013 and the provisions of the SEBI ICDR Regulations, which will not have complete particulars of the Offer Price and the size of the Offer, including any addenda or corrigenda thereto. The Red Herring Prospectus will be filed with the RoC at least three Working Days before the Bid/Offer Opening Date and will become the Prospectus upon filing with the RoC after the Pricing Date
Refund Account(s)	Account(s) to be opened with the Refund Bank(s), from which refunds, if any, of the whole or part of the Bid Amount to the Bidders shall be made
Refund Bank(s)	Banker(s) to the Offer and with whom the Refund Account will be opened, in this case being [●]
Registered Brokers	Stock brokers registered under the Securities and Exchange Board of India (Stock Brokers) Regulations, 1992, with the Stock Exchanges having nationwide terminals, other than the Managers and the Syndicate Members and eligible to procure Bids in terms of Circular No. CIR/ CFD/ 14/ 2012 dated October 4, 2012 issued by SEBI
Registrar Agreement	Agreement dated May 8, 2021 entered amongst our Bank, the Promoter Selling Shareholder and the Registrar to the Offer, in relation to the responsibilities and obligations of the Registrar to the Offer pertaining to the Offer
"Registrar and Share Transfer Agents" or "RTAs"	Registrar and share transfer agents registered with SEBI and eligible to procure Bids at the Designated RTA Locations as per the list available on the websites of BSE and NSE, and the UPI Circulars
"Registrar to the Offer" or "Registrar"	KFin Technologies Private Limited (*formerly known as Karvy Fintech Private Limited*)
"Retail Individual Bidder(s)" or "RIB(s)"	Individual Bidders, who have Bid for the Equity Shares for an amount not more than ₹200,000 in any of the bidding options in the Offer (including HUFs applying through their Karta and Eligible NRIs)
Retail Portion	Portion of the Net Offer being not more than 10% of the Net Offer consisting of not more than [●] Equity Shares which shall be available for allocation to RIBs (subject to valid Bids being received at or above the Offer Price)
Revision Form	Form used by the Bidders to modify the quantity of the Equity Shares or the Bid Amount in any of their ASBA Form(s) or any previous Revision Form(s) QIB Bidders and Non-Institutional Bidders are not allowed to withdraw or lower their Bids (in terms of quantity of Equity Shares or the Bid Amount) at any stage. RIBs and Eligible Employees Bidding in the Employee Reservation Portion can revise their Bids during the Bid/ Offer Period and withdraw their Bids until Bid/ Offer Closing Date
SBICAP	SBI Capital Markets Limited

Term	Description
Self-Certified Syndicate Bank(s) or SCSB(s)	The banks registered with SEBI, which offer the facility of ASBA services, (i) in relation to ASBA, where the Bid Amount will be blocked by authorising an SCSB, a list of which is available on the website of SEBI at www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognisedFpi=yes&intmId=34 and updated from time to time and at such other websites as may be prescribed by SEBI from time to time, (ii) in relation to RIBs using the UPI Mechanism, a list of which is available on the website of SEBI at https://sebi.gov.in/sebiweb/other/OtherAction.do?doRecognisedFpi=yes&intmId=40 or such other website as updated from time to time Applications through UPI in the Offer can be made only through the SCSBs mobile applications (apps) whose name appears on the SEBI website. A list of SCSBs and mobile application, which, are live for applying in public issues using UPI mechanism is provided as Annexure 'A' to the SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2019/85 dated July 26, 2019. The said list shall be updated on SEBI website
Share Escrow Agent	Share escrow agent to be appointed pursuant to the Share Escrow Agreement, namely, [●]
Share Escrow Agreement	Agreement to be entered amongst our Bank, the Promoter Selling Shareholder and the Share Escrow Agent in connection with the transfer of the Offered Shares by the Promoter Selling Shareholder and credit of such Equity Shares to the demat account of the Allottees
Specified Locations	Bidding Centres where the Syndicate shall accept ASBA Forms from Bidders
Sponsor Bank	[●], being a Banker to the Offer, appointed by our Bank to act as a conduit between the Stock Exchanges and NPCI in order to push the mandate collect requests and / or payment instructions of the RIBs using the UPI and carry out other responsibilities, in terms of the UPI Circulars
"Syndicate" or "Members of the Syndicate"	Together, the Managers and the Syndicate Members
Syndicate Agreement	Agreement to be entered amongst our Bank, the Promoter Selling Shareholder ,the Managers and the Syndicate Members, in relation to collection of Bids by the Syndicate
Syndicate Members	Intermediaries registered with SEBI who are permitted to carry out activities as an underwriter, namely, [●]
Systemically Important Non-Banking Financial Company	Systemically important non-banking financial company as defined under Regulation 2(1)(iii) of the SEBI ICDR Regulations
Underwriters	[●]
Underwriting Agreement	Agreement to be entered amongst our Bank, the Promoter Selling Shareholder and the Underwriters on or after the Pricing Date but prior to filing of the Prospectus with the RoC
UPI	Unified payments interface which is an instant payment mechanism, developed by NPCI
UPI Circulars	The SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2018/138 dated November 1, 2018, SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2019/50 dated April 3, 2019, SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2019/76 dated June 28, 2019, SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2019/85 dated July 26, 2019, SEBI circular no. SEBI/HO/CFD/DCR2/CIR/P/2019/133 dated November 8, 2019, SEBI/HO/CFD/DIL2/CIR/P/2020/50 dated March 30, 2020, SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2021/2480/1/M dated March 16, 2021, SEBI circular no. SEBI/HO/CFD/DIL1/CIR/P/2021/47 dated March 31, 2021 and any subsequent circulars or notifications issued by SEBI in this regard
UPI ID	ID created on the UPI for single-window mobile payment system developed by the NPCI
UPI Mandate Request	A request (intimating the RIB by way of a notification on the UPI linked mobile application as disclosed by SCSBs on the website of SEBI and by way of an SMS on directing the RIB to such UPI linked mobile application) to the RIB initiated by the Sponsor Bank to authorise blocking of funds on the UPI application equivalent to Bid Amount and subsequent debit of funds in case of Allotment
UPI Mechanism	The bidding mechanism that may be used by an RIB in accordance with the UPI Circulars to make an ASBA Bid in the Offer
Working Day	All days on which commercial banks in Mumbai are open for business. In respect of announcement of Price Band and Bid/Offer Period, Working Day shall mean all days, excluding Saturdays, Sundays and public holidays, on which commercial banks in Mumbai are open for business. In respect of the time period between the Bid/ Offer Closing Date and the listing of the Equity Shares on the Stock Exchanges, Working Day shall mean all trading days of the Stock Exchanges, excluding Sundays and bank holidays, as per circulars issued by SEBI

Technical/Industry Related Terms/Abbreviations

Term	Description
AHL	Affordable housing loan
ALM	Application lifecycle management
AML	Anti-money laundering
Basel Master Circular	Master Circular – Basel III Capital Regulations, RBI/2015-16/58, DBR.No.BP.BC.1/21.06.201/2015-16 dated July 1, 2015
BC	Business Correspondent
BO	Banking Ombudsman
CASA	Current account and savings account
CFT	Combating financing of terrorism
CIC	Credit Information Company

Term	Description
ESG	Environment, social and governance
ESG MS	Environment, Social and Governance Management System
FATCA	Foreign Account Tax Compliance Act, 2010
FII	Foreign institutional investor
FIS	Fidelity Information Services
HENRY	High-earning-not-rich-yet, a segment of consumers
IDFC	Infrastructure Development and Finance Company
IGA	Intergovernmental agreement used between governments to implement FATCA
IMPS	A real-time interbank electronic funds transfer payment system in India
IT	Information Technology
KYC	Know your customer
LAG	Loans against gold
LAP	Loans against property
MFI	Microfinance Institution
MSME	Micro, small and medium enterprises
NBFC	Non-banking financial company
OFAC	Office of Foreign Assets Control
RLAP	Rural loan against property
SFB	Small Finance Bank
SQL	A data processing tool

Conventional and General Terms or Abbreviations

Term	Description
₹/Rs./Rupees/INR	Indian Rupees
AIFs	Alternative Investments Funds
BSE	BSE Limited
CAGR	Compound annual growth rate
Category I AIF	AIFs who are registered as "Category I Alternative Investment Funds" under the SEBI AIF Regulations
Category II AIF	AIFs who are registered as "Category II Alternative Investment Funds" under the SEBI AIF Regulations
Category I FPIs	FPIs who are registered as "Category I Foreign Portfolio Investors" under the SEBI FPI Regulations
Category II FPIs	FPIs who are registered as "Category II Foreign Portfolio Investors" under the SEBI FPI Regulations
Category III AIF	AIFs who are registered as "Category III Alternative Investment Funds" under the SEBI AIF Regulations
CCIL	Clearing Corporation of India Limited
CDSL	Central Depository Services (India) Limited
CERSAI	Central Registry of Securitization Asset Reconstruction and Security Interest of India
CIN	Corporate Identity Number
Civil Code	The Code of Civil Procedure, 1908
Companies Act or Companies Act, 2013	Companies Act, 2013, along with the relevant rules made thereunder
Companies Act, 1956	Companies Act, 1956, along with the relevant rules made thereunder
Depositories	NSDL and CDSL
Depositories Act	Depositories Act, 1996
DIN	Director Identification Number
DPIIT	Department for Promotion of Industry and Internal Trade, Ministry of Commerce and Industry, Government of India (*earlier known as the Department of Industrial Policy and Promotion*)
DP ID	Depository Participant Identification
DP/ Depository Participant	Depository participant as defined under the Depositories Act
EBITDA	Earnings before interest, taxes, depreciation and amortisation
EGM	Extraordinary General Meeting
EPS	Earnings Per Share
FDI	Foreign direct investment
FDI Policy	Consolidated Foreign Direct Investment Policy notified by the DPIIT by way of circular bearing number DPIIT file number 5(2)/2020-FDI Policy dated October 15, 2020 effective from October 15, 2020
FEMA	Foreign Exchange Management Act, 1999, read with rules and regulations there under
FEMA Regulations	The Foreign Exchange Management (Non-Debt Instruments) Rules, 2019, the Foreign Exchange Management (Mode of Payment and Reporting of Non-Debt Instruments) Regulations, 2019 and the Foreign Exchange Management (Debt Instruments) Regulations, 2019, as applicable
FIMMDA	Fixed Income Money Market and Derivates Association of India
Financial Year/ Fiscal/ FY	Unless stated otherwise, the period of 12 months ending March 31 of that particular year
FIR	First information report
FPI(s)	Foreign portfolio investors as defined under the SEBI FPI Regulations
FVCI(s)	Foreign venture capital investors as defined and registered under the SEBI FVCI Regulations
GAAR	General Anti Avoidance Rules
Gazette	Gazette of India
GoI or Government or Central Government	Government of India
GST	Goods and Services Tax

Term	Description
HUF	Hindu Undivided Family
ICAI	Institute of Chartered Accountants of India
IFRS	International Financial Reporting Standards
IFSC	Indian Financial System Code
Ind AS/ Indian Accounting Standards	Indian Accounting Standards notified under Section 133 of the Companies Act, 2013 read with the Companies (Indian Accounting Standards) Rules, 2015
India	Republic of India
Indian GAAP/ IGAAP	Generally Accepted Accounting Principles in India
IPC	Indian Penal Code, 1860
IPO	Initial public offering
IRDAI	Insurance Regulatory and Development Authority of India
IST	Indian Standard Time
IT	Information Technology
IT Act	The Income Tax Act, 1961
KYC	Know your customer
Listing Regulations	Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015
MCA	Ministry of Corporate Affairs
MICR	Magnetic Ink Character Recognition
Mutual Fund (s)	Mutual Fund(s) means mutual funds registered under the SEBI (Mutual Funds) Regulations, 1996
N/A	Not applicable
NACH	National Automated Clearing House
NAV	Net Asset Value
NBFC	Non-banking financial company
NBFC-CIC-ND-SI	Systemically Important Non-Deposit taking Core Investment Company
NBFC-ND-SI	Systemically Important Non-Deposit taking Non-Banking Finance Company
NEFT	National Electronic Funds Transfer
NPCI	National Payments Corporation of India
NRI	Person resident outside India, who is a citizen of India or a person of Indian origin, and shall have the meaning ascribed to such term in the Foreign Exchange Management (Deposit) Regulations, 2016 or an overseas citizen of India cardholder within the meaning of section 7(A) of the Citizenship Act, 1955
NRE Account	Non-resident external rupee account
NRO Account	Non-resident ordinary account
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Limited
OCB/Overseas Corporate Body	A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs including overseas trusts, in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly and which was in existence on October 3, 2003 and immediately before such date had taken benefits under the general permission granted to OCBs under FEMA. OCBs are not allowed to invest in the Offer
p.a.	Per annum
P/E	Price/earnings
P/E Ratio	Price/earnings ratio
PAN	Permanent account number
PAT	Profit after tax
RBI	The Reserve Bank of India
RBI Act	The Reserve Bank of India Act, 1934
Regulation S	Regulation S under the U.S. Securities Act
RTGS	Real Time Gross Settlement
Rule 144A	Rule 144A under the U.S. Securities Act
SCRA	Securities Contracts (Regulation) Act, 1956
SCRR	Securities Contracts (Regulation) Rules, 1957
SEBI	Securities and Exchange Board of India constituted under the SEBI Act
SEBI Act	Securities and Exchange Board of India Act, 1992
SEBI AIF Regulations	Securities and Exchange Board of India (Alternative Investments Funds) Regulations, 2012
SEBI FPI Regulations	Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019
SEBI ICDR Regulations	Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018
SEBI SBEB Regulations	Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014
SEBI VCF Regulations	Securities and Exchange Board of India (Venture Capital Fund) Regulations, 1996 as repealed pursuant to the SEBI AIF Regulations
SFB	Small finance bank within the meaning of the SFB Licensing Guidelines
SFB Licensing Guidelines	Guidelines for Licensing of Small Finance Banks in the Private Sector issued by the RBI on November 27, 2014 read with the Clarifications to Queries on Guidelines for Licensing of Small Finance Banks and Payment Banks in the Private Sector dated January 01, 2015, issued by the RBI, and such other applicable rules, guidelines, instructions and regulations governing SFBs in India
SFB Operating Guidelines	Operating Guidelines for Small Finance Bank dated October 6, 2016 issued by the RBI
SIDBI	Small Industries Development Bank of India
State Government	The government of a state in India

Term	Description
Stock Exchanges	BSE and NSE
STT	Securities transaction tax
Takeover Regulations	Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011
TAN	Tax deduction account number
U.S. GAAP	Generally Accepted Accounting Principles in the United State of America
U.S. Securities Act	U.S. Securities Act of 1933, as amended
U.S. QIBs	"Qualified institutional buyers" as defined in Rule 144A under the U.S. Securities Act. For the avoidance of doubt, the term "U.S. QIBs" does not refer to a category of institutional investor defined under applicable Indian regulations and referred to in this Draft Red Herring Prospectus as "QIBs"
U.S./USA/United States	United States of America
URCs	Unbanked rural centres
USD/US$	United States Dollars
VCFs	Venture Capital Funds as defined in and registered with SEBI under the SEBI VCF Regulations
Wilful Defaulter	An entity or person categorised as a wilful defaulter by any bank or financial institution or consortium thereof, in terms of regulation 2(1)(lll) of the SEBI ICDR Regulations

OFFER DOCUMENT SUMMARY

The following is a general summary of the terms of the Offer and is neither exhaustive, nor purports to contain a summary of all the disclosures in this Draft Red Herring Prospectus, Red Herring Prospectus or Prospectus, or all details relevant to prospective investors. This summary should be read in conjunction with, and is qualified in its entirety by, the more detailed information appearing elsewhere in this Draft Red Herring Prospectus, including "Risk Factors", "Objects of the Offer", "Our Business", "Industry Overview", "Capital Structure", "The Offer", "Our Promoter And Promoter Group", "Financial Statements", "Outstanding Litigation and Material Developments","Offer Procedure" and "Description of Equity Shares and Terms of Articles of Association" on pages 20, 87, 133, 171, 68, 55, 206, 234, 319, 349 and 363 respectively.

Summary of the primary business of the Bank	We are a "digital-first" SFB with a focus on unbanked and under-banked customers, especially in rural and semi-urban areas. According to CRISIL, among comparable SFB peers in India, we had the highest growth rate in advances over Fiscal 2018 to Fiscal 2020. We follow a business model focused on financial inclusion and aim to provide individuals and businesses with affordable financial products and services that meet their needs. Our business objective is to enhance access to savings, credit and other financial products for unbanked and underbanked individuals, MSMEs and unorganized entities, especially in rural areas, by leveraging technology and last-mile distribution
Summary of the Industry	SFBs' AUM clocked a 30% CAGR from Fiscal 2017 to Fiscal 2020. The top three SFBs accounted for approximately 61% of the aggregate AUM as of fiscal 2020, up from 55% in fiscal 2017. These three players logged a 35% CAGR during the period. The top six players account for approximately 86% of the market share. CRISIL Research expects the sector's loan portfolio to see a strong 22% CAGR in the near-term as most of the SFBs have completed the transition phase and are likely to benefit from the operating leverage
Name of Promoter	Fincare Business Services Limited
Offer size	Offer of up to [●] Equity Shares for cash at price of ₹[●] per Equity Share (including a premium of ₹[●] per Equity Share) aggregating up to ₹13,300 million comprising of a Fresh Issue of up to [●] Equity Shares aggregating up to ₹3,300 million by our Bank and an offer for sale of up to [●] Equity Shares aggregating up to ₹10,000 million by the Promoter Selling Shareholder. The Offer shall constitute [●]% of the post-Offer paid-up equity share capital of our Bank. The Offer includes a reservation of up to [●] Equity Shares, aggregating up to ₹[●] million, net of Employee Discount (if any), for subscription by Eligible Employees. The Offer less the Employee Reservation Portion is the Net Offer. The Net Offer shall constitute [●] % of the post-Offer paid-up equity share capital of our Bank. A Pre-IPO Placement may be undertaken by our Bank, in consultation with the Managers, of such number of Equity Shares aggregating up to ₹2,000 million. The Pre-IPO Placement, if undertaken, will be at a price to be decided by our Bank, in consultation with the Managers, and the Pre-IPO Placement will be completed prior to filing of the Red Herring Prospectus with the RoC. If the Pre-IPO Placement is undertaken, the aggregate amount raised in the Pre-IPO Placement will be reduced from the Fresh Issue, subject to the minimum Offer size constituting at least [●]% of the post-Offer paid-up equity share capital of our Bank.
Objects of the Offer	The objects for which the Net Proceeds shall be utilised are as follows:

(₹ in million)

Particulars	Amount to be funded from the Net Proceeds
For augmentation of our Bank's Tier – 1 capital base to meet our future capital requirements	[●][(1)]

[(1)] *To be finalised upon determination of the Offer Price and updated in the Prospectus prior to filing with the RoC*

Aggregate pre-Offer shareholding of our Promoter and Promoter Group, and Selling Shareholders as a percentage of our paid-up equity share capital

The aggregate pre-Offer shareholding of our Promoter Selling Shareholder as a percentage of the pre-Offer paid-up equity share capital of the Bank is set out below:

Name	No. of Equity Shares held	Percentage of the pre- Offer paid-up equity share capital (%)
Promoter		
FBSL	173,489,568	78.58

Summary of Selected Financial Information

The details of our share capital, net worth, the net asset value per Equity Share and total borrowings as at December 31, 2020 and March 31, 2020, 2019, 2018, as per the Restated Financial Statements are as follows:

(₹ in million, except per share data)

Particulars	As at December 31, 2020	As at March 31,		
		2020	2019	2018
Share capital	636.10	636.10	564.36	374.59
Net worth	10,085.91	9,037.65	6,659.94	3,375.44
Net asset value per Equity Share	158.56	142.08	118.01	90.11
Total borrowings	10,620.10	13,681.62	12,830.74	10,689.79

	The details of our total income, profit after tax and earnings per Equity Share (basic and diluted) for the nine months period ended December 31, 2020 and for the Fiscals 2020, 2019 and 2018 as per the Restated Financial Statements are as follows:

(₹ in million, except per share data)

Particulars	For the nine months period ended December 31, 2020	For the period ended March 31,		
		2020	2019	2018
Total income	9,983.06	12,157.20	6,748.82	3,504.98
Profit after tax	1,039.27	1,434.49	1,019.80	(975.50)
Earnings per Equity Share				
Basic and Diluted	16.34*	24.43	22.41	(26.04)

**Not annualised*

For further details see "*Financial Information*" on page 234.

Auditor qualifications which have not been given effect to in the Restated Financial Statements	There are no auditor qualifications which have not been given effect to in the Restated Financial Statements. However, for details of certain emphasis of matter included in the Statutory Auditors' reports on the Restated Financial Statements, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Auditor's Observations*" on page 312.
Summary table of outstanding litigations	A summary of outstanding litigation proceedings involving our Bank, Promoter and Directors as of the date of this Draft Red Herring Prospectus is provided below:

Litigation by our Bank

Type of proceeding	Number of cases	Amount, to the extent quantifiable (in ₹ million)
Criminal cases	424	309.77
Material civil cases	3	134.09

Litigation against our Promoter

Type of proceeding	Number of cases	Amount, to the extent quantifiable (in ₹ million)
Taxation matters	4	152.33

Litigation by our Promoter

Type of proceeding	Number of cases	Amount, to the extent quantifiable (in ₹ million)
Criminal cases	54	17.32

Litigation against our Directors

Type of proceeding	Number of cases	Amount, to the extent quantifiable (in ₹ million)
Taxation matters	1	5.01

For further details, see "*Outstanding Litigation and Material Developments*" on page 319

Risk Factors	For details of the risks applicable to us, see "*Risk Factors*" on page 20
Summary table of contingent liabilities	The following is a summary table of our contingent liabilities as of December 31, 2020:

(₹ in million)

Contingent Liabilities	As at December 31, 2020
Claims against the Bank not acknowledged as debts - others (Principal subordination)	32.66
Total	32.66

For further details, see "*Financial Statements – Annexure 17 - Restated Statement of Contingent Liabilities"* on page 252

Summary of related party transactions	A summary of related party transactions entered into by our Bank for the nine months period ended December 31, 2020 and the Fiscals 2020, 2019 and 2018 are as follows:

(₹ in million)

Related Party	Nature of Transaction	Nine months period ended December 31, 2020	Year Ended March 31, 2020	Year Ended March 31, 2019	Year Ended March 31, 2018
FBSL	Issue of equity shares	-	57.43	161.48	-
Lok	Issue of equity shares	-	10.61	19.17	-
FBSL	Securities premium on equity shares	-	697.57	1,488.95	-
Lok	Securities premium on equity shares	-	128.93	490.83	-
Rajeev Yadav	Remuneration	21.45	39.06	30.19	30.10
Keyur Doshi	Remuneration	8.96	12.46	10.71	10.21
Shefaly Kothari	Remuneration	1.67	2.22	2.01	1.81

	Sameer Nanavati	Remuneration	-	-	-	1.53
	Vivek Kothari	Remuneration	-	-	-	2.43
	FBSL	Sub-debt raised	-	-	-	750.00
	FBSL	Term deposits made with our Bank	631.04	-	738.40	983.45
	Lok	Term deposits made with our Bank	-	0.07	1,296.50	403.31
	Shefaly Kothari	Term deposits made with our Bank	-	-	0.34	1.30
	Keyur Doshi	Term deposits made with our Bank	-	-	-	0.10
	Rajeev Yadav	Term deposits made with our Bank	-	0.58	-	1.52
	Relative of KMP	Term deposits made with our Bank	21.03	8.36	2.75	6.90
	FBSL	Term deposits matured	631.58	-	738.40	983.45
	Lok	Term deposits matured	-	0.07	1,499.18	402.86
	Rajeev Yadav	Term deposits matured	-	0.60	-	1.02
	Shefaly Kothari	Term deposits matured	-	0.25	1.39	-
	Relative of KMP	Term deposits matured	4.03	2.26	-	4.90
	Rajeev Yadav	Interest expense on term deposits	0.04	0.06	0.10	0.03
	Keyur Doshi	Interest expense on term deposits	0.01	0.01	0.01	0.01
	Shefaly Kothari	Interest expense on term deposits	-	0.02	0.03	0.02
	FBSL	Interest expense on term deposits	0.54	-	3.06	10.35
	Lok	Interest expense on term deposits	-	-	10.46	5.72
	FBSL	Interest expense on term deposits	-	-	-	0.72
	Relative of KMP	Interest expense on term deposits	1.97	1.04	0.19	0.28
	FBSL	Interest expense on sub-debts	9.28	31.56	60.69	2.55
	FBSL	Management fees	-	-	-	(1.95)
	FBSL	Professional services	1.39	-	-	-
	Lok	Professional services	-	-	8.54	-
	FBSL	Receipt towards other receivable	-	-	1.20	-
	Closing balance of the transactions with related parties:					
	FBSL	Other receivable	-	-	-	1.18
	Lok	Deposit balance (savings and term deposit)	-	-	-	202.69
	Rajeev Yadav	Deposit balance (savings and term deposit)	0.80	0.80	0.75	0.81
	Keyur Doshi	Deposit balance (savings and term deposit)	0.22	0.18	0.33	0.13
	Shefaly Kothari	Deposit balance (savings and term deposit)	0.00	0.20	0.95	1.32
	Relative of KMP	Deposit balance (savings and term deposit)	65.40	19.76	7.52	5.77
	Lok	Interest expense payable on deposit balance (savings and term deposit)	-	-	-	0.43
	Rajeev Yadav	Interest expense payable on deposit balance (savings and term deposit)	-	-	-	0.03
	Shefaly Kothari	Interest expense payable on deposit balance (savings and term deposit)	-	-	-	0.02
	Keyur Doshi	Interest expense payable on deposit balance (savings and term deposit)	-	-	-	-
	Relative of KMP	Interest expense payable on deposit balance (savings and term deposit)	-	-	-	0.24
	FBSL	Sub-debt payable	6.90	186.90	288.40	750.00
	FBSL	Interest payable on Sub-debt	0.21	0.52	0.80	2.55
	FBSL	Current account balance	2.59	0.16	53.98	-
	Lok	Current account balance	-	0.09	5.09	-
	FBSL	Other receivable	-	-	-	1.18
	Lok	Deposit balance (savings and term deposit)	-	0.07	442.59	202.69
	FBSL	Deposit balance (savings and term deposit)	631.58	-	448.56	373.63
	Rajeev Yadav	Deposit balance (savings and term deposit)	1.20	2.45	4.38	0.83

<table>
<tr><td></td><td>
<table>
<tr><td>Keyur Doshi</td><td>Deposit balance (savings and term deposit)</td><td>2.32</td><td>2.96</td><td>10.20</td><td>0.44</td></tr>
<tr><td>Shefaly Kothari</td><td>Deposit balance (savings and term deposit)</td><td>0.57</td><td>1.74</td><td>2.32</td><td>0.61</td></tr>
<tr><td>Relative of KMP</td><td>Deposit balance (savings and term deposit)</td><td>79.42</td><td>26.41</td><td>55.46</td><td>13.22</td></tr>
<tr><td>Lok</td><td>Interest expense payable on deposit balance (savings and term deposit)</td><td>-</td><td>-</td><td>2.59</td><td>0.43</td></tr>
<tr><td>FBSL</td><td>Interest expense payable on deposit balance (savings and term deposit)</td><td>-</td><td>-</td><td>0.15</td><td>0.43</td></tr>
<tr><td>Rajeev Yadav</td><td>Interest expense payable on deposit balance (savings and term deposit)</td><td>0.00</td><td>0.00</td><td>0.02</td><td>0.01</td></tr>
<tr><td>Keyur Doshi</td><td>Interest expense payable on deposit balance (savings and term deposit)</td><td>0.00</td><td>0.00</td><td>0.01</td><td>0.00</td></tr>
<tr><td>Shefaly Kothari</td><td>Interest expense payable on deposit balance (savings and term deposit)</td><td>0.00</td><td>0.01</td><td>0.01</td><td>0.00</td></tr>
<tr><td>Relative of KMP</td><td>Interest expense payable on deposit balance (savings and term deposit)</td><td>0.42</td><td>0.04</td><td>0.30</td><td>0.16</td></tr>
<tr><td>FBSL</td><td>Sub-debt payable</td><td>186.90</td><td>288.40</td><td>750.00</td><td>750.00</td></tr>
<tr><td>FBSL</td><td>Interest on sub-debt payable</td><td>9.55</td><td>16.21</td><td>0.80</td><td>2.55</td></tr>
<tr><td>FBSL</td><td>Current account balance</td><td>2.59</td><td>873.30</td><td>1,404.39</td><td>453.41</td></tr>
<tr><td>Lok</td><td>Current account balance</td><td>-</td><td>5.10</td><td>515.09</td><td>141.64</td></tr>
</table>
For further details, see “Financial Statements” on page 234
</td></tr>
<tr><td>Details of all financing arrangements whereby the Promoter, members of the Promoter Group, the directors of our Promoter, our Directors and their relatives have financed the purchase by any other person of securities of the Bank other than in the normal course of the business of the financing entity during the period of six months immediately preceding the date of this Draft Red Herring Prospectus</td><td>Our Promoter, the directors of our Promoter, our Directors and their relatives have not financed the purchase by any other person of securities of our Bank other than in the normal course of the business of the financing entity during the period of six months immediately preceding the date of this Draft Red Herring Prospectus.</td></tr>
<tr><td>Weighted average price at which the Equity Shares were acquired by our Promoter Selling Shareholder, in the last one year</td><td>
<table>
<tr><th>Name</th><th>Number of Equity Shares acquired</th><th>Weighted average price of acquisition per Equity Share* (in ₹)</th></tr>
<tr><td>FBSL</td><td>115,659,712</td><td>Nil**</td></tr>
</table>
*As certified by Manian and Rao, Chartered Accountants, pursuant to the certificate dated May 8, 2021
**The Equtiy Shares were acquired pursuant to a bonus issue. For further details, see “Capital Structure” on page on 68.
</td></tr>
<tr><td>Average cost of acquisition of Equity Shares of our Promoter Selling Shareholder</td><td>The average cost of acquisition of Equity Shares of our Promoter Selling Shareholder is as follows:
<table>
<tr><th>Name</th><th>Number of Equity Shares</th><th>Average cost of acquisition per Equity Share* (in ₹)</th></tr>
<tr><td>FBSL</td><td>173,489,568</td><td>42.37</td></tr>
</table>
*As certified by Manian and Rao, Chartered Accountants, pursuant to the certificate dated May 8, 2021
</td></tr>
<tr><td>Size of the pre-IPO placement and allottees, upon completion of the placement</td><td>Our Bank may, in consultation with the Managers, consider a Pre-IPO Placement of such number of Equity Shares aggregating up to ₹2,000 million. The Pre-IPO Placement, if undertaken, will be at a price to be decided by our Bank, in consultation with the Managers, and the Pre-IPO Placement will be completed prior to filing of the Red Herring Prospectus with the RoC. If the Pre-IPO Placement is undertaken, the aggregate amount raised in the Pre-IPO Placement will be reduced from the Fresh Issue, subject to the minimum Offer size constituting at least [●]% of the post-Offer paid-up equity share capital of our Bank.</td></tr>
<tr><td>Any issuance of Equity Shares in the last one year for consideration other than cash</td><td>Our Bank has not issued any Equity Shares in the last one year from the date of this Draft Red Herring Prospectus, for consideration other than cash.</td></tr>
<tr><td>Any split/ consolidation of Equity Shares in the last one year</td><td>Our Bank has not split or consolidated the face value of the Equity Shares in the last one year.</td></tr>
</table>

CERTAIN CONVENTIONS, PRESENTATION OF FINANCIAL, INDUSTRY AND MARKET DATA AND CURRENCY OF PRESENTATION

Certain Conventions

All references in this Draft Red Herring Prospectus to "India" are to the Republic of India and all references to the "US", "U.S." "USA" or "United States" are to the United States of America.

Unless stated otherwise, all references to page numbers in this Draft Red Herring Prospectus are to the page numbers of this Draft Red Herring Prospectus.

Financial Data

Unless stated otherwise, the financial information in this Draft Red Herring Prospectus is derived from the Restated Financial Statements, derived from the audited financial statements as at and for the nine month period ended December 31, 2020 and for the financial years ended March 31, 2020, March 31, 2019 and March 31, 2018 prepared in accordance with the IGAAP, and restated in accordance with Section 26 of Part I of Chapter III of the Companies Act, SEBI ICDR Regulations and the Guidance Note on "Reports in Company Prospectuses (Revised 2019)" issued by ICAI. For further information, see "*Financial Statements*" on page 234. Our Bank's Financial Year commences on April 1 and ends on March 31 of the next year. Accordingly, all references to a particular Financial Year, unless stated otherwise, are to the 12 month period ended on March 31 of that year.

There are significant differences between IGAAP, Ind AS, U.S. GAAP and IFRS. The Restated Financial Statements included in this DRHP have been compiled by the management from the audited financial statements of our Bank as at and for the nine month period ended December 31, 2020 and from the audited financial statements of our Bank as at and for the Fiscals 2020, 2019 and 2018, prepared by the Bank in accordance with the provisions of Section 29 of the Banking Regulation Act 1949, accounting principles generally accepted in India including the Companies (Accounting Standard) Rules 2006 (as amended) specified under Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014 in so far as they apply to the Bank and circulars, guidelines and directions issued by Reserve Bank of India from time to time. Our Bank has not attempted to explain those differences or quantify their impact on the financial data included in this Draft Red Herring Prospectus and it is urged that you consult your own advisors regarding such differences and their impact on our Bank's financial data. For risks in this regard, see *"Risk Factors - Significant differences exist between Indian GAAP and other accounting principles, such as U.S. GAAP, which investors may be more familiar with and may consider material to their assessment of our financial condition."* on page 45. Accordingly, the degree to which the financial information included in this Draft Red Herring Prospectus will provide meaningful information is entirely dependent on the reader's level of familiarity with Indian accounting policies and practices, the Companies Act and the SEBI ICDR Regulations. Any reliance by persons not familiar with Indian accounting policies and practices on the financial disclosures presented in this Draft Red Herring Prospectus should accordingly be limited. Our Bank does not provide reconciliation of its financial information to IFRS or U.S. GAAP.

Unless the context otherwise indicates, any percentage amounts, as set forth in "*Risk Factors*", "*Our Business*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" on pages 20, 133 and 288 respectively, and elsewhere in this Draft Red Herring Prospectus have been calculated on the basis of the Restated Financial Statements prepared in accordance with IGAAP and the Companies Act and restated in accordance with the SEBI ICDR Regulations.

In this Draft Red Herring Prospectus, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding off. All figures in decimals have been rounded off to the second decimal and all the percentage figures have been rounded off to two decimal places.

Non-GAAP Financial Measures

We have included certain non-GAAP financial measures and certain other statistical information relating to our operations and financial performance (together, "**Non-GAAP Financial Measures**" and each, a "**Non-GAAP Financial Measure**") in this Draft Red Herring Prospectus. These Non-GAAP Financial Measures are not required by or presented in accordance with IGAAP. We compute and disclose such Non-GAAP Financial Measures and such other statistical information relating to our operations and financial performance as we consider such information to be useful measures of our business and financial performance, and because such measures are frequently used by securities analysts, investors and others to evaluate the operational performance of financial services businesses, many of which provide such Non-GAAP Financial Measures and other statistical and operational information when reporting their financial results. However, note that these Non-GAAP Financial Measures and other statistical information relating to our operations and financial performance may not be computed on the basis of any standard methodology that is applicable across the industry and therefore, may not be comparable to financial measures and statistical information of similar nomenclature that may be computed and presented by other small finance banks or financial services companies. See also "*Risk Factors –In this Draft Red Herring Prospectus, we have included certain non-GAAP financial measures and certain other selected statistical information related to our operations and financial performance. These non-GAAP measures and statistical information may vary from any standard methodology that is applicable across the financial services industry, and therefore may not be comparable with financial or statistical information* *of similar nomenclature computed and presented by other financial services companies.”* on page 46.

Currency and Units of Presentation

All references to:

- “Rupees” or “₹” or “INR” or “Rs.” are to Indian Rupee, the official currency of the Republic of India; and
- “USD” or “US$” or “$” are to United States Dollar, the official currency of the United States of America.

Our Bank has presented certain numerical information in this Draft Red Herring Prospectus in “lakh”, “million” and “crores” units or in whole numbers where the numbers have been too small to represent in such units. One million represents 1,000,000, one billion represents 1,000,000,000 and one trillion represents 1,000,000,000,000. One lakh represents 100,000 and one crore represents 10,000,000.

Figures sourced from third-party industry sources may be expressed in denominations other than millions or may be rounded off to other than two decimal points in the respective sources, and such figures have been expressed in this Draft Red Herring Prospectus in such denominations or rounded-off to such number of decimal points as provided in such respective sources.

Exchange Rates

This Draft Red Herring Prospectus contains conversion of certain other currency amounts into Indian Rupees that have been presented solely to comply with the SEBI ICDR Regulations. These conversions should not be construed as a representation that these currency amounts could have been, or can be converted into Indian Rupees, at any particular rate or at all.

The following table sets forth, for the periods indicated, information with respect to the exchange rate between the Rupee and USD (in Rupees per USD):

Currency	**As at**				
	March 31, 2021	**December 31, 2020**	**March 31, 2020**	**March 31, 2019***	**March 31, 2018****
1 USD	73.50	73.05	75.39	69.17	65.04

Source: RBI reference rate and www.fbil.org.in

* *Exchange rate as on March 29, 2019, as March 30, 2019 being Saturday and March 31, 2019 being a Sunday.*

** *Exchange rate as on March 28, 2018, as March 29, 2018 and March 30, 2018 being public holidays and March 31, 2018 being a Saturday.*

Industry and Market Data

Unless otherwise indicated, industry and market data used throughout this Draft Red Herring Prospectus has been obtained or derived from the report titled ‘*Analysis of small finances banks and various retail loan products’* issued in March 2021 by CRISIL Research, a division of CRISIL Limited, which has been commissioned by our Bank, and which is subject to the following disclaimer:

“*CRISIL Research, a division of CRISIL Limited (CRISIL) has taken due care and caution in preparing this report (Report) based on the Information obtained by CRISIL from sources which it considers reliable (Data). However, CRISIL does not guarantee the accuracy, adequacy or completeness of the Data / Report and is not responsible for any errors or omissions or for the results obtained from the use of Data / Report. This Report is not a recommendation to invest / disinvest in any entity covered in the Report and no part of this Report should be construed as an expert advice or investment advice or any form of investment banking within the meaning of any law or regulation. CRISIL especially states that it has no liability whatsoever to the subscribers / users / transmitters/ distributors of this Report. Without limiting the generality of the foregoing, nothing in the Report is to be construed as CRISIL providing or intending to provide any services in jurisdictions where CRISIL does not have the necessary permission and/or registration to carry out its business activities in this regard. Fincare Small Finance Bank Limited will be responsible for ensuring compliances and consequences of non-compliances for use of the Report or part thereof outside India. CRISIL Research operates independently of, and does not have access to information obtained by CRISIL’s Ratings Division / CRISIL Risk and Infrastructure Solutions Ltd (CRIS), which may, in their regular operations, obtain information of a confidential nature. The views expressed in this Report are that of CRISIL Research and not of CRISIL’s Ratings Division / CRIS. No part of this Report may be published/reproduced in any form without CRISIL’s prior written approval.*”

For risks in this regard, see “*Risk Factors - We have commissioned the CRISIL Report from CRISIL Research, which have been used for industry related data in this Draft Red Herring Prospectus and such data has not been independently verified by us.*” on page 45.

The extent to which the market and industry data used in this Draft Red Herring Prospectus is meaningful depends on the reader’s familiarity with and understanding of the methodologies used in compiling such data. There are no standard data gathering methodologies in the industry in which the business of our Bank is conducted, and methodologies and assumptions may vary widely among different industry sources.

Accordingly, no investment decision should be made solely on the basis of such information. Such data involves risks, uncertainties and numerous assumptions and is subject to change based on various factors, including those disclosed in "*Risk Factors*" on page 20.

In accordance with the SEBI ICDR Regulations, "*Basis for the Offer Price*" on page 90 includes information relating to our peer group companies. Such information has been derived from publicly available sources, and neither we, nor the Managers or any of their affiliates have independently verified such information. Accordingly, no investment decision should be made solely on the basis of such information.

FORWARD-LOOKING STATEMENTS

This Draft Red Herring Prospectus contains certain "forward-looking statements". All statements contained in this Draft Red Herring Prospectus that are not statements of historical fact constitute "forward-looking statements". All statements regarding our expected financial condition and results of operations, business, plans and prospects are "forward-looking statements". These forward-looking statements generally can be identified by words or phrases such as "aim", "anticipate", "believe", "continue", "can", "could", "expect", "estimate", "intend", "likely to", "seek to", "shall", "objective", "plan", "project", "will", "will continue", "will pursue" or other words or phrases of similar import. Similarly, statements that describe our strategies, objectives, plans or goals are also forward-looking statements.

All forward-looking statements whether made by us or any third parties in this Draft Red Herring Prospectus are based on our current plans, estimates, presumptions and expectations and are subject to risks, uncertainties and assumptions about us that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement, including but not limited to, regulatory changes pertaining to the banking industry and our ability to respond to them, our ability to successfully implement our strategy, our growth and expansion, technological changes, our exposure to market risks, general economic and political conditions which have an impact on our business activities or investments, the monetary and fiscal policies of India, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets in India and globally, changes in domestic laws, regulations and taxes and changes in our competitive landscape. Important factors that could cause actual results to differ materially from our expectations include, but are not limited to, the following:

- Continuing impact of COVID-19;
- Our limited operating history and inability to compete successfully in our newer product categories;
- Our inability to manage the growth associated with our expansion;
- Dependence on our microfinance business;
- Concentration of a substantial portion of our banking outlets in and significant portion of our advanced originating from four states;
- Significant portion of our loan portfolio originating in rural areas;
- Threat of fraud and cyber-attacks targeted at disrupting our services;
- Vulnerability of our business to interest rate and investment-related risks;
- Risks associated with our large number of banking outlets and extensive network and our reliance on third-party service providers including business correspondents; and
- Reliance on deposits as a low-cost means of funding and inability to source enough deposits or alternative funding to support our business

For further discussion of factors that could cause the actual results to differ from the expectations, see "*Risk Factors*", "*Our Business*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" on pages 20, 1333 and 288 respectively. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated and are not a guarantee of future performance.

Forward-looking statements reflect current views as of the date of this Draft Red Herring Prospectus and are not a guarantee of future performance. There can be no assurance to investors that the expectations reflected in these forward-looking statements will prove to be correct. Given these uncertainties, investors are cautioned not to place undue reliance on such forward-looking statements and not to regard such statements to be a guarantee of our future performance.

These forward-looking statements are based on our management's belief and assumptions, which in turn are based on currently available information. Although we believe the assumptions upon which these forward looking statements are based on are reasonable, any of these assumptions could prove to be inaccurate and the forward looking statements based on these assumptions could be incorrect. Given these uncertainties, investors are cautioned not to place undue reliance on such forward-looking statements and not to regard such statements as a guarantee of future performance.

Neither our Bank, our Promoter, our Directors, the Managers nor any of their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with the requirements of SEBI, our Bank shall ensure that investors in India are informed of material developments from the date of the Red Herring Prospectus until the date of Allotment. In accordance with the requirements of SEBI, the Promoter Selling Shareholder shall ensure that investors in India are informed of material developments relating to the Promoter Selling Shareholder and the Offered Shares and undertakings confirmed or undertaken by our Promoter Selling Shareholder and the Offered Shares in the Red Herring Prospectus, from the date thereof until the date of Allotment.

SECTION II: RISK FACTORS

An investment in the Equity Shares involves a high degree of risk. You should carefully consider all the information set forth in this Draft Red Herring Prospectus, including the risks and uncertainties described below, before making an investment in the Equity Shares. You should read this section together with "Industry Overview", "Our Business", "Selected Statistical Information", "Key Regulations and Policies", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Financial Statements" on pages 101, 133, 214, 165, 288 and 234, respectively, as well as the annexures and notes to the Restated Financial Statements, and other financial, operational and statistical information included elsewhere in this Draft Red Herring Prospectus. You should consult your tax, financial and legal advisors about the particular consequences to you of an investment in the Equity Shares.

The Restated Financial Statements have been derived from audited financial statements prepared in accordance with Indian GAAP as applicable to banks in India and restated in accordance with the SEBI Requirements. Indian GAAP differs in certain material respects from Ind AS, U.S. GAAP and IFRS. See "Risk Factors – Significant differences exist between Indian GAAP and other accounting principles, such as Ind AS, U.S. GAAP and IFRS, which investors may be more familiar with and may consider material to their assessment of our financial condition" on page 45.

The risks and uncertainties described below are not the only risks relevant to us, our Equity Shares or the industry, segments and markets in which we currently operate. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also materially adversely affect our business, prospects, financial condition, results of operations and cash flows. If any or some combination of the following risks, or other risks that we do not currently know about or believe to be material, actually occur, our business, financial condition, results of operations and cash flows could suffer, the trading price of, and the value of your investment in, our Equity Shares could decline, and you may lose all or part of your investment. To the extent the COVID-19 pandemic adversely affects our business and financial results, it may also have the effect of heightening many of the other risks described in this section. In making an investment decision, you must rely on your own examination of us and the terms of this Offer, including the merits and risks involved. The financial and other related implications of the risk factors, wherever quantifiable, have been disclosed in the risk factors mentioned below. However, there are certain risk factors where the financial impact is not quantifiable and, therefore, cannot be disclosed in such risk factors.

You should pay particular attention to the fact that we are incorporated under the laws of India and are subject to a legal and regulatory environment, which may differ in certain respects from that of other countries. This Draft Red Herring Prospectus also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the considerations described below and elsewhere in this Draft Red Herring Prospectus. For details, see "Forward-Looking Statements" on page 18.

References herein to "we", "our" and "us" are to Fincare Small Finance Bank Limited, including, as the context may require, (i) the microfinance business of Disha Microfinance Private Limited, including, as the context may prior to its conversion from an NBFC-MFI to an SFB, and (ii) the microfinance business that was acquired by Disha Microfinance Private Limited from FFSPL.

Unless otherwise indicated, industry and market data used in this section has been derived from industry publications and other publicly available information, including, in particular, the CRISIL Report prepared and issued by CRISIL Limited commissioned by us. Unless otherwise indicated, all financial, operational, industry and other related information derived from the CRISIL Report and included herein with respect to any particular year refers to such information for the relevant calendar year.

INTERNAL RISK FACTORS

Risks Relating to our Business

1. The continuing impacts of COVID-19, or the impact of outbreaks of any other severe communicable disease are highly unpredictable, could be significant and may adversely affect our business, operations and future financial performance.

In late 2019, the outbreak of COVID-19 spread globally and on March 11, 2020 it was declared as a global pandemic by the World Health Organization. Governments and municipalities around the world instituted measures in an effort to control the spread of COVID-19, including quarantines, shelter-in-place orders, school closings, travel restrictions, closure of non-essential businesses and restrictions on essential businesses. By the end of March 2020, the macroeconomic impacts became significant, exhibited by, among other things, a rise in unemployment, reduction in discretionary spending and market volatility.

The Government of India initiated a nationwide lockdown from March 25, 2020 for three weeks which was extended to May 31, 2020. In compliance with the lockdown orders announced by the Indian Government, as applicable to banks that were declared essential services, we temporarily closed certain of our banking outlets and initiated remote working for some of our employees.

Further, since the onset of COVID-19, a few of our employees have been tested positive for the virus, resulting in the temporary closure of certain banking outlets to carry out sanitation and fumigation works. We incurred additional costs linked to upgradation of our IT systems to enable employees to work from home, social distancing measures and sanitization at our banking outlets, additional allowances, reimbursement of medical costs of employees and their families, additional insurance coverage, support in case of hospitalization and access to a doctor on call for our employees. Additionally, many of our customers' and service providers' operations were hampered. As a result, we experienced an increased concentration of disbursements in specific states, decline in collections, reduced disbursements and deposit mobilization, and increased provisioning due to the impact of COVID-19 and various regulatory measures in response to COVID-19, including moratoriums availed by customers. The impact of the pandemic on our business, operations and future financial performance have included and may include the following:

- We have experienced and may continue to experience a decline in collection efficiencies as a significant portion of our collections are cash-based and involve physical presence of our employees and collection executives, which was not possible due to the nationwide lockdown and travel restrictions that have been imposed. This decline in collections could persist through and beyond the current fiscal year.

- There has been and there may continue to be lower disbursements due to reduced economic activity. As a result, related revenue generation from processing fees and documentation charges, has and may continue to lower. For the nine months ended December 31, 2020, our Gross Loan Portfolio increased only 3.85% in comparison with the fiscal year ended March 31, 2020 and we have disbursed loans of ₹ 27,823 million in this period.

- Our customers may default on loan and other payments or other commitments. Our delinquency ratios may increase, and our asset quality may deteriorate.

- Pursuant to the RBI's directions by way of, among other things, the circular dated May 23, 2020, we granted moratorium on payment of instalments falling due between March 1, 2020 and August 31, 2020 (the "**Moratorium Period**") to all eligible borrowers who requested for moratorium and/or as per our policy. The RBI also clarified that for all standard accounts as on February 29, 2020 moratorium period will be excluded from days past-due ("**DPD**") calculation for the purpose of asset classification under the IRAC norms. As of December 31, 2020, we had provisions amounting to ₹ 2,143.76 million for loans which includes provision for increased risk of deterioration of our loan portfolio on account of macroeconomic factors caused by the COVID-19 pandemic. The provision for the impact of COVID-19 has been determined by our management based on estimates using information available as of the reporting date. Given the unique nature and scale of the economic impact of this pandemic and given the timing of some provisions close to the end of the year, the provision is based on various variables and assumptions, which could result in actual credit loss being different than that being estimated. The full extent of the impact of the COVID-19 pandemic on our operations and financial metrics (including its impact on our provision for our loan portfolio) will depend on future developments, including governmental and regulatory measures and our responses thereto which are uncertain at this time. Providing a moratorium to borrowers at a mass scale based on the RBI directives by itself does not result in a significant increase in credit risk for such borrowers, however, we will need to closely monitor the credit performance and repayment behavior of our customers as a result of this pandemic and, in the event that the impact of the pandemic is more severe or prolonged than anticipated, this will have a corresponding impact on the carrying value of our financial assets.

- Further, the RBI has also allowed a one-time restructuring of loans impacted by COVID-19 to help lenders and customers reschedule repayment of instalments based on customers' present income and restoration of income in subsequent months. The restructuring under this guidance will limit the potential increase in NPAs out of restructured loan accounts. These restructured accounts might become NPAs if customers fail to make payments as per the restructured schedule. We are extending the facility of restructuring of loans to customers at their request.

- The RBI has put into effect a variety of measures to support banks (including SFBs) and NBFCs after the COVID-19 pandemic. These include, among other things, the circulars dated August 6, 2020 in relation to the resolution framework for (a) general loans and (b) MSME loans. The administration of the resolution process has been delegated to our Credit Committee and the business heads (at the field level). We cannot assure you that such measures will result in the timely mitigation of the impact of the COVID-19 pandemic on our business and operations.

- The Supreme Court of India passed an interim order in September 2020 in a public interest litigation, whereby it directed that accounts where moratorium was given and accounts that were not declared NPA until August 31, 2020 must not be declared as NPA until further orders. Based on this interim order, we did not classify eligible accounts as NPAs. We made a contingency provision for borrower accounts not classified as non-performing and included this provision in our COVID-19 related provisions. Accordingly, as at December 31, 2021, we held an aggregate COVID-19 related provision of ₹ 950.80 million (included in our general provision for standard assets). On March 23, 2021, the Supreme Court vacated its earlier order on NPA accounts. We accordingly classified our borrower accounts as per the IRAC norms with effect from September 1, 2020 and utilized the above COVID-19 related provision towards provision on these accounts. Further, by way of the circular dated April 7, 2021 on 'Asset Classification and Income Recognition following the expiry of Covid-19 regulatory package', RBI has advised that all lending institutions are required put in place a board-approved policy to refund/ adjust the 'interest on interest' charged to the borrowers during the moratorium period, i.e. March 1, 2020 to August 31, 2020 in conformity with the above judgement. The above reliefs shall be applicable to all borrowers, including those who had availed of working capital facilities during the moratorium period, irrespective of whether moratorium had been fully or partially availed, or not availed. Further, lending institutions shall disclose the aggregate amount to be refunded/adjusted in respect of their borrowers based on the above reliefs in their financial statements for the year ending March 31, 2021. Any further orders of the Supreme Court or any directive from the RBI in this matter may also impact our financial condition and results of operations. There is no assurance that the payments due on such loans will be made. We may be required to recognize higher loan loss provisions in future periods, on account of the uncertainty in the external environment due to COVID-19, which may adversely impact our asset quality and profitability in future periods.

- We may witness adverse impacts to our interest income, profitability and growth rates – particularly if operating expenses do not decrease at the same pace as any potential revenue decline. Many of our expenses are less variable in nature and may not correlate to changes in revenues, such as depreciation, employee benefit expenses, IT infrastructure costs and other costs associated with operating and maintaining our banking outlets.

- We have amended our internal processes, controls and policies dealing with collections and recoveries in light of the COVID-19 pandemic. These measures include conducting enhanced analysis of our microloan portfolio, enhanced data analysis of data available from credit bureaus, adding additional staff at our banking outlets, creating a collections team, telecalling, conducting enhanced checks with internal audits, running a risk model to understand losses, counselling clients and giving moratorium to clients, among other things. We cannot assure you that such measures will assist in the timely mitigation of the impact of the COVID-19 pandemic on our business and operations.

- Reduction in policy rates may be passed on to customers, however, there may not be a corresponding reduction in borrowing costs in-line with the reduction in policy rates.

- Large-scale furloughs, terminations or reductions in salaries among our borrowers may lead to defaults by our borrowers.

- An overall deterioration in the economy may also lead to a reduction in the value of collateral provided for our loans, leading to higher than anticipated losses on default. Further, as our unsecured loan portfolio is not supported by any collateral, in the event of non-payment by borrowers under these loans, we may be unable to collect the unpaid balance.

- During periods of uncertainty, people tend to avoid higher risk assets and shift to safer ones such as bank deposits. Further, depositors may also shift to larger banks that are considered safer, better capitalized and better able to withstand economic shock. This results in a tightening of liquidity in smaller Indian banks during periods of uncertainty. The RBI has undertaken measures to support liquidity (such as the reduction of the repo rate, cash reserve ratio and liquidity ratio). There is no guarantee that we and the Indian banking industry in general, notwithstanding measures taken by the RBI, will be able to maintain sufficient liquidity given the uncertain scope and duration of the COVID-19 outbreak. The banking system presently has significant excess liquidity which is placed with the RBI through the reverse repo window. Any decision by the RBI to either reduce the reverse repo rates further or curtail reverse repo amounts can cause a loss of return to banks.

- Should there be a rise in infections in the future, the Government of India and local governments may impose lockdowns and/or other restrictions that hamper economic activity and impact our business and financial results.

The scope, duration and frequency of such measures and the adverse effects of COVID-19 remain uncertain and are likely to be severe. In addition, while the Government of India in coordination with state governments started the bulk immunization process or vaccination drive on January 16, 2021, achieving a complete vaccination scale may take significant amount of time. There is also no assurance that the vaccines that are developed will be fully effective and/ or may not have side effects. Further, the outbreak, or threatened outbreak, of any severe communicable disease or pandemic, as seen in the recent outbreak and aftermath of COVID-19, could materially adversely affect overall business sentiment and environment across industries. Further, in recent months, there has been a substantial increase in the number of COVID-19 cases in India, which have led to additional lockdowns and movement restrictions.

In addition, our revenue and profitability could be impacted to the extent that a natural disaster, health epidemic or other outbreak harms the Indian and global economy in general.

2. **As a result of our limited operating history, we may not be able to compete successfully in our newer product categories and it may be difficult to evaluate our business and future operating results on the basis of our past performance.**

We have 14 years of experience in microfinance, having begun microfinance operations in 2007 via FFSPL, which we acquired in 2016. On May 12, 2017, the RBI granted us a license to carry on small finance banking in terms of Section 22 (1) of the Banking Regulation Act, 1949. We began operations as an SFB on July 21, 2017. For further details about our history, see "*History and Certain Corporate Matters*" on page 177.

Prior to commencing operations as an SFB, our primary offering was microloans. Our limited track record in our newer loan products, such as loans against property, loans against gold, institutional finance, two-wheeler loans, affordable housing loans and overdraft as well as on the deposit side, such as savings accounts, current accounts, Fincare-101 digital savings accounts, fixed deposits including retail term deposits and bulk term deposits, recurring deposits and their variants, exposes us to risks that more experienced competitors may not face. For the newer loan products, we do not have a long track record of credit underwriting for some of these segments, nor an extensive data set to analyze repayment patterns, and hence our credit underwriting models may prove to be less effective as compared to competitors who have been in similar businesses for a longer period. Moreover, we may not be as experienced originating these loans as some older competitors may be, and so we may not be successful in competing against them for new customers. On the deposit side, we are not as experienced in sourcing deposits as most universal banks in India, many of whom have been deposit-taking for decades. Accordingly, we cannot guarantee that we will effectively grow our deposit base. Also, we may need to offer higher interest rates on deposits than our older competitors. If we are not able to successfully compete in newer business segments, our credit quality may suffer, we may not be able to diversify our loan portfolio, and we may not be able to lower our cost of funds, any of which may materially and adversely affect our business, financial condition, results of operations, cash flows and prospects.

Moreover, as a result of our relatively shorter operating history, there is limited historical financial and operating information available to help prospective investors evaluate our past performance with respect to banking activities. The limited historical data that is available may not be indicative of our financial position or results of operations for any future periods as a small finance bank. Our results and amounts set forth in our financial statements may not provide a reliable indication of our future performance. Accordingly, you should evaluate our business and prospects considering the risks, uncertainties and difficulties frequently encountered by both high growth companies and banking groups that are in the early stages of development. Our failure to mitigate these risks and uncertainties successfully may materially adversely affect our business, financial condition, results of operations, cash flows and prospects.

3. **If we are unable to effectively manage the growth associated with our expansion, our financial, accounting, administrative and technology infrastructure, as well as our business and reputation could be adversely affected.**

We have experienced continued growth over the past few years on account of our transformation to a small finance bank and the corresponding expansion of our banking business. As of December 31, 2018, we had 532 banking outlets servicing approximately 1.4 million customers while as of December 31, 2020, we had expanded to 747 banking outlets servicing approximately 2.7 million customers. As part of this growth, we have significantly expanded our network of banking outlets (including those operated by our business correspondents), and accordingly many of the banking outlets are yet to attain full maturity. As of December 31, 2020, we had an average Gross Loan Portfolio of ₹ 74.26 million per outlet and an average Gross Loan Portfolio of ₹ 105.07 million (excluding BC outlets). We may not be able to materially increase the average Gross Loan Portfolio of our banking outlets.

As we plan to expand our geographic footprint in India, our business may be exposed to additional challenges, including obtaining additional governmental or regulatory approvals, identifying geographies and setting up banking outlets, identifying and collaborating with business correspondents, successfully marketing our products and attracting customers in markets in which we have no familiarity, technology costs, upgrading, expanding and securing our technology platform in new banking outlets, operational risks including integration of internal controls and procedures, recruiting, training and retaining skilled personnel, and integrating new banking outlets with our existing network. To address these challenges, we may have to make investments that may not yield desired results or incur costs that we may not be able to recover. Expansion into new geographic regions in India may also be difficult due to existing competition and regional challenges associated with different geographies, and we may not be able to expand into new regions profitably or expand at all.

Our strategy includes continuing to grow the number and reach of our banking outlets, which may constrain our capital resources and test our asset quality management framework. We will need to enhance and improve our financial, accounting, information technology, administrative and operational infrastructure and internal capabilities in order to manage the future growth of our business. We may not be able to implement the necessary improvements in a timely manner, or at all, and we may encounter deficiencies in existing systems and controls. We may also be constrained by the requirement that at least 25% of our total banking outlets are required to be located in unbanked rural areas. To help meet this requirement, part of our plan is to use business correspondents to expand in regions experiencing socio-economic challenges, which may be more cost-intensive than expanding in other regions. Further, as we rely on third parties to expand some of our banking outlet network, we are dependent on these third parties for the operations of these banking outlets, which may expose us to reputational, operational and compliance related risks. For further details, see " - *We may face risks associated with our large number of banking outlets and extensive network and our reliance on third-party business correspondents operating banking outlets, which may materially adversely affectour business, financial condition, results of operations, cash flows and prospects.*"

As an SFB, we have introduced several new products and services in addition to our microloan offerings. For further details of our proposed products and services, see "*Our Business – Our Banking Operations*" on page 142. We may incur substantial costs to expand our range of products and services and we cannot assure you that such products and services will be successful once offered, due to factors within or outside of our control, such as general economic conditions, failure to understand customer demand and market requirements or management focus on these new offerings. While expanding our range of products and services, we ensure compliance with all applicable RBI regulations such as on priority sector lending. Further, we will require approval from regulatory authorities before offering certain products and services. If we fail to obtain such approvals, or to develop and launch such products and services successfully, we may lose a part or all of the costs incurred in the development and promotion of such offerings, or discontinue these offerings, which could in turn materially adversely affect our business, financial condition, results of operations, cash flows and prospects.

In case of our inability to manage our future expansion successfully, our ability to provide products and services to our customers could be adversely affected, which may materially and adversely affect our business, financial condition, results of operations, cash flows and prospects.

4. We significantly depend on our microloan business, which has its own unique risks and, as a result, we may experience increased levels of non-performing loans and related provisions and write-offs that materially adversely affect our business, financial condition, results of operations, cash flows and prospects.

Our Gross Loan Portfolio consists primarily of microloans, comprising 79.50% of our Gross Loan Portfolio as of December 31, 2020. Given the high proportion of microloans, negative events that affect our microloan portfolio will have an adverse impact on our overall business and performance. Our microloan customers typically are women from low income households in rural India, with limited sources of income, savings and credit histories supported by tax returns and statements of previous loan exposures which are generally unsecured. Many microloan borrowers are new to credit, with approximately 40% of our customers as of December 31, 2020 being first-time borrowers. Further, some of these borrowers may have availed loans from multiple sources including other microloan providers. Moreover, low income borrowers generally are less financially resilient than larger corporate borrowers, and, as a result, they may be disproportionately affected by economic conditions or socio-political unrest. Also, we may not always receive timely updates regarding changes in the financial condition of our customers or may receive inaccurate or incomplete information, as a result of any misrepresentation by either customers or employees. In addition, microloans are at higher credit risk than secured loans because they are generally not supported by collateral that may help ensure an adequate source of repayment of the loan. Our Gross NPAs of microloans totaled ₹ 137.05 million, ₹ 282.96 million, ₹ 270.77 million and ₹ 1,363.14 million as of March 31, 2018, 2019 and 2020 and December 31, 2020, respectively. In the event of default, we may be unable to collect part or all of the amount lent to a customer.

Currently, our entire microloan portfolio consists of joint liability group loans. Our joint liability group lending products are built on the joint-liability loan model, wherein borrowers form a group and provide mutual guarantee for loans obtained by each other without requiring collateral or security on an individual basis. Though members of a joint liability group are inter-dependent, there can be no assurance that such joint liability arrangements will ensure full or partial repayment by the other members of the joint liability group in the event of default by any one of them. These arrangements are likely to fail if there is no meaningful personal relationship among members of such group, if inadequate risk management procedures have been employed to verify the group members and their ability to repay such loans, or as a result of adverse external factors such as natural calamities or forced migration.

The Indian microfinance industry has experienced adverse market conditions in the past due to external factors such as decisions by central and state governments with respect to loan waivers, disruptions in business activities on account of caste or religion, among other things, and migration of people on account of changes in local employment conditions. Specific events that significantly affected the Indian microfinance industry in the past include national farm loan waivers in 2008, the Andhra Pradesh bill in 2010, Andhra Pradesh farm loan waivers in 2014, demonetization in 2016, farm loan waivers in some states in 2017 and 2018 and the COVID-19 pandemic in 2020 and 2021.

Although we have adopted risk management policies and procedures, we cannot assure you that these policies and procedures will adequately address unidentified or unanticipated consequences or that additional risk management policies for individual borrowers will not be required. Failure to maintain sufficient credit assessment policies, particularly for individual borrowers, may adversely affect our credit portfolio, which may have a material adverse effect on our business, financial condition, results of operations, cash flows and prospects. As a result of the foregoing factors, customers of our microloan operations pose a higher risk of default than borrowers with better financial resources and more established credit histories and borrowers living in urban areas with access to better education, employment opportunities, and social services. In addition, as our microloans are not generally backed by collateral, they may pose a higher degree of risk than loans secured with physical collateral.

5. **A substantial portion of our banking outlets are located in and a significant portion of our advances originated from four states, making us vulnerable to risks associated with having geographically concentrated operations.**

A substantial number of our banking outlets and a significant portion of our advances are in the states of Tamil Nadu, Gujarat, Karnataka and Madhya Pradesh. Further, 109 districts across these four states accounted for 73% of our Gross Loan Portfolio as of December 31, 2020. During the nine months ended December 31, 2020, 45% of our disbursements were from Tamil Nadu and Gujarat. Due to this concentration, the success and profitability of our overall operations may be exposed to regional factors. These regional factors include, among others: (i) the growth in population, income and savings levels, (ii) increased competition as more players enter these geographies, (iii) financial health of borrowers in these areas, and the risk of their over-indebtedness, (iv) changes to local laws and regulations (such as in the state of Andhra Pradesh in 2010), (v) public perception around the products and services that we provide, in particular around microloans (such as the change in public perception that occurred at the time of the introduction of the Andhra Pradesh bill in 2010), (vi) influx or efflux of migrant populations and (vii) other developments including political unrest, disruption or sustained economic downturn in these regions, floods and other natural calamities. Adverse developments in any of the above factors would affect us more than they might affect banks with greater geographic diversity. Any one of these events may require us to close banking outlets, temporarily shut down operations, or lower lending levels, and may result in a material adverse change in our business, financial condition, results of operations and cash flows. The following table sets forth a breakdown of our banking outlets, gross loan portfolio and total advances in the States of Tamil Nadu, Gujarat, Karnataka and Madhya Pradesh in terms of the percentage of our entire network, as of December 31, 2020:

Particulars	**Banking outlets**		**Gross Loan Portfolio**		**Deposits**	
	Number	**% of total**	**₹ millions**	**% of total**	**₹ millions**	**% of total**
State						
Tamil Nadu......	109	15%	14,382	26%	6,803	13%
Gujarat............	92	12%	11,503	21%	7,491	14%
Karnataka	80	11%	9,127	16%	5,815	11%
Madhya Pradesh	63	8%	5,581	10%	1,068	2%
Total of top four..................................	344	46%	40,594	73%	21,177	40%
Total...............	**747**	**100%**	**55,476**	**100%**	**52,766**	**100%**

For the nine months ended December 31, 2020, our top four states accounted for 46% of our banking outlets, 73% of our gross loan portfolio and 40% of our total deposits.

The following tables set forth a breakdown of our top five districts in terms of banking outlets, gross loans and total deposits:

Particulars	**Banking outlets**	
	Number	**% of total**
District		
East Godavari	48	6%
Warangal	42	6%
Guntur	40	5%
Mehboob Nagar	32	4%
Nalgonda	28	4%
Total of top five	**190**	**25%**

Particulars	**Gross Loans**	
	₹ millions	**% of total**
District		
Dohad	2,215	4%
Vellore	2,069	4%
Bangalore	1,548	3%
Banswara	1,501	3%
Panch Mahals	1,416	3%
Total of top five	**8,749**	**16%**
Particulars	**Deposits**	

Particulars	Gross Loans	
	₹ millions	% of total
	₹ millions	% of total
District		
Bangalore	4,712	9%
Ernakulam	4,136	8%
New Delhi	3,401	6%
Ahmedabad	2,517	5%
Gurgaon	2,516	5%
Total of top five	**17,282**	**33%**

As on December 31, 2020, our largest banking outlet (located at Kochi in Kerala) and second largest banking outlet (located at Kozhikode in Kerala) in terms of total deposits account for 8% and 4% of our total deposits, respectively. Our largest banking outlet (located at Sarjapur-Bengaluru in Karnataka) and second largest banking outlet (located at Lucknow in Uttar Pradesh) in terms of Gross Loan Portfolio account for 2% and 1% of Gross Loan Portfolio, respectively. Our ten largest banking outlets accounted for 35% of our total deposits and 9% of our total Gross Loan Portfolio. Accordingly, any downturn in the performance of either of these banking outlets may result in a material adverse change in our business, financial condition, results of operations and cash flows.

6. A significant portion of our loan portfolio was originated in rural areas, exposing us to risks associated with rural economies.

Many of our microloan customers are located in rural areas across India, and as of December 31, 2020, 92% of our loan portfolio comprised rural borrowers. Such rural borrowers are dependent on the performance of their local economies, which are largely tied to the agricultural, agri-allied and petty trade sectors. Further, the agricultural industry in India depends on the vagaries of weather, and in particular the success of the monsoon. Any drastic changes in weather, drought, excessive rains or floods can lead to weakness in the agricultural industry and, consequently, the ability of our borrowers to repay their loans. Moreover, in the past, high debt among farmers combined with political and socio-economic factors have led a number of states, including Madhya Pradesh, to declare farm debt waivers. Such waivers may lead to a deterioration of credit discipline, as some borrowers in other states may stop repaying their loans in hope of obtaining similar relief.

Any weakness in local economies may lead to an increase in NPAs and credit costs, which may be exacerbated by the fact that all our microloans as of December 31, 2020, are unsecured, which may materially and adversely affect our business, financial condition, results of operations, cash flows and prospects.

Moreover, rural areas tend to have more limited infrastructure than more developed areas, particularly with regard to transportation, electricity, internet bandwidth and security. We may face difficulties in conducting operations in such areas, or our cost of operations in such areas may be higher. We may not assure you that such costs will not increase in the future, which may materially and adversely affect our business, financial condition, results of operations, cash flows and prospects.

7. We face the threat of fraud and cyber-attacks targeted at disrupting our services, such as hacking, phishing and trojans, and/or theft of sensitive internal data or customer information. This may cause damage to our reputation and adversely impact our business, financial condition, results of operations, cash flows and prospects.

As a digitally-oriented bank, we may be exposed to frauds, errors, hacking and system failures, and our systemic or operational controls may not be sufficient to prevent these. Our tablet, mobile and internet-based customer applications and interfaces may be exposed to being hacked or compromised by third parties, resulting in thefts and losses to our customers and us. In addition, our systems feature real-time integration with third parties for e-KYC applications and credit checks, which may get disrupted by hacking or other system failures. Although we have implemented steps to address gaps previously identified in our data protection cyber security framework, some cyber threats from third parties may remain, including: (i) phishing and trojans – targeting our customers, wherein fraudsters may send unsolicited mails seeking account sensitive information or infect customer machines to search and attempt ex-filtration of account sensitive information; (ii) hacking – wherein attackers may seek to hack into our website with the primary intention of causing reputational damage to us by disrupting services; (iii) data theft – wherein cyber criminals may attempt to intrude into our network with the intention of stealing our data or information; (iv) advanced persistent threat – a network attack wherein an unauthorized person gains access to our network with the intention to steal our data or information rather than to cause damage to our network or organization and remains undetected for a long period of time; (v) ransomware – wherein attackers may deny us access to our network, or threaten to release our internal or our customer's data, unless a ransom is paid; and (vi) card skimming – wherein attackers use a device, such as one they illegally affix to our ATMs/cash recyclers, to steal our customers' card data and then sell it or use it to make fraudulent purchases. For example, in March 2019, we encountered a ransomware attack on one of our servers; while this did not result in any breach of our data or customer data or any losses, the frequency of such cyber threats may increase in the future with the increased digitization of our services. Not only are we exposed to such risks from our own actions or those of our employees, but from actions of our third-party service providers, whom we do not control. While we maintain cyber insurance, we cannot guarantee that it covers all relevant cyber risks. If we become the target of any of cyber-attack, it may materially and adversely affect our business, financial condition, results of operations and cash flows.

A significant system breakdown or system failure caused by intentional or unintentional acts may have an adverse impact on our revenue-generating activities and lead to financial loss. In addition, there can be no assurance that the network infrastructure required for communication with the centralized system can be scaled up to meet any increase in the volume of our transactions.

There is also the risk of our customers blaming us or terminating their accounts with us for a cyber-incident that occurred on their own systems or in dealing with an unrelated third party. On June 2, 2016, the RBI issued a framework for cyber-security for banks, prescribing measures to be adopted by banks to address security risks including putting in place a cyber-security policy and requiring banks to report all unusual cyber-security incidents (whether successful or attempts) to the RBI. Any cyber-security breach may also subject us to additional regulatory scrutiny and expose us to civil litigation and related financial liability.

We rely on a combination of internally-developed and third-party software and IT systems, each of which are subject to their own sets of risks. The quality and stability of our internally-developed systems may not match that of systems purchased from third-party software vendors, and we may not be as effective as dedicated software developers in carrying out quality control checks or implementing security protections. Many software developers may have larger technology development teams and devote more resources to software development than we do. They may also have more experience developing software and digital systems, as well as the ability to source feedback from a wider variety of customers, allowing them to be more effective in identifying and fixing glitches or security flaws.

For third-party-sourced software, which includes but is not limited to our current core banking application, some software is marketed as a common solution for banks in India, and there may be functional requirements specific to us that they may not address adequately. In such cases, we may not be able to have the systems customized sufficiently to suit our operations, or we may be forced to rely on our internal development team to attempt customization, and we may incur losses if such customization proves to be inadequate. Moreover, we cannot guarantee that third-party vendors will continue updating or providing ongoing support for the digital products and services that we source from them, and we may not be able to find alternative sources for such products or services. Moreover, even if we are able to find alternative products or services, we may not be able to integrate them successfully with our systems, or we may face a period of downtime or delay during integration.

8. **Our business is vulnerable to interest rate and investment-related risks. Volatility in interest rates, value of investments and other market conditions could adversely affect our net interest margin, the value of our fixed income portfolio, our income from treasury operations, the quality of our loan portfolio and our financial performance.**

Our results of operations depend to a large extent on the level of our net interest earned which is our primary revenue source. The differential between the interest rates that we charge on interest-earning assets and the interest rates that we pay on interest-bearing liabilities, and the volume of such assets and liabilities, tend to have a significant impact on our results of operations. For FY2020, interest earned represented 88.03% of our total income (interest earned plus other income). For FY2018, FY2019, FY2020 and the nine months ended December 31, 2020, our interest expended was ₹ 1,189.14 million, ₹ 2,290.74 million, ₹ 4,515.04 million and ₹ 4,187.87 million, respectively. For the same periods, our net interest margin was 10.97%, 12.21%, 10.98% and 9.88% (annualized), respectively. Changes in market interest rates may affect the interest rates we charge on our interest-earning assets differently from the interest rates we pay on our interest-bearing liabilities and may also affect the value of our investments. Interest rates are highly sensitive to many factors beyond our control, including the monetary policy of the RBI, deregulation of the financial sector in India, domestic and international economic and political conditions and other factors, which have historically generated a relatively high degree of volatility in interest rates in India.

An increase in interest rates may result in an increase in interest expense relative to interest earned if we are not able to increase the rates charged on our loans and advances or if the volume of our interest-bearing liabilities is larger or growing faster than the volume of our interest-earning assets. The differences between repricing maturities of rate sensitive liabilities and rate sensitive assets, called repricing gaps, exposes our business to interest rate risk. Our business is also exposed to interest rate risk in the form of non-uniform movement in different interest rate benchmarks that are used for pricing our assets and liabilities (save that our deposits are not linked to external interest rate benchmarks). As the repricing maturities of our liabilities and assets are spread over different time periods, we are exposed to interest rate risk in the form of non-parallel movement in yield curves. Such scenarios may lead to a reduction in our net interest earned and net interest margin or require us to increase interest rates on loans disbursed to customers to maintain our net interest margins. Exposure of our business to interest rate risks as mentioned above may also impact on the long-term economic value of our equity. Further, any inability to competitively price our loans and credit substitutes could negatively affect our targeted volume growth, which may materially adversely affect our net profits. The quantum of the change in interest rates for our assets and liabilities may also be different, leading to a decrease in the interest margin.

Our cost of funds is sensitive to interest rate fluctuations, which exposes us to the risk of reduction in spreads (which is the difference between the returns that we earn on our advances and investments and the amounts that we must pay to fund them) on account of changing interest rates. In a declining interest rate environment, if our cost of funds does not decline simultaneously or to the same extent as the yield on our interest-earning assets, it could lead to a reduction in our net interest income and NIMs. We also face prepayment risk on our loans, which may result in loss of future interest income and reduced cash flows if we are unable to re-invest the proceeds at similar interest rates. For certain products, we may not be able to collect prepayment charges.

Regulatory requirements that require us to maintain a portion of our assets in fixed income government securities may also have a negative impact on our net interest income and net interest margin since we earn interest on this portion of our assets at rates that are generally less favorable than those received on our other interest-earning assets. Moreover, changes in interest rates may materially adversely affect our fixed income portfolio and treasury income. For further details, see " - *Our treasury income, debt investment portfolio and derivatives portfolio are exposed to risks relating to mark-to-market valuation, illiquidity, credit risk and income volatility"*.

9. We may face risks associated with our large number of banking outlets and extensive network and our reliance on third-party service providers including business correspondents operating banking outlets, which may materially adversely affect our business, financial condition, results of operations, cash flows and prospects.

We have a large banking outlet network, with 747 banking outlets (including BC outlets) and more than 2.7 million customers as of December 31, 2020. Our banking outlets consist of 528 banking outlets operated directly by us and 219 banking outlets operated through third-party business correspondents. We also plan to continue to grow our physical presence this financial year through a mix of our own and third-party business correspondent banking outlets. While we operate the majority of our banking outlets ourselves, approximately 32.01% are operated by third-party business correspondents as of March 31, 2021. Accordingly, we may be exposed to certain risks owing to an extensive network and reliance on third parties, including, among others:

- preserving our asset quality as our geographical presence increases and our customer profile changes;
- ensuring compliance with RBI requirements to have at least 25% of our banking outlets in unbanked rural centers;
- maintaining consistency in processes and controls across the network;
- developing and improving our products and delivery channels;
- recruiting, training and retaining sufficient skilled personnel;
- upgrading, expanding and securing our technology platform;
- complying with regulatory requirements such as KYC; Anti Money Laundering ("**AML**") and Foreign Account Tax Compliance Act ("**FATCA**") norms;
- maintaining high levels of customer satisfaction;
- managing difficulties arising from operating a larger and more complex organization;
- overcoming difficulties arising from coordinating and consolidating corporate and administrative functions;
- limiting delays in the transfer of data among various locations;
- incurring higher technology costs in order to achieve last mile connectivity;
- mitigating operational risks including integration of internal controls and procedures;
- allocating technology, management support and other resources optimally across our banking outlets;
- managing third-party service providers effectively in relation to any outsourced services;
- managing termination of arrangements with third-party service providers;
- integrating new banking outlets with our existing network;
- hiring skilled personnel locally in sufficient numbers to operate new banking outlets and creating management bandwidth to supervise such operations centrally;
- mitigating fraud risk, especially at remote locations;
- maintaining the highest standards of client service at all banking outlets; and
- managing unforeseen legal, regulatory, property, labor or other issues.

Any of the above reasons may result in our failure to manage our expansive presence, which may materially and adversely affect our business, financial condition, results of operations, cash flows and prospects. Further, there have been instances of delay in the closure of some of our banking outlets due to delayed approvals from relevant district credit committees as a result of the COVID-19 pandemic.

Moreover, our reliance on business correspondents subjects us to specific risks. In particular, all our business correspondents have the right to terminate their agreements with us at any time without any reason, by giving three months' notice to us. In such case, and given that we meet the RBI requirement to have at least 25% of our banking outlets in unbanked rural centers primarily through our business correspondents, a termination of the arrangements with these third parties may result in us being in non-compliance with the RBI requirements. Moreover, certain business correspondent agreements are on a non-exclusive basis, meaning that our business correspondents may be engaged by our competitors to provide similar services. Similarly, some of the business correspondent agreements restrict us from appointing other business correspondents in the same region and for the same products. Further, we have indemnified our business correspondents for certain losses, including legal expenses, that they incur in relation to our business correspondent agreements, and our business correspondents have limited liability in case of any direct, indirect, incidental, special or consequential damages arising out of or relating to the agreements. Any degradation in our relationship with our business correspondents, related to the reasons mentioned in this paragraph or otherwise, may materially and adversely affect our business, financial condition, results of operations, cash flows and prospects.

10. We rely on deposits as a low-cost means of funding a substantial portion of our loan portfolio and there is no guarantee that we will be able to source enough deposits or alternative funding to support our business, which may have a material adverse impact on our growth or cost of funds

Although we are now an SFB, having built a base of deposits (including retail deposits) and reduced our overall cost of funds, there is no guarantee that we will be able to generate enough funding from deposits to fund our lending activities or sustain or further reduce our cost of funds. We also cannot guarantee that deposits will be realized as quickly as anticipated or be realized at all, or that our strategy of enhancing our base of retail and CASA deposits will work at all times or in all markets, and this may hamper our growth plans. Moreover, we cannot guarantee that we will be able to replace any shortfall in deposits with alternate funding sources.

Any inability on our part to generate sufficient funding to support our lending activities may have a material adverse impact on our growth. Moreover, if we are not able to source sufficient deposits, especially CASA or retail deposits, we may be forced to raise the interest rates that we offer on our deposits which will impact our NIMs. Additionally, we are subject to interbank borrowing limits and to restrictions on our borrowing such as being unable to obtain loans that were generally available to us earlier, when we were an NBFC-MFI. If we are unable to access necessary capital, we may be required to curtail or withdraw fr om some of our current business operations or growth plans. Any such occurrence may have a material adverse effect on our business, financial condition, results of operations, cash flows and prospects.

A significant portion of our funding is short-term. In particular, approximately 83.25% of our funding (i.e., the ratio of our deposits to the aggregare of our deposits and borrowings) as of December 31, 2020 was from deposits and, as of that date, we had a CASA ratio of 19.82%. Current account and savings account deposits may be withdrawn on demand by our customers. As of December 31, 2020, 46% of our term deposits had maturities of up to 12 months. If a substantial number of our depositors do not roll over term deposits upon maturity, or if our current account or savings account customers withdraw their funds, our liquidity position may be adversely affected. Moreover, wholesale deposits, which tend to be more sensitive to interest rates, constituted 11.08% of our term deposits as of December 31, 2020. Although 85% of our wholesale deposits as of December 31, 2020 are non-callable, we cannot guarantee that our wholesale deposit customers will continue to place those deposits with us upon maturity.

11. Our inability to comply with laws and regulations applicable to us may have an adverse effect on our business, results of operations, financial condition and cash flows. Further, regulation with respect to ownership and eligibility requirements of shareholders of equity securities of an SFB may impact our ability to raise capital and restrict investment in us.

Compliance with stringent laws and regulations

As an SFB, we are subject to stringent laws and regulations. We are regulated under the Banking Regulation Act and have to comply with circulars and directives issued by the RBI that apply to small finance banks. The SFB Operating Guidelines, the RBI In-Principle Approval and the RBI Final Approval require us to comply with certain conditions in order to operate our SFB business, including among others:

- we (and our Promoter) are required to be owned and controlled by Indian residents in accordance with FEMA at all times from the date of commencement of our SFB operations and our Promoter is required to continue to hold at least 40% of our share capital for five years from the commencement of our SFB business and then reduce its shareholding after five years;
- we are required to list within three years of our net worth reaching ₹ 5,000 million, which occurred in September 2018;
- we are required to maintain a minimum paid-up equity capital and a minimum net worth of ₹ 1,000 million;
- any change of shareholding by way of fresh issue or transfer of shares to the extent of 5% or more in us requires prior RBI approval;
- at least 25% of our total banking outlets have to be located in unbanked rural areas;

- we are subject to certain prudential norms, with specific focus on our risk management framework; for example, the maximum loan size and investment limit exposure to a single and group obligor will be restricted to 10% and 15% of our capital funds, respectively, and at least 50% of our loan portfolio will constitute loans and advances of up to ₹ 2.5 million;

- we are not permitted exposure in terms of loans and advances to the companies (and directors of such companies) in which our Directors, our Promoter, major shareholders (holding 10% or more of our paid up equity share capital), relatives of Promoter and entities in which such Promoter, major shareholders or relatives of Promoter have significant influence or control, or are interested;

- we are required to extend 75% of our ANBC as at the end of the corresponding quarter of the previous financial year to the sectors eligible for classification as PSL by RBI, such as agriculture, MSMEs, export credit, education, housing, social infrastructure and renewable energy (for further details, see "*Risk Factors— We are required to extend a minimum level of advances to certain sectors, have limitations on the percentage of our on book advances a particular loan size and must maintain a prescribed cash reserve ratio, statutory liquidity ratio and minimum capital to risk-weighted assets ratio, each of which may have an adverse effect on our business operations*"); and

- we are required to maintain a minimum capital adequacy ratio of 15% on a continuous basis, subject to any higher percentage as may be prescribed by RBI from time to time; further, our Tier I capital should be at least 7.5% of our risk weighted assets and our Tier II capital should be limited to a maximum of 100% of total Tier I capital.

As an SFB, we are not permitted to raise secured borrowings from banks and financial institutions or raise funds from the issuance of secured non-convertible debentures and commercial paper. The RBI issued the SFB guidelines on November 27, 2014 ("**SFB Licensing Guidelines**") to license SFBs in the private sector. The SFB Licensing Guidelines, together with the "Operating Guidelines for Small Finance Banks" issued by RBI on October 6, 2016 ("**SFB Operating Guidelines**", and together with the SFB Licensing Guidelines, the "**SFB Guidelines**") exempt SFBs from the existing regulatory ceiling on inter-bank borrowings until the existing loans mature or up to three years, whichever is earlier. However, while the SFB Guidelines provide an exemption with respect to legacy borrowings, any borrowing made by us since the commencement of operations as an SFB will be subject to inter-bank borrowing limits and restrictions on loans and advances, at par with other scheduled commercial banks. Further, we are precluded from creating floating charges on our assets, and any existing floating charge created on our assets have to be grandfathered until their maturity, subject to the creation of additional charges, in accordance with guidelines issued by the RBI.

As an SFB, we are also regulated under the Banking Regulation Act and have to comply with circulars and directives issued by the RBI from time to time ("**RBI Circulars**"). During the course of annual inspection, RBI does provide their observations and some of these observations are of the nature of “monitoring action plan” . We have in the past received such monitoring action plan matters from RBI. We have rectified such matters and have provided our comments to RBI. No penalty was levied by RBI against us in this regard. We will have to comply with prudential norms specified in respect of market discipline, the classification, valuation and operation of our investment portfolio, income recognition, asset classification and provisioning pertaining to advances, RBI directives on permissible loans and advances, permissible exposures, requisite disclosures in financial statements, fraud classification and reporting, and periodic disclosure requirements (including in presentation of financial information and financial statements). Further, the Banking Regulation Act limits the flexibility of shareholders and management in an SFB in many ways, including by way of specifying certain matters for which a banking company would require RBI approval. Additionally, in the event we fail to meet prescribed prudential norms, the RBI may charge penal interest for the period of default, or restrict our SFB activities, or otherwise enforce increased scrutiny and control over our operations. The RBI may also impose additional conditions on us, and may terminate our SFB license, if we are unable to comply with applicable requirements. Further, we are yet to comply with certain RBI guidelines such as compliance with an RBI circular on Aadhaar-based authentication for card-present transactions dated December 2, 2016, and have communicated the same to the RBI.

The Banking Ombudsman ("**BO**"), appointed by the RBI to redress cetain customer complaints, has in the past directed us to pay an award of ₹ 0.05 million for not following the applicable KYC and AML guidelines, in relation to customer accounts of certain imposters who compromised a transaction of ₹ 0.90 million.

Further, as per the RBI (Prudential Framework for Resolution of Stressed Assets) Directions, 2019, notified on June 7, 2019, we are required to, among other things, identify incipient stress in loan accounts, immediately on default by classifying stressed assets as special mention accounts and to put in place Board-approved policies for resolution of stressed assets.

We cannot currently determine the full impact and applicability of the SFB Guidelines and other banking regulations to our business. Uncertainty in the applicability, interpretation or implementation of the governing law, specifically due to the absence of administrative or judicial precedent may be time consuming as well as costly for us to resolve. To ensure compliance with the regulatory framework applicable to SFBs, we may need to allocate additional resources, which may increase our regulatory compliance costs and divert management attention. Our inability to comply with laws and regulations applicable to an SFB may have an adverse effect on our business, results of operations, financial condition and cash flows.

Ownership and eligibility requirements of shareholders of equity securities of an SFB

We are required to be owned and controlled by residents of India in accordance with FEMA at all times from the date of commencement of our business. Further, investment in an SFB is subject to restrictions under the laws governing banking companies including the Banking Regulation Act and the SFB Guidelines. The SFB Guidelines refer to Section 12B of the Banking Regulation Act, which provides that any acquisition of 5.00% or more of the paid up share capital of a banking company will require prior approval of RBI. This will also apply to an SFB. Section 12B of the Banking Regulation Act further requires any person to seek prior approval of the RBI to acquire, or agree to acquire, shares or voting rights of a bank, either directly or indirectly, by himself or acting in concert with other persons, wherein such acquisition (taken together with shares or voting rights held by him or his relative or associate enterprise or persons acting in concert with him) results in the aggregate shareholding of such persons to be 5.00% or more of the paid-up share capital of a bank or entitles him to exercise 5.00% or more of the voting rights in a bank. Such approval may be granted by the RBI if it is satisfied that the applicant meets certain "Fit and Proper" criteria.

We cannot assure that we will be able to comply with the requirements under the Banking Regulation Act, SFB Guidelines, the RBI In-Principle Approval, the RBI Final Approval and the RBI Circulars. Further, these restrictions also limit our ability to raise further capital and may also have an adverse effect on our business, results of operations, financial condition and prospects. For further details in relation to the restrictions on shareholding, refer to "*Key Regulations and Policies*" and "*Offer Procedure*" on pages 165 and 349, respectively.

12. We have limited knowledge and records of documents relating to corporate actions undertaken by our Bank prior to February 2009. Further, we have not been able to trace certain secretarial records and documents in relation to our Bank, including filings made by our Bank with statutory authorities. We cannot assure you that no legal proceedings or regulatory actions will be initiated against our Bank in the future in relation to such missing corporate records.

We manage our internal compliance by monitoring and evaluating internal controls, and ensuring all relevant statutory and regulatory compliances. However, there can be no assurance that deficiencies in our internal controls will not arise, or that we will be able to implement, and continue to maintain, adequate measures to rectify or mitigate any such deficiencies in our internal controls, in a timely manner or at all.

On February 3, 2009, our Bank, then known as Banas Finlease Private Limited, was acquired by Keyur Doshi, Soham Shukla, Sameer Nanavati and Mahender Chawla from the erstwhile shareholders of Banas Finlease Private Limited pursuant to advertisements published on January 1, 2009 in the Indian Express and Jansatta (as per the rules and regulations of the RBI in relation to change in ownership of shares along with control of management) and share transfer applications received by Banas Finlease Private Limited. For the period between April 5, 1995, being the date of incorporation of the Bank and February 3, 2009, being the date when the aforementioned acquisition was undertaken, some of the corporate records of our Bank are not traceable with our Bank, or with the RoC. We have tried to locate copies of the filings made with the RoC that are not available with us by obtaining an RoC search report. Therefore, we are unable to conclusively ascertain, among others, details of the build-up of the equity share capital of our Bank, schemes of amalgamation entered into by our Bank, changes in the registered office of our Bank, time and cost over-runs, defaults or re-scheduling of borrowings and lock-outs and strikes, in each case for the period between April 5, 1995 and February 3, 2009.

Further, we are unable to trace certain corporate records and other documents in relation to transfer of Equity Shares by and to our Promoter, either in our Bank’s records or in the records of our Promoter, including demat statements and share transfer forms for transfers made on December 16, 2014, October 6, 2016 and October 28, 2016. We have also been unable to trace certain corporate records in relation to our Bank, including certified true copies of the board resolution approving the issue of Equity Shares allotted on February 24, 2009, September 7, 2009 and December 12, 2009. In the absence of or discrepancies in such records, we have relied on statutory registers maintained by our Bank, annual returns filed with the RoC and minutes of meetings of the Board, as applicable, in order to ascertain details of such allotments and transfers. While we believe that the transfers were undertaken in a valid manner in terms of applicable laws and our AoA, we cannot assure you that the share transfer forms in relation to such transfers of such Equity Shares were filed with us in a timely manner or at all. Further, there have also been certain inadvertent factual inaccuracies in respect of certain filings made by our Bank.

Although no regulatory action/litigation is pending against us in relation to such untraceable secretarial and other corporate records or in relation to the discrepancies in our statutory filings, we cannot assure you that we will not be subject to penalties imposed by regulatory authorities in this respect. Accordingly, we cannot assure you that our Bank will not be subject to any action, including monetary penalties by statutory authorities on account of any non availability of any of its secretarial records and filings or discrepancies in our statutory filings, which may adversely affect our business, financial condition and reputation.

13. We have a substantial amount of outstanding indebtedness, which requires significant cash flows to service and is subject to certain conditions and restrictions in terms of our financing arrangements which restrict our ability to conduct our business and operations in the manner we desire.

Our level of indebtedness and any change in the same has and may have important consequences to us, such as:

- increasing our vulnerability to general adverse economic, industry and competitive conditions;
- limiting our flexibility in planning for, or reacting to, changes in our business and the industry;
- affecting our credit ratings;
- limiting our ability to borrow additional amounts in the future;
- affecting our capital adequacy requirements; and
- increasing our finance costs.

Our financing agreements contain restrictive covenants that require us to obtain prior approval from our lenders for, among other things:

- change in our capital structure;
- change in our shareholding pattern;
- change in our control;
- change in our Promoter's shareholding of our Bank;
- cessation or change in our business;
- create any further charge on the secured assets or provide any guarantees to other lenders;
- declaration of dividend or distribution of profits;
- amendment of memorandum of association or articles of association;
- availment of any new borrowing or financing;
- undertaking or permitting any merger, de-merger and investments in any associates, investment in any joint ventures, subsidiaries, consolidation or reorganization of our Bank without the prior approval of the concerned entity/persons; and
- change in management.

In the event of a breach of any financial or other covenants contained in any of our financing arrangements or in the event we had breached any terms in the past which is noticed in the future, we may be required to immediately repay our borrowings either in whole or in part, together with any related costs. A default under the terms of any financing document may also trigger a cross-default under some of our other financing documents, or any other agreements or instruments containing a cross-default provision, which may individually or in aggregate, have an adverse effect on our operations, financial position and credit rating. If the obligations under any of our financing documents are accelerated owing to an event of default, we may have to dedicate a portion of our cash flow from operations to make payments under such financing documents, thereby reducing the availability of cash for our working capital requirements and other general corporate purposes. In addition, during any period in which we are in default, we may be unable to raise, or face difficulties raising, further financing. Further, if the lenders of a material amount of the outstanding loans declare an event of default simultaneously, we may be unable to pay our debts when they fall due.

In addition to our financing arrangements, we also rely on, among others, securitization and direct assignment transactions to meet our funding requirements. The governing documents for such transactions may impose certain obligations on us, including, among other things, (i) monitoring the performance of obligors, bearing expenses in relation to the servicing of receivables, notifying the trustees in relation to any change which would affect the rights and obligations of PTC holders, (i) and obtaining the consent of the trustees, assignees, structurers, as applicable for certain corporate actions, such as change of business, amendment to our charter documents, change in management control, change in shareholding or disposal of assets. We cannot assure you that we will continue to be in compliance with such requirements, and any such non-compliance on our part may disrupt our access to funding through securitization and may have a material adverse effect on our liquidity and financial condition.

14. **We are required to extend a minimum level of advances to certain sectors, have limitations on the percentage of our on-book advances above a particular loan size and must maintain a prescribed cash reserve ratio, statutory liquidity ratio and minimum capital to risk-weighted assets ratio, each of which may have an adverse effect on our business operations.**

As per regulatory guidelines applicable to an SFB, we are required to extend 75% of our ANBC as at the end of the corresponding quarter of the previous financial year to the sectors eligible for classification as PSL, such as agriculture, MSMEs, export credit, education, housing, social infrastructure and renewable energy. Further, while 40% of our ANBC is required to be allocated to different sub-sectors under the extant PSL prescriptions such as small and marginal farmers, micro enterprises, agriculture and weaker sections, and we may allocate the balance of 35% to any one or more eligible sub-sectors under PSL guidelines where we have a competitive advantage. The PSL requirements applicable to an SFB are significantly higher than those applicable to a universal bank, which could subject us to higher delinquency rates. The PSL requirements in the case of SFBs are monitored on a quarterly basis, and in case of any shortfall by us in meeting the PSL requirements for any financial year, we may be required to contribute the difference between the required lending level and the actual PSL targets to the Rural Infrastructure Development Fund established with NABARD, or with other funds with NABARD, NHB, SIDBI or MUDRA as decided by the RBI from time to time, which may earn lower levels of interest, compared to other interest bearing securities. Our failure to comply with PSL requirements may have an adverse effect on our business, results of operation, financial condition and cash flows.

The maximum loan size and investment limit exposure to a single and group borrower is restricted to 10% and 15% of our capital funds, respectively. In addition, at least 50% of our advances is required to constitute advances of a ticket size of up to ₹ 2.50 million.

The SFB Licensing Guidelines mandate that SFBs will be subject to all prudential norms and regulations of the RBI as applicable to existing commercial banks including the requirement of maintenance of cash reserve ratio ("**CRR**") and statutory liquidity ratio ("**SLR**"). All scheduled commercial banks (other than regional rural banks) are required to comply with the statutory reserve requirements prescribed by the RBI. As at December 31, 2020, scheduled commercial banks are required to maintain a CRR of 3% of their net demand and time liabilities ("**DTL**") in a current account maintained with the RBI, on which no interest is paid. This was revised to 3.5% on March 27, 2021 and it will be subsequently revised to 4% on May 22, 2021. Further, scheduled commercial banks are also required to maintain, under the current requirements, a SLR equivalent to 18% of their net demand and time liabilities to be invested in cash and Government or other RBI-approved securities. As an SFB, our net interest margin and return on net worth may be adversely affected, given that we are required to set aside capital to meet the CRR and SLR requirements of the RBI. Further, until we scale up our deposit base, a significant portion of the CRR and SLR requirements may be met from our borrowings, which may also adversely affect our net interest margin and return on net worth in the short to medium term.

Further, if we fail to meet the prescribed norms in our banking operations, the RBI may charge penal interest for the period of default, or restrict our banking activities, or otherwise enforce increased scrutiny and control over our banking operations including by way of withholding approvals, or issuing conditional approvals, in respect of any proposed actions for which we may seek RBI approval in the future, or even cancel our banking license in view of any major and/or sustained non-compliance. Further, maintaining the CRR and SLR may impose liquidity constraints on us by reducing the amount of cash available with us for lending. In the event that the CRR or SLR requirements applicable to banks are increased in the future, our resources available for making loans and advances to our borrowers would be correspondingly further reduced. Any such actions or events may adversely affect our business, financial condition, results of operations, cash flows and prospects.

Additionally, as per the SFB Guidelines, we are required under applicable laws and regulations to maintain certain minimum capital adequacy on a continuous basis, which is currently 15% of our risk weighted assets. As of March 31, 2018, 2019 and 2020, and December 31, 2020, our CRAR was 23.30%, 23.63%, 29.28% and 29.90%, respectively. As we continue to grow our loan portfolio and asset base, we may be required to raise additional capital in order to continue to meet applicable capital adequacy ratios with respect to our business. Moreover, universal banks in India are only required to maintain a minimum capital adequacy ratio of 9%, which may hinder our ability to compete effectively with them. We cannot assure you that we will be able to raise adequate additional capital in the future on terms favorable to it, or at all, and this may adversely affect the growth of our business. Further, pursuant to a notification dated November 29, 2018, the RBI has prescribed guidelines in relation to net stable funding ratio ("**NSFR**"), which became applicable to all scheduled commercial bank, including us, starting September 1, 2021. The NSFR guidelines require that the NSFR be equal to at least 100% on an ongoing basis, and compliance with this requirement may require us to set aside additional capital to comply with these requirements.

15. **We may face asset-liability mismatches, which could affect our liquidity and consequently may adversely affect our business, financial condition including liquidity, results of operations, cash flows and prospects.**

We may face asset and liability mismatches, which represents situations when the duration of an institution's assets and liabilities do not match. We cannot assure you that we will be able to maintain a positive asset-liability gap. We may rely on funding options with a short-term maturity period for extending long-term loans, which may lead to negative asset-liability gap. Further, mismatches between our assets and liabilities are compounded in case of prepayments of the financing facilities we grant to our customers. Any mismatch in our assets and liabilities may lead to a liquidity risk and have a material adverse effect on our business, financial condition, results of operations, cash flows and prospects.

16. Any downgrade in our credit ratings could increase our finance costs and materially adversely affect our business, financial condition, results of operations, cash flows and prospects.

The cost and availability of capital depends in part on our short-term and long-term credit ratings. Credit ratings reflect the opinions of rating agencies on our financial strength, operating performance, strategic position and ability to meet our obligations. Any downgrade in our credit ratings may cause our lenders to impose additional terms and conditions to any financing or refinancing arrangements that we enter in the future. As of the date of this Draft Red Herring Prospectus, our term loans from banks are rated A (stable outlook) by ICRA and CARE A (stable outlook) by CARE Ratings, our unsecured sub-ordinated debt and non-convertible debentures are rated CARE A (stable outlook) by CARE Ratings and IND A- (positive outlook) by India Ratings, our fixed deposit program is rated MA+ (stable outlook) by ICRA and our certificates of deposit are rated CRISIL A1+ by CRISIL Ratings. For further details of our credit ratings, see "*Our Business – Credit Ratings*" on page 158.

17. An increase in our portfolio of non-performing assets may materially and adversely affect our business, financial condition, results of operations, cash flows and prospects.

Our management of credit risk involves having appropriate credit policies, underwriting standards, approval processes, loan portfolio monitoring, collection and remedial management and an overall architecture for managing credit risk in our business. If the credit quality of our customers deteriorates, this may have a material adverse effect on our overall business, results of operations, financial condition, cash flows and prospects. Our credit monitoring and risk mitigation policies and procedures may not be accurate, properly designed, or appropriately implemented, and we may suffer material credit losses. For instance, if the value of the collateral securing our credit portfolio is insufficient (including through a decline in its value after the original taking of such collateral) or if we face practical or legal impediments in enforcing collateral, then we may be exposed to greater credit risk and an increased risk of non-recovery if related credit exposures fail to perform. In addition, even if our policies and procedures are accurate and appropriate, we may not be able to anticipate future economic or financial developments or downturns, which may lead to an increase in our NPAs. Further, our customers may face cash flow constraints due to losses incurred by them in their businesses or in the economic activities pursued by them, which may lead to a diversion of the loan proceeds for purposes other than those for which the loan was sanctioned. Any such cash flow constraints or diversion of loan proceeds may affect the ability of our customers to repay their loans, and in turn, our ability to recover the loans.

Provisions for NPAs are created by a charge to our profit and loss account and are currently as per our internal provisioning policies, subject to minimum provision requirements set by the RBI. Our internal provisioning policies are more stringent than those set by the RBI. In addition to the relevant regulatory minimum provision, we also consider our internal estimate for loan losses and risks inherent in the credit portfolio when deciding on the appropriate level of provisions. The determination of an appropriate level of loan losses and provisions involves a degree of subjectivity and requires that we make estimates of current credit risks and future trends, all of which may be subject to material changes. Any incorrect estimation of risks may result in our provisions not being adequate to cover any further increase in the amount of NPAs or any further deterioration in our NPA portfolio.

The following table sets forth certain details regarding our non-performing assets as of the dates indicated.

Particulars	**As of March 31,**			**As of December 31,**
	2018	**2019**	**2020**	**2020**
NPA				
GNPA..	172.17	358.92	447.18	1,812.31
NNPA..	131.68	94.93	197.47	972.27
Gross Advances..	16,336.45	27,910.88	48,405.50	52,419.82
Net Advances...	16,295.96	27,646.89	48,155.79	51,579.78
GNPA to Gross Advances[(1)]..	1.05%	1.29%	0.92%	3.46%
NNPA to Net Advances	0.72%	0.34%	0.41%	1.88%

(1) GNPA to Gross Advances (%) (excluding IBPC/Assignment).

A number of factors outside of our control affect our ability to control and reduce NPAs. These factors include developments in the Indian and global economy, domestic or global turmoil, increased competition, changes in interest rates and exchange rates and changes in regulations, including with respect to regulations requiring us to lend to certain sectors identified by the RBI, or the Government of India. These factors, coupled with other factors such as volatility in commodity markets, decrease in agriculture productivity, adverse effects on the business and results of operations of our borrowers, a rise in unemployment, declining business and consumer confidence and decreases in business and consumer spending, may impact the operations of our customers and in turn impact their ability to fulfil their obligations under the loans we extend to them. In addition, the expansion of our business may cause our NPAs to increase and the overall credit quality of our loan portfolio to deteriorate. Any increase in our NPAs may materially adversely affect our business, financial condition, results of operations, cash flows and prospects.

18. We derive a substantial portion of our interest income from loans that have tenures of two years or less, and a significant reduction in these short-term loans may result in a corresponding decrease in our interest income.

A substantial portion of our loans, particularly within our microloan portfolio, have tenures of two years or less. As of December 31, 2020, 98.96% of our joint liability group loans and loans against gold had tenures of two years or less, and for FY2020 and the nine months ended December 31, 2020, we derived ₹8,202.66 million and ₹7,553.00 million in interest income from these types of loans. The relatively short-term nature of our loans means that, our long-term interest income stream is less certain than if more of our loans were for a longer term. In addition, our customers may not obtain new loans from us upon maturity of their existing loans, particularly if competition increases. The potential instability of our interest income may materially and adversely affect our business, financial condition, results of operations, cash flows and prospects.

19. Our success depends on our ability to respond to new technological advances.

As a digital-oriented bank, our success will depend largely on our ability to respond to technological advances and emerging banking, payments, and other financial services industry standards and practices on a cost-effective and timely basis. The development and implementation of such technology entails significant technical and business risks. There can be no assurance that we will successfully implement new technologies or adapt our transaction processing systems to customer requirements or meeting market standards.

We also face threats to our lending operations from newer business models that leverage technology to bring together savers and borrowers. We also face competition in generating deposits from other products and investment avenues in the market. Over a period, we may not be competitive in facing up to the challenges from such newer entrants. This may, accordingly, have a material adverse impact on our business, financial condition, results of operations, cash flows and prospects.

20. We rely extensively on our information technology systems and any unforeseen internal or external disruptions may have a detrimental impact on our operations.

Our information technology systems are a critical part of our business that help us manage, among other things, our risk, account opening and servicing, and loan origination functions, as well as our increasing portfolio of products and services. We also rely heavily on our technology systems in connection with financial controls and transaction processing, and for real-time connections to credit bureaus and e-KYC applications. In addition, our delivery channels include ATMs/cash recyclers, tablet banking applications, mobile banking applications, WhatsApp banking and internet banking, each of which we may need to regularly upgrade, including in respect of their software, back-up systems and disaster recovery operations so that they remain competitive. Our hardware and software systems are subject to both potential internal and external disruptions such as damage or incapacitation by human error, natural disasters, power loss, nation/region-wide interruptions in the infrastructure, sabotage, computer viruses and similar events or the loss of support services from third parties such as internet backbone providers. There is no warranty under our information technology license agreements that the relevant software or system is free of interruptions, will meet our requirements or be suitable for use in any particular condition. While we have faced unscheduled downtime of our IT services in the past, we have not experienced widespread disruptions of service to our customers. There can be no assurance that we will not encounter disruptions in the future due to substantially increased numbers of customers and transactions, or for other reasons. Any inability to maintain the reliability and efficiency of our systems could adversely affect our reputation, and our ability to attract, retain and service our customers. In the event we experience system interruptions, errors or downtime (which may result from a variety of causes, including changes in customer use patterns, technological failure, changes to systems, linkages with third-party systems and power failures), we are unable to develop necessary technology or any other failure occurs in our systems, this may materially and adversely affect our business, financial condition, results of operations, cash flows and prospects. For further details, see "*Our Business – Information Technology*" on page 157.

21. A decline in the value of security or an inability on our part to enforce such security may have a material adverse effect on the value of our loan portfolio and/or increase our write-offs for credit and other losses.

Our loans against property, loans against gold, two-wheeler loans, affordable housing loans and institutional finance loans are generally secured by assets, for which we follow certain procedures to evaluate the credit profile of our customers and the value of the security. The recoverability and/or value of security or assets charged to us as collateral could decline as a result of a deterioration in macro economic conditions or of security or asset values, or as a result of adverse changes in the credit quality of our borrowers and counterparties or delays in foreclosure proceedings or defects or deficiencies in the perfection of collateral. Among other factors, we consider a mix of cash flow and availability of collateral when making lending decisions.

As per RBI guidelines on the matters relating to prudential norms on income recognition, asset classification and provisioning pertaining to advances, our exposure is considered as "unsecured" if the realizable value of the security is not more than 10% of the outstanding exposure. As of December 31, 2020, 78.11% of our Net Advances were classified as unsecured by tangible assets. We may not be able to realize the full value of the collateral, changes in economic policies of the Indian government, obstacles and delays in legal proceedings, borrowers and guarantors not being traceable, our records of borrowers' and guarantors' addresses being ambiguous or outdated, defects in the perfection of collateral, and fraudulent transfers by borrowers, among other things. In the event that a specialized regulatory agency gains jurisdiction over the borrower, creditor actions may be further delayed.

Further, the value of collateral may be less than we expect or may decline. For loans against property and affordable housing loans, we are exposed to risks related to the enforcement of real-estate collateral, such as title risk to the underlying property, as well as fluctuations in real estate prices. For two-wheeler loans, we are subject to the risk that the collateral rapidly depreciates, as well as fluctuations in the used vehicle markets. For loans against gold, we are subject to changes in the market price of gold. The fluctuations in the prices of assets secured as collateral for a loan may impact our recovery amount during the enforcement of security resulting in write-offs in our loan amount. Any decline in the value of the collateral securing our loans, any inability to obtain additional collateral or our inability to realize the value of collateral may require us to increase our write-offs for credit and other losses. In such a scenario, our losses may increase, and our net profits may decline. Further, in case insolvency proceedings are initiated under the IBC against a debtor, we may not have complete control over the recovery of amounts due to us. For details, see "- *The bankruptcy code in India may affect our rights to receiver loans from our customers.*" on page 48.

22. Banking companies in India may be required to report financial statements under the Ind AS in the future, and we may be materially adversely affected by this transition.

We currently prepare our financial statements under Indian GAAP. However, the Ministry of Corporate Affairs, in its press release dated January 18, 2016, issued a roadmap for the implementation of Ind AS for scheduled commercial banks, insurance companies and NBFCs, which are also applicable to us. Such roadmap provided that these institutions were required to prepare Ind AS financial statements for accounting periods commencing April 1, 2018 (including comparative financial statements for the corresponding periods in the previous year). The RBI, by its circular dated February 11, 2016, required all scheduled commercial banks (except regional rural banks) to comply with Ind AS for financial statements beginning April 1, 2018 and were also required to be in preparedness to submit pro forma Ind AS financial statements to the RBI from the half-year ended September 30, 2016, onwards. However, the RBI, through its notification dated March 22, 2019, decided to further defer the implementation of Ind AS until further notice for all scheduled commercial banks (except regional rural banks).

Ind AS will change, among other things, our methodology for estimating allowances for expected loan losses and for classifying and valuing our investment portfolio and our revenue recognition policy. For estimation of expected loan losses, the new accounting standards may require us to calculate the present value of the expected future cash flows realizable from its advances, including the possible liquidation of collateral (discounted at the loan's effective interest rate). This may result in us recognizing allowances for expected loan losses in the future which may be higher or lower than under current Indian GAAP. There can be no assurance, therefore, that our financial condition, results of operations, cash flows or changes in shareholders' equity will not appear materially worse under Ind AS than under Indian GAAP. In our transition to Ind AS reporting, we may encounter difficulties in the ongoing process of implementing and enhancing our management information systems. Further, there is no significant body of established practice on which to draw in forming judgments regarding the implementation and application of Ind AS to Indian banks. There can be no assurance that our adoption of Ind AS will not materially adversely affect our reported results of operations, financial condition or cash flows and any failure to successfully adopt Ind AS could materially adversely affect our business, financial condition, results of operations, cash flows and prospects.

Moreover, although we currently have an internal control framework in place in order to report our financial statements under Indian GAAP, we may have to modify our internal control framework and adopt new internal controls in order to report under Ind AS. These new internal controls will require, among others, a transition to more model-based evaluation of certain items, as well as staff that are adequately knowledgeable with Ind AS. There is no guarantee that we will be able to implement effective internal controls under Ind AS in a timely manner or at all, and any failure to do so may materially adversely affect our business, financial condition, results of operations, cash flows and prospects. See also "*Risk Factors—Any failure or material weakness of our internal control system could cause significant operational errors, which would materially and adversely affect our profitability and reputation*" on page 37.

23. Any failure or material weakness of our internal control system could cause significant operational errors, which would materially and adversely affect our profitability and reputation.

We are responsible for establishing and maintaining adequate internal measures commensurate with our size and the complexity of our operations. While we periodically test and update, as necessary, our internal control systems, we are exposed to operational risks arising from the potential inadequacy or failure of internal processes or systems, the risk of fraud or other misconduct by employees or outsiders, unauthorized transactions by employees and third parties (including violation of regulations for prevention of corrupt practices, and other regulations governing our business activities), or clerical or record keeping errors or errors resulting from faulty computer or telecommunications systems and our actions may not be sufficient to guarantee effective internal controls in all circumstances. Given our high volume of transactions, it is possible that errors may repeat or compound before they are discovered and rectified. Our management information systems and internal control procedures that are designed to monitor our operations and overall compliance may not identify every instance of non-compliance or every suspicious transaction. If internal control weaknesses are identified, our actions may not be sufficient to fully correct such internal control weakness. We face operational risks in our business and there may be losses due to deal errors, deficiencies in the credit sanction process, settlement problems, pricing errors, inaccurate financial reporting, fraud and failure of critical systems and infrastructure. There can be no guarantee that our procedures and processes will be successful, nor that we will be able to monitor or detect frauds that occur. For FY2018, FY2019, FY2020 and the nine months ended December 31, 2020, we detected 21, 37, 47 and 26 instances of fraud amounting to ₹ 2.11 million, ₹ 6.90 million, ₹ 4.79 million and ₹ 84.73 million, respectively. We have initiated the required legal proceedings to recover the sums due to us from these borrowers as well as declare them as NPAs and refer the cases to the RBI. There can be no assurance that we will not be subject to similar frauds in the future. In addition, we carry out certain processes manually, which may increase the risk that human error, tampering or manipulation will result in losses that may be difficult to detect. As a result, we may suffer material monetary losses. Such instances may also materially adversely affect our reputation.

24. Our business is highly competitive, which creates significant pricing pressures for us to retain existing customers and solicit new business.

We have a limited operating history operating as a small finance bank, and the success of our operations depends on a number of factors, including our ability to compete effectively with other banks and financial institutions. The Indian banking industry is highly competitive. We face strong competition in our business from much larger government controlled public sector banks, Indian and foreign commercial banks, non-banking financial companies, microfinance institutions, payment banks, other small finance banks, fintechs and other financial services companies as well. Public sector banks and larger private sector banks, which generally have a much larger customer and deposit base, larger banking outlet networks and Government support for capital augmentation, pose strong competition to us. Mergers among public sector banks, including those encouraged and facilitated by Government efforts, may result in enhanced competitive strengths in pricing and delivery channels for the merged entities. For example, with effect from April 1, 2017, the State Bank of India, India's largest public sector bank, merged its five associate banks and Bharatiya Mahila Bank with itself, while the Bank of Baroda, Dena Bank and Vijaya Bank merged with effect from April 1, 2019. Further, a number of private sector banks in India have a larger customer base and greater financial resources than us, giving them a substantial advantage by way of economies of scale and improving organizational efficiencies. We also face threat to our loan market from newer business models that leverage technology to bring together savers and borrowers. Over a period, we may not be competitive in facing up to the challenges from such newer entrants.

As small finance banks are a relatively new format of banks in India, we are subject to the risk that small finance banks such as ourselves may not be able to compete effectively with more traditional and well-established universal banks for a number of reasons, including differences in regulatory requirements, such as more stringent PSL requirements and capital adequacy requirements, public perception around the stability of small finance banks, and other pressures.

As part of our strategy to source deposits, we may have paid a higher interest rate to ourdepositors than many of our competitors. Moreover, a small portion of our deposits (11.08% as of December 31, 2020) consists of wholesale deposits, which are generally considered more sensitive to changes in interest rates. Consequently, we may not be able to continue to successfully source deposits if our competitors increase their deposit rates, and we may not be able to increase our own deposit rates while maintaining attractive NIMs.

The RBI has liberalized the licensing regime for banks in India and intends to issue licenses on an ongoing basis, subject to meeting the qualification criteria. The RBI is supportive of creating more specialized banks and granting differentiated banking licenses such as for payment banks and small finance banks. We believe that the RBI also has plans to create wholesale and long-term finance banks in the near future. In April 2014, the RBI issued in-principle banking licenses to two NBFCs, Infrastructure Development and Finance Company Limited ("**IDFC**") and Bandhan Bank Limited. In November 2014, the RBI released guidelines for licensing of payment banks and for licensing of small finance banks in the private sector. On August 19, 2015 the RBI granted in-principle approval to 11 applicants to set up payment banks. In September 2015, the RBI granted in-principle licenses to 10 applicants for small finance banks (including us), most of which were NBFC-MFIs. (The RBI subsequently granted an in-principle license to an eleventh SFB which commenced operations on April 26, 2021.) In August 2016, the RBI also released guidelines with respect to a continuous licensing policy for universal banks. On April 7, 2017, the RBI also put in the public domain a discussion paper on Wholesale and Long-Term Finance banks. These banks will focus primarily on lending to infrastructure sector and small, medium and corporate businesses. These banks can provide refinancing to lending institutions and may operate in the capital markets in the form of aggregators. The banks may act like market makers in corporate bonds, credit derivatives and take out financing, among others. In addition, the RBI has, through guidelines for on-tap licensing of SFBs released in 2019, announced that licenses for small finance banks will also be available on an on-going basis, subject to meeting the qualification criteria. Further, on November 20, 2020, an internal working group of the RBI submitted recommendations that may increase competition in the banking industry, including, among other things, recommending that banking licenses be allowed for both large NBFCs with assets over ₹ 500,000 million and more than ten years of operations, as well as for large corporates and for conversion of payments banks to SFBs, where a track record of three years as a payments bank may be sufficient.

We also compete with foreign banks with operations in India. In November 2013, the RBI released a framework for the setting up of wholly owned subsidiaries in India by foreign banks. The framework encourages foreign banks to establish a presence in India by granting rights similar to those received by Indian banks, subject to certain restrictions and safeguards. Under the current framework, wholly owned subsidiaries of foreign banks are allowed to raise Rupee resources through issue of non-equity capital instruments. Further, wholly owned subsidiaries of foreign banks may be allowed to open banking outlets in Tier 1 to Tier 6 centers (except at a few locations considered sensitive on security considerations) without having the need for prior permission from the RBI in each case, subject to certain reporting requirements. Any growth in the presence of foreign banks or in foreign investments in Indian banks may increase the competition that we face and as a result may have a material adverse effect on our business.

If the number of scheduled commercial banks, public sector banks, private sector banks, payment banks, other small finance banks, and foreign banks with banking outlets in the country increases, we may face increased competition in the businesses, which may have a material adverse effect on our financial condition, results of operations and cash flows.

In addition, we have faced and may face in the future staff attrition and difficulties in hiring, including hiring of field staff and specialized roles, due to an increase in competition. Due to such intense competition, we may be unable to execute our growth strategy successfully and offer competitive products and services, which may have a material adverse effect on our business, financial condition, results of operations and cash flows.

25. We depend on our brand recognition, and failure to maintain and enhance awareness of our brand would adversely affect our ability to retain and expand our base of customers.

Our Promoter has granted us a non-exclusive, worldwide, royalty free, irrevocable right and license to use the intellectual property owned by our Promoter to conduct its daily business activities including but not limited to providing services, products and related promotional activities as per its business objectives or any other purpose conveyed in writing by us to our Promoter. For details, see "*History and Certain Corporate Matters – Key terms of other subsisting material agreements*" on page 185. We have operated under the "Fincare" brand since December 2014, prior to which the microloans businesses operated under the brand names of Disha Microfin and Future Financial Services. Any damage to the "Fincare" brand or our reputation may substantially impair our ability to maintain or grow our business or have a material adverse effect on our overall business, financial condition, results of operations and cash flows. If we fail to maintain this brand recognition with our existing and target customers due to any issues with our product offerings, a deterioration in service quality, or otherwise, or if any premium in value attributed to our business or to the brands under which our services are provided declines, market perception and customer acceptance of our brands may also decline. We also distribute third-party products, and engage business correspondents, via partnerships with external organizations whom we have limited control over. Any negative news affecting such external organizations might also affect our reputation and brand value. Moreover, small finance banks are a relatively new category of banks in India, and any adverse events affecting other small finance banks, or any shift in public perception of small finance banks generally, might also affect our brand and reputation. In such an event, we may not be able to compete for customers effectively, and our business, financial condition, results of operations, cash flows and prospects may be materially and adversely affected.

In addition, any unauthorized or inappropriate use of our brand, trademarks and other related intellectual property rights by others in their corporate names or product brands or otherwise may harm our brand image, competitive advantages and business and dilute or harm our reputation and brand recognition. For further details, see "*Our Business"* on page 133. Moreover, we may also be harmed by the actions of or negative press relating to entities which have similar names. We have in the past instituted proceedings against third parties for infringing upon our licensed trademarks and trade names. Further, if a dispute arises with respect to any of our intellectual property rights or proprietary information, we will be required to produce evidence to defend or enforce our claims, and we may become party to litigation, which may strain our resources and divert the attention of our management. We cannot assure you that any infringement claims that are material will not arise in the future or that we will be successful in defending any such claims when they arise.

Our efforts to protect our intellectual property or proprietary information and the measures we take to identify potential infringement of our intellectual property may not be adequate to detect or prevent infringement, misappropriation or unauthorized use. The misappropriation or duplication of our intellectual property or proprietary information may disrupt our business, distract management and employees, reduce revenues and increase expenses.

In addition, we may also become subject to infringement claims, including due to accidental or purposeful actions by our employees. Even if claims against us are not meritorious, any legal, arbitral or administrative proceedings that we may be required to initiate or defend in this regard may be time-consuming, costly and harmful to our reputation, and there is no assurance that such proceedings will ultimately be determined in our favor. Any legal proceedings that result in a finding that we have breached third parties' intellectual property rights, or any settlements concerning such claims, may require us to provide financial compensation to such third parties or stop using the relevant intellectual property (including by way of temporary or permanent injunction) or make changes to our marketing strategies or to the brand names of our products, any of which may have a material adverse effect on our business, financial condition, results of operations, cash flows and prospects.

Furthermore, the application of laws governing intellectual property rights in India is continuously evolving and there may be instances of infringement or passing-off of our brand in Indian markets. Our failure to adequately protect our brand, trademarks and other related intellectual property rights may materially adversely affect our business, financial condition, results of operations, cash flows and prospects.

26. Our success depends, in large part, upon our management team and skilled personnel and on our ability to attract and retain such persons.

Our performance depends largely on the continued services of our management team, including members of our Board and Key Managerial Personnel. See "*Our Management*" on page 186 for details of our Board and Key Managerial Personnel.

Our future performance depends on the continued service of these persons. We believe that the inputs and experience of our senior management, in particular, and other key personnel are valuable for the development of our business and operations and the strategic directions taken by us.

We comply with the RBI guidelines on Fit & Proper Criteria for Directors, relevant provisions of the Banking Regulation Act 1949 regarding Board composition, and other applicable provisions of the Companies Act, 2013 and Listing Regulations.

The Banking Regulation Act confers powers on the RBI to remove from office any director, chairman, chief executive officer or other officers or employees of a bank in certain circumstances such as, if the RBI is satisfied that it is in public interest or to prevent the affairs of the Bank being conducted in a manner detrimental to the interests of the depositors. The RBI also has the powers to supersede the board of directors of a bank and appoint an administrator to manage the bank for a period of up to 12 months in certain circumstances, and to penalize the management by way of freezing remuneration levels and/ or other measures. The RBI may exercise powers of supersession where it is satisfied, in consultation with the central government that it is in the public interest to do so, to prevent the affairs of any bank from being conducted in a manner that is detrimental to the interest of the depositors, or for securing the proper management of any bank. Should any of the steps as explained herein be taken by RBI, our reputation, business, results of operations, financial conditions and cash flows may be materially and adversely affected.

The RBI also mandates certain requirements (including qualification and experience requirements) for directors who sit on the board of banks and approval prior to appointment of certain directors and such requirements will make it more difficult for us to replace our directors when we have to. We may not be able to replace our Board of Directors with similarly experienced professionals, which may materially and adversely impact the quality of our management and leadership team.

Aside from our Managing Director and CEO, our employment agreements with our Key Managerial Personnel are not fixed, do not obligate them to work for us for any specified period and do not contain non-compete or non-solicitation clauses in the event of termination of employment. Our Managing Director and CEO has been appointed for a fixed tenure, the renewal or extension of which is subject to RBI approval. If RBI approval is not forthcoming for any reason, we may not be able to replace the MD & CEO with someone of similar experience in a timely manner. Further, if one or more of our management team are unwilling or unable to continue in their present positions, we may not be able to replace them with persons of comparable skills and expertise.

We also face a continuing challenge to hire and assimilate field officers and skilled personnel. Competition for field officers and other skilled personnel in our industry is intense, and we may not be able to attract and retain the personnel we need in the future. The loss of key personnel or our inability to replace key personnel may restrict our ability to grow, to execute our strategy, to raise the profile of our brand, to raise funding, to make strategic decisions and to manage the overall running of our operations, which may have a material adverse impact on our results of operations, financial position and cash flows.

27. We have in the past entered into related party transactions and may continue to do so in the future, which may potentially involve conflicts of interest.

We have entered into various transactions with related parties. While we believe that all such transactions have been conducted on an arm's length basis and contain commercially reasonable terms, we cannot assure you that we could not have achieved more favorable terms had such transactions been entered into with unrelated parties. It is likely that we may enter into related party transactions in the future. Although going forward, all related party transactions that we may enter into, will be subject to board or shareholder approval, as necessary under the Companies Act, 2013 and the Listing Regulations, we cannot assure you that such transactions, individually or in the aggregate, will not have an adverse effect on our financial condition and results of operations or that we could not have achieved more favorable terms if such transactions had not been entered into with related parties. Such related party transactions may potentially involve conflicts of interest. For further information, see "*Other Financial Information - Related Party Transactions*" on page 287. We cannot assure you that such transactions, individually or in the aggregate, will always be in the best interests of our minority shareholders and will not have an adverse effect on our business, results of operations, financial condition and cash flows.

28. **Some of our Directors may have interests in entities in businesses similar to ours, which may result in conflicts of interest with us.**

Some of our Directors may have investments or interests in entities engaged in businesses similar to ours, which may, in the future, result in conflicts of interest with us. For details, see "*Our Management – Board of Directors*" on page 186.

29. **Certain of our Directors and Key Management Personnel have interests in us other than reimbursement of expenses incurred and normal remuneration or benefits.**

Certain of our Directors and Key Management Personnel may be regarded as having an interest in our Bank other than reimbursement of expenses incurred and normal remuneration or benefits. Certain Directors and Key Management Personnel may be deemed to be interested to the extent of Equity Shares held by them, as well as to the extent of any dividends, bonuses or other distributions on such Equity Shares and employee stock options held by them. We cannot assure you that our Directors and our Key Management Personnel will exercise their rights as shareholders to the benefit and best interest of our Bank. For further details, see "*Capital Structure*" and "*Our Management*" on pages 68 and 186, respectively.

30. **Our Bank, Promoter and one of our Directors are involved in certain legal proceedings, any adverse developments related to which could materially and adversely affect our business, reputation and cash flows.**

There are outstanding legal proceedings against us, our Promoter and one of our directors. These proceedings are pending at different levels of adjudication before various courts, tribunals and appellate tribunals. We cannot assure you that these proceedings will be decided in our, our Promoter or our Director's favour. Brief details of material outstanding litigation that have been initiated by and against us, our Promoter and one of our Directors (as applicable) are set forth below:

Litigation by our Bank

Type of proceeding	Number of cases	Amount, to the extent quantifiable (in ₹ million)
Criminal cases	424	309.77
Material civil cases	3	134.09

Litigation by our Promoter

Type of proceeding	Number of cases	Amount, to the extent quantifiable (in ₹ million)
Criminal cases	54	17.32

Litigation against our Promoter

Type of proceeding	Number of cases	Amount, to the extent quantifiable (in ₹ million)
Taxation matters	4	152.33

Litigation against our Directors

Type of proceeding	Number of cases	Amount, to the extent quantifiable (in ₹ million)
Taxation matters	1	5.01

The amounts claimed in these proceedings have been disclosed to the extent ascertainable and include amounts claimed jointly and severally. If any new developments arise, such as a change in Indian law or rulings against us by appellate courts or tribunals, we may need to make provisions in our financial statements that could increase our expenses and current liabilities. Any adverse decision in any of these proceedings may have an adverse effect on our business, results of operations and financial condition.

31. **We have in the last 12 months issued Equity Shares at a price that could be lower than the Offer Price.**

As on date of this DRHP, we have issued Equity Shares at a price that could be lower than the Offer Price during the last twelve months, as disclosed below:

Date of allotment	Number of equity shares allotted	Face value per equity share (₹)	Issue price per equity share (₹)	Nature of consideration	Reason for allotment
April 27, 2021	9,982,759	10	170	Cash	Rights issue

Date of allotment	Number of equity shares allotted	Face value per equity share (₹)	Issue price per equity share (₹)	Nature of consideration	Reason for allotment
May 4, 2021	147,186,480	10	NA	NA	Bonus issue of two Equity Shares as bonus share for every one existing Equity Share, held on May 3, 2021

For further details regarding such issuances of Equity Shares, see "*Capital Structure*" on page 68.

32. We rely on third-party service providers who may not perform their obligations satisfactorily or in compliance with law. Any deficiency or interruption in their services could materially adversely impact our business, financial condition, results of operations, cash flows and prospects.

We enter into outsourcing arrangements with third-party vendors (such as business correspondents) and independent contractors, in compliance with the RBI guidelines on outsourcing. In particular, we outsource the set up and operations of some banking outlets to third-party business correspondents and a part of our IT services to third parties, whilst other vendors, employees and contractors provide services that include, among others, payroll, cloud hosting, software development and support, courier and logistical services, printing of cheque books and KYC of customers opening Digital 101 accounts. Our agreements with our business correspondent banking outlet providers can be terminated by either party with three months' notice without reason to the other party. We cannot guarantee that there will be no disruptions in the provision of such services or that these third parties will adhere to their contractual obligation. Some third-party vendors may also be small companies which are likely to experience financial or operational difficulties than larger, well established companies due to limited financial and other resources. This may result in a delay of services or products delivered to us and we may be unable to find alternative vendors. If there is a disruption in the third-party services, or if the third-party service providers discontinue their service agreement with us, our business, financial condition, results of operations and cash flows may be adversely affected. In case of any dispute, we cannot assure you that the terms of such agreements will not be breached, which may result in litigation or other costs. Such additional costs, in addition to the cost of entering into agreements with third parties in the same industry, may materially and adversely affect our business, financial condition, results of operations and cash flows.

The "Guidelines on Managing Risks and Code of Conduct in Outsourcing of Financial Services by Bank" dated March 11, 2015 issued by the RBI places obligations on banks, their directors and senior management for ultimate responsibility for the outsourced activity. Private banks in India are required to ensure that their service provider employs the same high standard of care in performing the services as would be employed by the banks, if the activities were conducted within the banks and not outsourced. Banks are also required to provide prior approval for use of subcontractors by outsourced vendors and to review the subcontracting arrangements and ensure that such arrangements are compliant with aforementioned RBI guidelines. We have not enforced this approval requirement uniformly in our dealings with outsourced vendors and may be subject to investigation and censure by the RBI in the future. Legal risks, including actions being undertaken by the RBI, if our third-party service providers act unethically or unlawfully, may materially and adversely affect our business, financial condition, results of operations, cash flows and prospects. For further details on the risks associated with our reliance on third-party business correspondents, see " - *We may face risks associated with our large number of banking outlets and extensive network and our reliance on third-party business correspondents operating banking outlets, which may materially adversely affect our business, financial condition, results of operations, cash flows and prospects*" on page 28.

33. We are subject to the risk associated with all our premises being leased. Non-renewal or dispute with the lessors may disrupt our business, and we may be subject to significant increases in lease rentals.

We do not own any of the premises in which our Registered Office, Corporate Office, banking outlets and any other office premises are situated. Rather, such premises are maintained on a leasehold basis. Such leasehold arrangements require renewal or escalations in rentals from time to time during the lease period. If we are unable to renew the relevant lease agreements, or if such agreements are renewed on unfavorable terms and conditions, we may be required to relocate operations and incur additional costs in such relocation. We may also face the risk of being evicted in the event that our landlords allege a breach on our part of any terms under these lease agreements and there is no assurance that we will be able to identify suitable locations to re-locate our operations. Moreover, we may face significant increases in the lease rental rates. Any of the foregoing factors may cause a disruption in our operations or result in increased costs, or both, which may materially adversely affect our business, financial condition, results of operations, cash flows and prospects.

Furthermore, some of our lease agreements and leave and license agreements may not be adequately stamped or registered with the registering authority of the appropriate jurisdiction. An instrument not duly stamped, or insufficiently stamped, will not be admitted as evidence in any Indian court or may attract a penalty as prescribed under applicable law, which may materially adversely affect the continuance of our operations and business.

34. Our operations involve handling significant amounts of cash, exposing us to operational risks, including misappropriation, fraud, petty theft and embezzlement.

In the FY2020 and the nine months ended December 31, 2020 we undertook a significant percentage of disbursements on a cashless basis, and we continue to endeavor to move towards cashless collections for all our banking operations. However, in the interim, a significant portion of our collections remain in cash. Accordingly, we are exposed to the risk of misappropriation, fraud or other misconduct by employees or outsiders. This risk is further exacerbated by the high level of autonomy on the part of our field officers.

We have encountered several instances of fraud relating to embezzlement of cash by employees and cheating and forgery involving ATM withdrawals by customers. Any material increase in the number of such cases will adversely affect our business, reputation and results of operation. For further details, see "*Outstanding Litigation and other Material Developments*" on page 319.

During FY 2020 and the quarter ended December 31, 2020, we discovered 32, 21 and 20 cases, respectively, of theft, robbery and burglary/ other fraud by either third parties or employees in an aggregate amount of ₹2.61 million, ₹ 83.40 million and ₹ 3.51 million respectively. For further details, see "*Outstanding Litigations and Material Developments*" on page 319. We have in the past been questioned by the RBI on actions initiated by us to obviate such incidents in view of frequent reoccurrence of robbery cases.

Fraud and other misconduct can be difficult to detect and deter. Given the high volume of transactions we process, instances of fraud and misconduct may go unnoticed or may only be discovered and rectified after substantial delays. Even when we discover instances of fraud or theft and pursue them with law enforcement or with our insurance carriers, there can be no assurance that we will recover any of the amounts involved. In addition, our dependence upon automated systems to record and process transactions may further increase the risk that technical system flaws or employee tampering or manipulation of those systems may result in losses that are difficult to detect. As our banking operations expand, we believe the frequency of, and amount of cash handled by employees at our banking outlets is likely to increase and continue to expose us to risks of loss, fraud, misappropriation and unauthorized transactions by our employees.

35. You will not, without prior RBI approval, be able to acquire Equity Shares if such acquisition would result in an individual or group holding 5% or more of our share capital or voting rights; you may not be able to exercise voting rights in excess of 26% of the total voting rights of our Bank.

The Banking Regulation Act, read with the SFB Licensing Guidelines and RBI (Prior approval for acquisition of shares or voting rights in private sector banks) Directions, 2015, requires any person to obtain prior approval of the RBI, to acquire or agree to acquire shares or voting rights of a bank, either directly or indirectly, beneficial or otherwise, by himself or acting in concert with other persons, wherein such acquisition (taken together with shares or voting rights held by him or his relative or associate enterprise or persons acting in concert with him) results in the aggregate shareholding of such persons to be 5% or more of the paid-up share capital of a bank or entitles him to exercise 5% or more of the voting rights in a bank. Further, as per the Banking Regulation Act read with gazette notification no. DBR.PSBD.No.1084/16.13.100/2016-17 dated July 21, 2016, no shareholder in a bank can exercise voting rights on poll in excess of 26% of the total voting rights of all the shareholders of the bank.

An approval may be granted by the RBI if it is satisfied that the applicant meets the fit and proper criteria laid down by the RBI. The RBI may require the proposed acquirer to seek further RBI approval for subsequent acquisitions in accordance with the provisions of applicable law. Further, the RBI may restrict any person holding more than 5% of our total voting rights from exercising voting rights in excess of 5%, if such person is deemed to be not fit and proper by the RBI. For details, see "*Key Regulations and Policies*" on page 165.

36. Our insurance coverage may not be adequate to protect us against all potential losses, which may have a material adverse effect on our business, financial condition and results of operations.

Our operations are subject to a variety of risks inherent in the banking industry, and we maintain insurance through third-party insurers for the same. As of December 31, 2020, we had insurance coverage equivalent to 2.67% (excluding DICGC and directors and officer liability insurance) of our total asset value. None of our insurance policies are assigned in favor of any third party. We may not have identified and insured against every risk, including operational risk that may occur and the occurrence of an event that causes losses in excess of the limits specified in our policies, or losses arising from events or risks not covered by insurance policies or due to the same being inadequate, could materially harm our results of operations, financial condition and cash flows. There can be no assurance that any claims filed will be honored fully or timely under our insurance policies, or that we have obtained sufficient insurance to cover all our losses. Our financial condition may be affected to the extent we suffer any loss or damage that is not covered by insurance or which exceeds our insurance coverage. In addition, we may not be able to renew certain of our insurance policies upon their expiration, either on commercially acceptable terms or at all.

37. We may not be able to obtain accurate and complete information about our borrowers, which could hinder our ability to effectively manage our credit risk

We rely on the accuracy and completeness of information about our borrowers, and on representations by them or third parties as to the accuracy and completeness of such information, while carrying out credit checks and making underwriting decisions. The borrower profile of our microloans customers typically consists of groups of women from low income households in rural India, with limited sources of income, savings and credit histories, and who cannot provide us with any significant collateral (secondary security) for their borrowings. For our other lending products, we may rely on reports of independent auditors with respect to the financial statements of the customer, property valuers in the case of loans against property, gold valuers in the case of loans against gold, and other valuations or reports from various third parties. We also rely on credit ratings and bureau scores assigned to our customers. Our results of operations, financial condition and cash flows may be materially adversely impacted by reliance on missing information or information provided by third parties that is inaccurate or materially misleading. This may affect the quality of information available to us about the credit history of our borrowers, especially individuals and small businesses. As a consequence, our ability to effectively manage our credit risk may be materially adversely affected.

We rely on the Aadhar e-KYC process for collecting information about our borrowers and undertaking verification of information provided by our customers. The use of Aadhar information pursuant to the Aadhar Act has been subject to challenges on account of privacy related concerns. Whilst banks are presently permitted to undertake Aadhar e-KYC with the customers' consent and subject to meeting certain specific conditions, any changes to the Aadhar Act or limitations on our ability to use Aadhar information in the future may materially impact our business operations as we may need to employ alternate means of completing customer and borrower information checks and document verification, which may not be as streamlined or cost efficient. Such checks could result in delays in bank account opening and loan disbursements which may impact our competitiveness in the market and also our digital initiatives.

38. Our treasury income and debt investment portfolio are exposed to risks relating to mark-to-market valuation, illiquidity, credit risk and income volatility.

Our investments primarily amounted to ₹ 12,510.56 million as of December 31, 2020, which primarily comprises government securities, state development bonds and treasury bills. We have put in place limits and controls over investment portfolio exposures, but in the event interest rates rise, our portfolio may be exposed to the adverse impact of the mark-to-market valuation of such debt investments. Any rise in interest rates leading to a fall in the market value of our investments may materially and adversely affect our business, financial condition, results of operations, cash flows and prospects. We may also face income volatility due to the illiquid market for the disposal of some of debt investment portfolio.

Our income from our treasury operations is subject to volatility due to, among other things, changes in interest rates as well as other market fluctuations. For example, an increase in interest rates may have a negative impact on the value of certain investments such as government securities and corporate bonds and may require us to mark down the value of these investments on our balance sheet and recognize a loss on our income statement. Though we currently do not invest in corporate debt instruments as part of our normal business, we may decide to do so in the future and consequently expose ourselves to the risk of the issuer defaulting on its obligations. Changes in corporate bond spreads also affect valuations and expose us to risk of valuation losses. Although we have risk and operational controls and procedures in place for our treasury operations, such as sensitivity limits, position limits, stop loss limits and exposure limits, that are designed to mitigate the extent of such losses, there can be no assurance that we will not incur losses in the course of trading on our fixed income book in our held-for-trading and available-for-sale portfolio. Any such losses may materially and adversely affect our business, financial condition, results of operations, cash flows and prospects.

39. Our Bank had restated loss for the year in Fiscal 2018. Any restated loss for the year in future could adversely affect our operations and financial conditions and the trading price of our Equity Shares.

In Fiscal 2018, our Bank had restated loss for the year of ₹898.38 million. Any restated loss for the year in future could adversely affect our operations and financial conditions and the trading price of our Equity Shares. For further details, see "*Financial Statements*" on page 234.

40. Negative cash flows from operating activities in the future could adversely affect our cash flow requirements, our ability to operate our business and implement our growth plans, thereby affecting our financial performance.

We have in the past, and may in the future, experience negative cash flows from operating activities. The following table sets forth certain information relating to our cash flows from operating activities for the periods indicated:

Particulars	Fiscal Year			Nine Months Ended December 31,
	2018	2019	2020	2020
	(₹ million)			
Net cash generated (used in) operating activities..................	(4,515.22)	(2,746.46)	4,693.81	2,208.93

Negative cash flows over extended periods, or significant negative cash flows in the short term, may materially impact our ability to operate our business and implement our growth plans. As a result, our business, financial condition, results of operations, cash flows and prospects may be materially and adversely affected. For further details, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" on page 288.

41. Changes in our defined benefit gratuity plan's liabilities and obligations could have a materially adverse effect on us.

We operate a defined benefit gratuity plan in respect of certain eligible employees. The defined benefit gratuity plan is administered by a Board of Trustees and funded with an insurance company in the form of qualifying insurance policy. Should the value of assets to liabilities in respect of the defined benefit scheme operated by us record a deficit, due to either a reduction in the value of the defined benefit gratuity plan's assets (depending on the performance of financial markets) and/or an increase in the defined benefit gratuity plan's liabilities due to changes in legislation, mortality assumptions, discount rate assumptions, inflation, the expected rate of return on scheme assets, or other factors, this may result in us having to make increased contributions to reduce or satisfy the deficits which may divert resources from use in other areas of our business and reduce our capital resources.

42. Potential employee strikes and other disputes with employees could have a materially adverse effect on our business and operations.

None of our workforce is currently unionized. However, there is a risk that our employees may choose to unionize in the future. Labor unions for banking employees organize strikes, and we may in the future be affected by strikes, work stoppages or other labor disputes if any portion of our workforce were to become part of a union in the future. In the event of a labor dispute, protracted negotiations and strike action may impair our ability to carry on our day-to-day operations and, if not resolved in a timely manner, may materially and adversely affect our business, financial condition, results of operations, cash flows and prospects. Further, there have been instances of complaints to our Prevention of Sexual Harassment Committee, pertaining to sexual harassment cases. While such cases have been investigated and resolved in the mandated timeframe under applicable law and appropriate steps have been taken by us to address similar issues, we cannot assure that we may not encounter similar cases in the future, which if not resolved in a timely manner, could affect our brand and reputation.

43. Our ability to pay dividends in the future will depend upon future earnings, financial condition, cash flows, working capital requirements, capital expenditures and lender consents and there can be no assurance that we will be able to pay dividends in the future.

We currently intend to invest our future earnings, if any, to fund our growth. The amount of our future dividend payments, if any, will depend upon our future earnings, financial condition, cash flows, working capital requirements, capital expenditures and business prospects. We may decide to retain all of our earnings to finance the development and expansion of our business and, therefore, may not declare dividends on our Equity Shares. We have not paid any dividends historically on our Equity Shares and there can be no assurance that we will be able to or choose to pay dividends in the future. In terms of Section 15 of the Banking Regulation Act, a banking company is permitted to declare dividends only upon all of its capitalised expenses being written off. For details, see "*Dividend Policy*" on page 213.

44. We will continue to be controlled by our Promoter after the completion of the Offer and any substantial change in our Promoter's shareholding will have an impact on the trading price of our Equity Shares and result in us not complying with one of our regulatory requirements, which could have an adverse effect on our business, financial condition, results of operations and cash flows.

Following completion of the Offer, our Promoter, will continue to hold a significant percentage of our Equity Share capital. Our Promoter will, therefore, be able to control the outcome of matters submitted to our Board or Shareholders for approval. After the Offer, our Promoter will continue to exercise significant control or influence over our business and major policy decisions. The trading price of our Equity Shares may be adversely affected if potential new investors are disinclined to invest in us because they perceive disadvantages to a large shareholding being concentrated in our Promoter. As at the date of this Draft Red Herring Prospectus, our Promoter holds 173,489,568 Equity Shares, or 78.59% of our issued, subscribed and paid-up Equity Share capital. Upon completion of the Offer, our Promoter will hold [●]% of our Equity Share capital. For details of our Equity Shares held by our Promoter, see "*Capital Structure*" on page 68.

Pursuant to a sanction letter dated September 23, 2020 ("**Sanction Letter**"), Tata Capital Financial Services Limited ("**Tata Capital**") has sanctioned a loan to our Promoter. Pursuant to the Sanction Letter, read with the Loan-cum-Pledge Agreement dated January 27, 2021 and Capping Letter dated February 26, 2021, our Promoter has borrowed ₹370 million and has pledged 2,331,150 Equity Shares in favor of Tata Capital. As of the date of the DRHP, the outstanding amount on the loan is ₹270 million.

In the event of non-adherence of the terms under such loan and security arrangements, the pledge on our Promoter's shares may be invoked. If this was to happen, the trading price of the Equity Shares may be adversely affected. As a result, we may not be able to conduct our business or implement our strategies as currently planned, which may have an adverse effect on our business.

On November 20, 2020, the RBI released the Report of the Internal Working Group to Review Extant Ownership Guidelines and Corporate Structure for Indian Private Sector Banks ("Report"). Pursuant to the Report, it is proposed that pledge of shares by promoters during the lock-in period be disallowed if there are insufficient unencumbered shares to meet the lock-in requirements. In the event that such recommendations are legally enforced by the RBI, our Promoter may need to find an alternate means of providing collateral or security for its loans. Further, we cannot assure you that our Promoter will be able to offer alternate collateral that will be acceptable to its lenders.

45. Our non-convertible debentures are listed on the BSE and we are subject to rules and regulations with respect to such listed non-convertible debentures. If we fail to comply with such rules and regulations, we may be subject to certain penal actions, which may have an adverse effect on our business, results of operations, financial condition and cash flows.

Our non-convertible debentures are listed on the debt segment of BSE. We are required to comply with various applicable rules and regulations, including the Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 and applicable provisions of the Listing Regulations, in terms of our listed non-convertible debentures. If we fail to comply with such rules and regulations, we may be subject to certain penal actions, including, without limitation, restrictions on the further issuance of securities and the freezing of transfers of securities, which may have an adverse effect on our business, results of operations, financial condition and cash flows.

For details of such listed non-convertible debentures, see "*Financial Indebtedness*" on page 317.

46. We have commissioned the CRISIL Report from CRISIL Limited, which have been used for industry related data in this Draft Red Herring Prospectus and such data has not been independently verified by us.

We have commissioned the CRISIL Report. The report uses certain methodologies for market sizing and forecasting. Neither we, nor any of the Managers nor any of their respective affiliates have independently verified such data and therefore, while we believe them to be true, we cannot assure you that they are complete or reliable. The report uses certain methodologies for market sizing and forecasting. We have not independently verified such data and therefore, while we believe them to be true, we cannot assure you that they are complete or reliable. Accordingly, investors should read the industry related disclosure in this Draft Red Herring Prospectus in this context. Industry sources and publications are also prepared based on information as of specific dates and may no longer be current or reflect current trends. Industry sources and publications may also base their information on estimates, projections, forecasts and assumptions that may prove to be incorrect. While industry sources take due care and caution while preparing their reports, they do not guarantee the accuracy, adequacy or completeness of the data. Accordingly, investors should not place undue reliance on, or base their investment decision solely on this information.

47. Significant differences exist between Indian GAAP and other accounting principles, such as U.S. GAAP, which investors may be more familiar with and may consider material to their assessment of our financial condition.

Our financial statements are prepared and presented in conformity with Indian GAAP. No attempt has been made to reconcile any of the information given in this Draft Red Herring Prospectus to any other principles or to base it on any other standards. Indian GAAP differs in certain significant respects from U.S. GAAP and other accounting principles with which prospective investors may be familiar in other countries. If our financial statements were to be prepared in accordance with such other accounting principles, our results of operations, cash flows and financial position may be substantially different. Prospective investors should review the accounting policies applied in the preparation of our financial statements, and consult their own professional advisers for an understanding of the differences between these accounting principles and those with which they may be more familiar.

48. In this Draft Red Herring Prospectus, we have included certain non-GAAP financial measures and certain other selected statistical information related to our operations and financial performance. These non-GAAP measures and statistical information may vary from any standard methodology that is applicable across the financial services industry, and therefore may not be comparable with financial or statistical information of similar nomenclature computed and presented by other financial services companies.

Certain non-GAAP financial measures and certain other statistical information relating to our operations and financial performance have been included in this Draft Red Herring Prospectus (in particular in the section on Selected

Statistical Information). We compute and disclose such non-GAAP financial measures and other statistical information relating to our operations and financial performance as we consider such information to be useful measures of our business and financial performance. We have also included in this Draft Red Herring Prospectus financial information that may be different from those followed by other financial services companies. For further details, see *"Selected Statistical Information"* on page 214. These non-GAAP financial measures and other statistical and other information relating to our operations and financial performance may not be computed on the basis of any standard methodology that is applicable across the financial services industry. Therefore, such information may not be comparable to financial measures and statistical information of similar nomenclature that may be computed and presented by other NBFCs, NBFC-MFIs, SFBs and other financial services companies and accordingly prospective investors are cautioned not to place undue reliance on such non-GAAP financial measures.

49. We will not receive any proceeds from the Offer for Sale

The Offer includes a Fresh Issue and the Offer for Sale. The proceeds from the Offer for Sale will be paid to the Promoter Selling Shareholder and we will not receive any such proceeds. For further details, see "*Objects of the Offer*" and "*Capital Structure*" on pages 87 and 68, respectively.

50. Our business is subject to seasonality, which may contribute to fluctuations in our results of operations and financial condition.

We experience some seasonality in our business, as demand by our customers for new microloans is primarily concentrated during the third and fourth quarters of the fiscal year owing to agricultural conditions, festive season demand and other factors. Because of this demand, we typically disburse more microloans during our third and fourth quarters than during our first and second quarters.

Accordingly, our results of operations in one quarter may not accurately reflect the trends for the entire financial year and may not be comparable with our results of operations for other quarters.

51. Any future hedging strategies may not be successful in preventing all risk of losses.

In the future, we may utilize a variety of financial instruments, such as derivatives, interest rate swaps, futures and forward contracts to seek to hedge against any declines in our assets as a result of changes in currency exchange rates, certain changes in the equity markets and market interest rates and other events. Hedging transactions may also limit the opportunity for gain if the value of the hedged positions should increase, it may not be possible for us to hedge against a change or event at a price sufficient to fully protect our assets from the decline in value of the positions anticipated as a result of such change. In addition, it may not be possible to hedge against certain changes or events at all. While we may enter into such transactions to seek to reduce currency exchange rate and interest rate risks, or the risks posed by the occurrence of certain other events, unanticipated changes in currency or interest rates or the non-occurrence of other events being hedged may result in our poorer overall performance than if we had not engaged in any such hedging transaction. In addition, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the position being hedged may vary. Moreover, for a variety of reasons, we may not seek to establish a perfect correlation between such hedging instruments and the positions being hedged. Such imperfect correlation may prevent us from achieving the intended hedge or expose us to additional risk of loss.

52. We may undertake strategic investments or divestments, acquisitions and joint ventures, which may not perform in line with our expectations.

We may, depending on our management's view and market conditions, pursue strategic investments or divestments, undertake acquisitions and enter into joint ventures.

We may enter into various acquisitions including the acquisition of certain portfolios or accounts classified as standard assets, in their entirety or in part, from other banks or non-banking financial institutions, for the purpose of meeting PSL requirements as specified by RBI, in each case to the extent permitted under the Laws applicable to us. We may only be able to undertake limited diligence on the security and collateral of such acquired accounts, so there are no assurances that the asset quality, creditworthiness of such borrowers or the security and collateral provided under these portfolios and accounts are of a similar level to our existing borrowers, portfolios or accounts. This may result in difficulties should any of such portfolios or accounts enter into default, which might materially and adversely affect our business, financial condition, results of operations, cash flows and prospects.

We cannot assure you that we will be able to undertake such strategic investments or divestments, acquisitions (including by way of a merger, or share or asset acquisition) or joint ventures in the future, either on terms acceptable to us or at all. Moreover, we require regulatory approval for acquisitions, and we cannot guarantee that we will receive such approvals in a timely manner, or at all.

We may have future plans to be involved in new businesses, including complementary businesses, technologies, services and products, and we may enter into strategic partnerships or joint ventures with parties that we believe can provide access to new markets, technology, capabilities or assets.

These new businesses subject us to many risks, and we can provide no assurances that any such ventures will be successful or meet our expectations. In addition, these new ventures may require regulatory approvals, and we cannot assure you that we will be able to procure such approvals, either in a timely manner or at all. If these new ventures are not successful, we may suffer losses, dilute value to shareholders or may not be able to take advantage of appropriate investment opportunities or conclude transactions on terms commercially acceptable to us. These ventures may require significant investments of capital and we may not realize our expected (or any) returns on these investments. Our management may also need to divert its attention from our operations in order to integrate such new businesses, which may affect the quality of operational standards and our ability to retain the business of our existing customers. We may also have difficulty in integrating the acquired products, services, solutions, technologies, management and employees into our operations. We may face litigation or other claims arising out of our new businesses, including disputes with regard to additional payments or other closing adjustments. These difficulties may disrupt our ongoing business, distract our management and employees, and increase our expenses. As a result, our business, financial condition, results of operations, cash flows and prospects may be materially adversely affected.

53. Our funding requirements and the proposed deployment of Net Proceeds have not been appraised and our management will have broad discretion over the use of the Net Proceeds.

We intend to utilize the Net Proceeds to augment our Tier I capital base to meet our future capital requirements, which are expected to arise out of growth in our assets, primarily our advances and investment portfolio, and to ensure compliance with applicable RBI regulations and guidelines. For further details, see "*Objects of the Offer - Net Proceeds*" on page 87. As stipulated in Regulation 41 of the SEBI ICDR Regulations, we are not required to appoint a monitoring agency for the use of the Net Proceeds and we do not intend to do so. Our proposed deployment of the Net Proceeds has not been appraised and it is based on management estimates. Under the SEBI ICDR Regulations, we are not required to appoint a monitoring agency for the Offer and deployment of the Fresh Issue proceeds will be entirely at our discretion. Our management will therefore have broad discretion to use the Net Proceeds. Various risks and uncertainties, including those set forth in this section, may limit or delay our efforts to use the Net Proceeds to achieve profitable growth in our business. Accordingly, the use of the Net Proceeds may not result in the growth of our business or increased profitability.

EXTERNAL RISK FACTORS

Risks Relating to Regulations

54. We depend on various licenses issued by domestic regulators and we are subject to supervision and inspection by authorities such as the RBI. Any failure to obtain or renew our licenses in a timely manner, or non-compliance with the terms and conditions of such licenses or directions or observations issued by such authorities, may materially adversely affect our business, results of operation, financial condition and cash flows.

We are required to maintain various licenses and registrations issued by a variety of regulators, including the RBI and IRDAI, for various aspects of our operations. Any failure to obtain, renew or maintain any required approvals, permits or licenses, may result in the interruption of all or some of our operations, which could adversely affect our business, results of operations and cash flows. Any licenses we have obtained may also be revoked if we fail to comply with any of the terms or conditions of such license, or restrictions may be placed on our operations. For instance, the RBI In-Principle Approval and RBI Final Approval require us to comply with certain terms and conditions. In the event that we are unable to comply with any or all of these terms and conditions, or seek waivers or extensions of time for complying with these terms and conditions, it is possible that the RBI may revoke this license or may place stringent restrictions on our operations. For further details, including pending material approvals and licenses, see "*Government and Other Approvals*" on page 323. We may not have, or may not receive, all necessary approvals, or be able to obtain renewals of all our approvals within the time frames anticipated by us or may not obtain the same at all, which could materially adversely affect our business, results of operation, financial condition and cash flows.

In addition, we require several registrations to operate our banking outlets in the ordinary course of business. These registrations include those required to be obtained or maintained under applicable legislations governing shops and establishments, professional tax, labor-related registrations, GST registrations and trade licenses of the particular state in which we operate. Some of these approvals may have expired in the ordinary course, and we have either applied, or are in the process of applying for renewals of them. For further information, see "*Government and Other Approvals*" on page 323. If we fail to obtain or retain any of these approvals or licenses, or renewals thereof, in a timely manner, or at all, our business may be adversely affected.

In the future, we may be required to obtain new registrations, permits and approvals for any of our existing business, as a result of change in current regulations or for any proposed expansion strategy or diversification into additional business lines or new financial products. There can be no assurance that the relevant authorities will issue any permits or approvals required by us in a timely manner, or at all, and/or on favorable terms and conditions. The RBI issues instructions and guidelines to banks on banking outlet authorization from time to time.

As a bank which is regulated by the RBI, we are subject to periodic on-site inspections by the RBI on all matters addressing our banking operations and relating to, among other things, solvency and capital adequacy, asset quality, management, earnings, liquidity management and systems and control. Typically, during the course of finalizing an inspection, the RBI shares its findings and recommendations with the entity being inspected and provides such entity with an opportunity to provide clarifications, additional information and, where necessary, justification for a different position, if any, than that observed by the RBI. The RBI incorporates such findings in its final inspection report and, upon final determination by the RBI of the inspection results, the inspected entity is required to take actions specified therein by the RBI to its satisfaction, including, without limitation, requiring such entity to make provisions, impose internal limits on lending to certain sectors and tighten controls and compliance measures and restricting our lending and investment activities.

In its recent inspection report issued to our Bank, the RBI has, among other things, provided certain observations in relation to our operations, including: (a) absence of detailed roadmap with definitive milestones for reduction of our Promoter's stake in our Bank, as per regulatory requirements; (b) increase in write-offs for Fiscal 2020 by 347.24% on a year on year basis over Fiscal 2019; (c) not conducting cost-benefit analysis prior to undertaking automation of existing processes; (d) lack of remedial actions to reduce incidents of robbery and theft; (e) not conducting periodical training on business continuity plan for our Bank's staff; (f) delay in publishing audit reports; (g) lack of independent and effective oversight and monitoring of ALM alerts; (h) high concentration of advances under microfinance loans; (i) no Bank signatures on certain loans originating through business correspondents, where the Bank was not a party to the loan documentation; (j) gaps in the credit appraisal process and the monitoring of end-use of funds; (k) lack of any verification to identify and authenticate the information provided by borrowers before classifying them as priority sector; and (l) classification of two-wheeler loans, amounting to ₹ 100 million, as priority sector advances.

While we have responded to, or are in the process of responding to, such observations, in the event we are unable to comply with the observations made by the RBI, we could be subject to penalties and restrictions which may be imposed by the RBI. Imposition of any penalty or adverse findings by the RBI during the ongoing or any future inspections may have an adverse effect on our business, results of operations, financial condition and reputation.

55. The bankruptcy code in India may affect our rights to recover loans from our customers.

The Insolvency and Bankruptcy Code, 2016 ("**IBC**") was notified on August 5, 2016. The IBC offers a uniform and comprehensive insolvency legislation encompassing all companies, partnerships and individuals (other than financial firms). It allows creditors to assess the viability of a debtor as a business decision, and agree upon a plan for its revival or a speedy liquidation. The IBC creates a new institutional framework, consisting of a regulator, insolvency professionals, information utilities and adjudicatory mechanisms, which will facilitate a formal and time-bound insolvency resolution and liquidation process.

In case insolvency proceedings are initiated against our debtor, we may not have complete control over the recovery of amounts due to us. Under the IBC, upon invocation of an insolvency resolution process, a committee of creditors is constituted by the interim resolution professional, wherein each financial creditor is given a voting share proportionate to the debts owed to it. Any decision of the committee of creditors must be taken by a vote of not less than 75% of the voting share of all financial creditors. Any resolution plan approved by committee of creditors is binding upon all creditors, even if they vote against it.

In case a liquidation process is opted for, the IBC provides for a fixed order of priority in which proceeds from the sale of the debtor's assets are to be distributed. Before sale proceeds are distributed to a secured creditor, they are to be distributed for the costs of the insolvency resolution and liquidation processes and debts owed to workmen and other employees. Further, under this process, dues owed to the Central and State Governments rank below the claims of secured creditors, workmen and other employee dues and unsecured financial creditors. Pursuant to an amendment to the IBC, allottees in a real estate project are considered on par with financial creditors. Moreover, other secured creditors may decide to opt out of the process, in which case they are permitted to realize their security interests in priority.

Accordingly, if the provisions of the IBC are invoked against any of our borrowers, it may affect our ability to recover our loans from the borrowers and enforcement of our rights will be subject to the IBC.

56. RBI guidelines relating to prompt corrective action could materially and adversely affect our business, financial condition, results of operations, cash flows and prospects.

On April 13, 2017, the RBI revised the Prompt Corrective Action ("**PCA**") framework for banks. The new PCA framework has stipulated thresholds for capital ratios, non-performing assets, profitability and leverage for banks. When the PCA framework is triggered, the RBI would have a range of discretionary actions it can take to address the outstanding issues. These discretionary actions include conducting special supervisory meetings, conducting reviews, inspections and special audits of us, advising banks' boards for altering business strategy, review of capital planning, restricting staff expansion, imposing restrictions on director's or management's compensation, as applicable, removing of managerial persons and superseding the Board of Directors. If we were to violate the RBI's rules and regulations and become covered by the PCA framework, it could materially and adversely affect our business, financial condition, results of operations, cash flows and prospects.

57. Our customers may engage in certain transactions in or with countries or persons that are subject to U.S. and other sanctions.

U.S. law generally prohibits U.S. persons from directly or indirectly investing or otherwise doing business in or with certain countries that are the subject of comprehensive sanctions and with certain persons or businesses that have been specially designated by the OFAC or other U.S. government agencies. Other governments and international or regional organizations also administer similar economic sanctions.

We provide services to our customers, who may be doing business with, or located in, countries to which certain OFAC-administered and other sanctions apply, such as Iran. Although we believe we have compliance systems in place that are sufficient to block prohibited transactions, there can be no assurance that we will be able to fully monitor all of our transactions for any potential violation. Although we do not believe that we are in violation of any applicable sanctions, if it were determined that transactions in which we participate violate U.S. or other sanctions, we may be subject to U.S. or other penalties, and our reputation and future business prospects in the United States or with U.S. persons, or in other jurisdictions, could be adversely affected. We rely on our staff to be up-to-date and aware of the latest sanctions in place. Further, investors in the Equity Shares may incur reputational or other risks as the result of our customers' dealings in or with countries or with persons that are the subject of U.S. sanctions.

58. RBI may remove any employee, managerial person or may supersede our Board of Directors in certain circumstances.

The Banking Regulation Act confers powers on the RBI to remove from office any directors, chairman, chief executive officer or other officers or employees of a bank in certain circumstances. RBI also has the powers to supersede the board of directors of a bank and appoint an administrator to manage the bank for a period of up to 12 months in certain circumstances. The RBI may exercise powers of supersession where it is satisfied, in consultation with the Central Government that it is in the public interest to do so, to prevent the affairs of any bank from being conducted in a manner that is detrimental to the interest of the depositors, or for securing the proper management of any bank. Should any of the steps as explained herein are taken by RBI, our business, financial condition, results of operations, cash flows and prospects may be materially and adversely affected.

59. Changing laws, rules and regulations and legal uncertainties, including adverse application of RBI regulations or tax laws and regulations, across the multiple jurisdictions we operate in, may materially adversely affect our business, financial condition, results of operations, cash flows and prospects.

Our business and financial performance may be materially adversely affected by changes in the laws, rules, regulations or directions applicable to us and our general and microfinance businesses, or the interpretations of such existing laws, rules and regulations, or the promulgation of new laws, rules and regulations.

The governmental and regulatory bodies may notify new regulations and/ or policies, which may require us to obtain approvals and licenses from the government and other regulatory bodies, impose onerous requirements and conditions on our operations, in addition to those which we are undertaking currently, or change the manner in which we conduct KYC or authenticate our customers. Any such changes and the related uncertainties with respect to the implementation of new regulations may have a material adverse effect on our business, financial condition and results of operations.

In addition, unfavorable changes in or interpretations of existing, or the promulgation of new, laws, rules and regulations including foreign investment laws governing our business, operations and investments in us by non-residents, could result in us being deemed to be in contravention of such laws and/ or may require us to apply for additional approvals.

Tax and other levies imposed by the central and state governments in India that affect our tax liability include central and state taxes and other levies, income tax, turnover tax, goods and service tax, stamp duty and other special taxes and surcharges which are introduced on a temporary or permanent basis from time to time. The final determination of our tax liabilities involves the interpretation of local tax laws and related regulations in each jurisdiction as well as the significant use of estimates and assumptions regarding the scope of future operations and results achieved and the timing and nature of income earned and expenditures incurred. Moreover, the central and state tax scheme in India is extensive and subject to change from time to time. For instance:

- the GAAR became effective from April 1, 2017. While the intent of this legislation is to prevent business arrangements set up with the intent to avoid tax incidence under the Income Tax Act, 1961, certain exemptions have been notified, viz., (i) arrangements where the tax benefit to all parties under an arrangement is less than ₹ 30 million, (ii) where FIIs have nottaken benefit of a double tax avoidance tax treaty under Section 90 or 90A of the Income Tax Act, 1961 and have invested in listed or unlisted securities with SEBI approval, (iii) where a non-resident has made an investment, either direct or indirect, by way of an offshore derivative instrument in an FII. Further, investments made up to March 31, 2017 will not be subject to GAAR provided that GAAR may apply to any business arrangement pursuant to which tax benefit is obtained on or after April 1, 2017, irrespective of the date on which such arrangement was entered into;

- the Government of India has implemented a comprehensive national GST regime that combines taxes and levies by the Central and State Governments into a unified rate structure. In this regard, the Constitution (One hundred and first Amendment) Act, 2016 enables the Governmentof India and state governments to introduce GST. While the Government of India and certain state governments have announced that all committed incentives will be protected following the implementation of the GST, given the limited availability of information in the public domain concerning the GST, we cannot assure you as to this or any other aspect of the tax regime following implementation of the GST. The implementation of this rationalized tax structure may be affected by any disagreement between certain state governments, which may create uncertainty. Any future increases or amendments may affect the overall tax efficiency of companies operating in India and may result in significant additional taxes becoming payable. If, as a result of a particular taxrisk materializing, the tax costs associated with certain transactions are greater than anticipated, it could affect the profitability of such transactions; and

- The Government of India has announced the union budget for Fiscal 2022 which introduced various amendments having an impact across various sectors including the industry in which we operate. We cannot predict whether any amendments made pursuant to the Finance Act, 2021 would have a material adverse effect on our business, financial condition and results of operations

In India, the Supreme Court, in a judgment delivered on 24 August 2017, has held that the right to privacy is a fundamental right. Following this judgment, the Government of India is considering enactment of Personal Data Protection Bill, 2019 ("**Data Protection Bill**") for implementing organizational and technical measures in processing personal data and lays down norms for cross-border transfer of personal data and to ensure the accountability of entities processing personal data. The enactment of the Data Protection Bill may introduce stricter data protection norms for a company such as us and may impact our processes.

We have not determined the impact of these recent and proposed laws and regulations on our business. Uncertainty in the applicability, interpretation or implementation of any amendment to, or change in, governing law, regulation or policy in the jurisdictions in which we operate, including by reason of an absence, or a limited body, of administrative or judicial precedent may be time consuming as well as costly for us to resolve and may impact the viability of our current business or restrict our ability to grow our business in the future. For instance, the Supreme Court of India has in a decision clarified the components of basic wages which need to be considered by companies while making provident fund payments, which resulted in an increase in the provident fund payments to be made by companies. Further, as of December 31, 2020, we had a total of 8,114 full-time employees. Our full-time employees are employed by us and are entitled to statutory employment benefits, such as defined benefit gratuity plan, among others. In addition to our full-time employees, we empanel agencies for our outsourcing requirements and also engage persons on a contractual basis.

We are subject to various labor laws and regulations governing our relationships with our employees and contractors, including in relation to minimum wages, working hours, overtime, working conditions, hiring and terminating the contracts of employees and contractors, contract labor and work permits.

A change of law that requires us to increase the benefits to the employees from the benefits now being provided may create potentially liability for us. Such benefits could also include provisions which reduce the number of hours an employee may work for or increase in number of mandatory casual leaves, which all may affect the productivity of the employees.

A change of law that requires us to treat and extend benefits to our outsourced personnel, and personnel retained on a contractual basis, similar to our full-time employees may create potential liability for us. If we fail to comply with current and future health and safety and labor laws and regulations at all times, including obtaining relevant statutory and regulatory approvals, this may materially and adversely affect our business, financial condition, results of operations, cash flows and prospects.

Risks Relating to India

60. India's existing credit information infrastructure may cause increased risks of loan defaults.

All of our business is located in India. India's existing credit information infrastructure may pose problems and difficulties in running a robust credit check on our borrowers. We may also face difficulties in the due diligence process relating to our customers or to any security or collateral we take in relation to our loans. We may not be able to run comprehensive searches relating to the security and there are no assurances that any searches we undertake will be accurate or reliable. Hence, our overall credit analysis may be less robust as compared to similar transactions in more developed economies. Any inability to undertake a fulsome due diligence or credit check may result in an increase in our NPAs and we may have to increase our provisions correspondingly. Any of the foregoing may have a material adverse effect on our business, financial condition, results of operations and cash flows.

61. Financial instability in other countries may cause increased volatility in Indian financial markets.

The Indian market and the Indian economy are influenced by economic and market conditions in other countries, particularly emerging market countries in Asia. Although economic conditions are different in each country, investors' reactions to developments in one country can have adverse effects on the securities of companies in other countries, including India. A loss of investor confidence in the financial systems of other emerging markets may cause increased volatility in Indian financial markets and, indirectly, in the Indian economy in general. Any worldwide financial instability could also have a negative impact on the Indian economy. Financial disruptions may occur again and could harm our business, our future financial performance and the prices of the Equity Shares.

62. We are subject to regulatory, economic and social and political uncertainties and other factors beyond our control.

We are incorporated in India and we conduct our corporate affairs and our business in India. Our Equity Shares are to be listed on the BSE and the NSE. Consequently, our business, operations, financial performance and the market price of our Equity Shares will be affected by interest rates, government policies, taxation, social and ethnic instability and other political and economic developments affecting India.

Factors that may adversely affect the Indian economy, and hence our results of operations may include:

- any exchange rate fluctuations, the imposition of currency controls and restrictions on the right to convert or repatriate currency or export assets;
- the impact of international trade wars or uncertain or unfavorable policies on international trade or (whether or not directly involving the Government of India);
- any scarcity of credit or other financing in India, resulting in an adverse effect on economic conditions in India and scarcity of financing for our expansions;
- prevailing income conditions among Indian customers and Indian corporations;
- epidemic or any other public health in India or in countries in the region or globally, including in India's various neighboring countries;
- macroeconomic factors and central bank regulation, including in relation to interest rates movements which may in turn adversely impact our access to capital and increase our borrowing costs;
- volatility in, and actual or perceived trends in trading activity on, India's principal stock exchanges;
- decline in India's foreign exchange reserves which may affect liquidity in the Indian economy;
- political instability, including terrorism or military conflict in India or in countries in the region or globally, including in India's various neighboring countries;
- civil unrest, acts of violence, regional conflicts or situations or war may adversely affect the financial markets;
- international business practices that may conflict with other customs or legal requirements to which we are subject, including anti-bribery and anti-corruption laws;
- logistical and communication challenges;
- downgrading of India's sovereign debt rating by rating agencies;
- changes in government policies, including taxation policies, social and civil unrest and other political, social and economic developments in or affecting India;
- occurrence of natural calamities and force majeure events;
- difficulty in developing any necessary partnerships with local businesses on commercially acceptable terms and/or a timely basis; and
- being subject to the jurisdiction of foreign courts, including uncertainty of judicial processes and difficulty enforcing contractual agreements or judgments in foreign legal systems or incurring additional costs to do so.

Any slowdown or perceived slowdown in the Indian economy, or in specific sectors of the Indian economy, could materially adversely affect our business, financial condition, results of operations, cash flows and prospects.

63. Investors may have difficulty enforcing foreign judgments in India against us or our management.

Our Bank is incorporated in India. All of our Directors named herein save for Mr. Varun Sabhlok are residents of India and substantially all of our assets and the assets of such persons are located in India. As a result, it may not be possible for investors outside of India to effect service of process on us or such persons from their respective jurisdictions outside of India, or to enforce against them judgments obtained in courts outside of India. Further, there are considerable delays in the disposal of suits by Indian courts. It may be unlikely that a court in India would award damages on the same basis as a foreign court if an action is brought in India. Furthermore, it may be unlikely that an Indian court would enforce foreign judgments if it viewed the amount of damages awarded as excessive or inconsistent with public policy in India.

Risks Relating to the Equity Shares

64. Financial difficulty and other problems in certain financial institutions in India could materially adversely affect our business and the price of our Equity Shares.

We are exposed to the risks of the Indian financial system by being a part of the system. The commercial soundness of financial institutions in India may be closely related as a result of credit, trading, clearing or other relationships. Such "systemic risk" may materially adversely affect financial intermediaries, such as clearing agencies, banks, securities firms and exchanges with which we interact on a daily basis. Any such difficulties or instability of the Indian financial system in general could create an adverse market perception about Indian financial institutions and banks and materially adversely affect our business. Our transactions with these financial institutions expose us to various risks in the event of default by a counterparty, which can be exacerbated during periods of market illiquidity.

65. Investors may be subject to Indian taxes arising out of capital gains and stamp duty on the sale of the Equity Shares.

Under current Indian tax laws, unless specifically exempted, capital gains arising from the sale of equity shares in an Indian company are generally taxable in India. The Income Tax Act levies taxes on such long-term capital gains exceeding ₹ 100,000 arising from sale of equity shareson or after April 1, 2018, while continuing to exempt the unrealized capital gains earned up to January 31, 2018 on such equity sharessubject to specific conditions. Accordingly, you may be subject to payment of long-term capital gains tax in India, in addition to payment of a securities transaction tax ("**STT**"), on the sale of any Equity Shares held for more than 12 months. STT will be levied on and collected by a domestic stock exchange on which the Equity Shares are sold. Any gain realized on the sale of Equity Shares held for more than 12 months, which are sold other than on a recognized stock exchange and on which no STT has been paid, will be subject to long term capital gains tax in India. Further, any gain realized on the sale of listed equity shares held for a period of 12 months or less will be subject to short term capital gains tax in India. Capital gains arising from the sale of the Equity Shares will be exemptfrom taxation in India in cases where the exemption from taxation in India is provided under a treaty between India and the country of which the seller is resident. Generally, Indian tax treaties do not limit India's ability to impose tax on capital gains. As a result, residents of other countries may be liable for tax in India as well as in their own jurisdiction on a gain upon the sale of the Equity Shares.

The Government of India has announced the union budget for Fiscal 2022 and the Finance Bill, 2021 ("**Finance Bill**") has been introduced in the Lok Sabha on February 1, 2021. The Finance Bill received assent from the President of India on March 28, 2021, and has been enacted as the Finance Act, 2021. There is no certainty on the impact that the Finance Act, 2021 may have on our business and operations or on the industry in which we operate. We cannot predict whether any amendments made pursuant to the Finance Act, 2021 would have an adverse effect on our business, financial condition and results of operations. Unfavorable changes in or interpretations of existing, or the promulgation of new, laws, rules and regulations including foreign investment and stamp duty laws governing our businessand operations could result in us being deemed to be in contravention of such laws and may require us to apply for additional approvals. For instance, the Supreme Court of India has in a decision clarified the components of basic wages which need to be considered by companies while making provident fund payments, which resulted in an increase in the provident fund payments to be made by companies. Any such decisions in future or any further changes in interpretation of laws may have an impact on our results of operations.

Earlier, the Finance Act, 2019, had clarified that in the absence of a specific provision under an agreement, the liability to pay stamp duty in case of sale of securities through stock exchanges will be on the buyer, while in other cases of transfer for consideration through a depository, the onus will be on the transferor. The stamp duty for transfer of securities other than debentures, on a delivery basis is specified at 0.015% and on a non-delivery basis is specified at 0.003% of the consideration amount. These provisions have been notified with effect from July 1, 2020. Further, we cannot predict whether any tax laws or other regulations impacting us will be enacted, or predict the nature and impact of any such laws or regulations or whether, if at all, any laws or regulations would have a material adverse effect on our business, results of operations and financial condition.

66. The Equity Shares have never been publicly traded and the Offer may not result in an active or liquid market for the Equity Shares.

Prior to the Offer, there has been no public market for the Equity Shares, and an active trading market on the Indian Stock Exchanges may not develop or be sustained after the Offer. Listing and quotation does not guarantee that a market for the Equity Shares will develop, or if developed, the liquidity of such market for the Equity Shares. Further, the price of the Equity Shares may be volatile, and the investors may be unable to resell the Equity Shares at or above the Offer Price, or at all. The market price of the Equity Shares may be subject to significant fluctuations in response to, among other factors, variations in our operating results, market conditions specific to the industry we operate in, developments relating to India and volatility in the Stock Exchanges and securities markets elsewhere in the world.

67. The Offer Price may not be indicative of the market price of the Equity Shares after the Offer.

The Offer Price will be determined by us and the Promoter Selling Shareholder in consultation with the Managers through the Book Building Process. This price will be based on numerous factors, including as described under "*Basis for Offer Price*" on page 90 and may not be indicative of the market price for the Equity Shares after the Offer. The market price of the Equity Shares could be subject to significant fluctuations after the Offer, and may decline below the Offer Price. There can be no assurance that the investor will be able to resell their Equity Shares at or above the Offer Price or at the time they would want to sell their Equity Shares.

68. Any future issuance of Equity Shares may dilute your shareholding and sales of the Equity Shares by any of our significant shareholders may adversely affect the trading price of the Equity Shares.

Any future issuance of the Equity Shares or securities linked to the Equity Shares by us, including issuance of Equity Shares to employees or former employees up on exercise of vested options held by them under ESOP 2018, may dilute your shareholding. Any such future issuance of the Equity Shares or future sales of the Equity Shares by any of our significant shareholders may also adversely affect the trading price of the Equity Shares and impact our ability to raise funds through an offering of our securities. Any perception by investors that such issuances or sales might occur could also affect the trading price of the Equity Shares. Additionally, the disposal, pledge or encumbrance of the Equity Shares by any of our significant shareholders, or the perception that such transactions may occur, may affect the trading price of the Equity Shares. No assurance may be given that we will not issue Equity Shares or that our significant shareholders will not dispose of, pledge or encumber their Equity Shares in the future.

69. Rights of shareholders under Indian law may be more limited than under the laws of other jurisdictions.

Our Articles, the instructions issued by the RBI, and Indian law govern our corporate affairs. Legal principles relating to these matters and the validity of corporate procedures, directors' fiduciary duties and liabilities, and shareholders' rights may differ from those that would apply to a bank or corporate entity in another jurisdiction. Shareholders' rights under Indian law may not be as extensive as shareholders' rights under the laws of other countries or jurisdictions. Investors may have more difficulty in asserting their rights as one of our shareholders than as a shareholder of a bank or corporate entity in another jurisdiction.

70. Our ability to raise foreign capital may be constrained by Indian law.

As an Indian company, we are subject to exchange controls that regulate borrowing in foreign currencies. Such regulatory restrictions limit our financing sources and could constrain our ability to obtain financings on competitive terms and refinance existing indebtedness. In addition, we cannot assure you that any required regulatory approvals for borrowing in foreign currencies will be granted to us without onerous conditions, or at all. Limitations on foreign debt may have an adverse effect on our business growth, financial condition and results of operations.

71. Under Indian law, foreign investors are subject to investment restrictions that limit our ability to attract foreign investors, which may adversely affect the trading price of the Equity Shares.

Under foreign exchange regulations which are currently in force in India, transfer of shares between non-residents and residents are freely permitted (subject to certain restrictions), if they comply with the valuation and reporting requirements specified under applicable law. If a transfer of shares is not in compliance with such requirements and does not fall under any of the exceptions, then prior approval of the relevant regulatory authority is required. Additionally, shareholders who seek to convert Rupee proceeds from a sale of shares in India into foreign currency and repatriate that foreign currency from India require a no-objection or a tax clearance certificate from the Indian income tax authorities. Further, this conversion is subject to the shares having been held on a repatriation basis and, either the security having been sold in compliance with the pricing guidelines or, the relevant regulatory approval having been obtained for the sale of shares and corresponding remittance of the sale proceeds. We cannot assure you that any required approval from the RBI or any other governmental agency can be obtained with or without any particular terms or conditions. Further, in accordance with Press Note No. 3 (2020 Series), dated April 17, 2020, issued by the Department for Promotion of Industry and Internal Trade, Government of India, and the Foreign Exchange Management (Non-debt Instruments) Amendment Rules, 2020, which came into effect from April 22, 2020, investments where the beneficial owner of the Equity Shares is situated in or is a citizen of a country which shares a land border with India, can only be made through the Government approval route, as prescribed in the FDI Policy. These investment restrictions also apply to subscribers of offshore derivative instruments. We cannot assure you that any required approval from the RBI or any other governmental agency can be obtained on any particular terms or at all. For further information, see "*Restrictions on Foreign Ownership of Indian Securities*" on page 362. Our ability to raise any foreign capital under the FDI route is therefore constrained by Indian law, which may adversely affect our business, financial condition, cash flows, results of operations and prospects.

72. The market value of the Equity Shares may fluctuate due to the volatility of the Indian securities markets.

Indian securities markets may be more volatile than, and not comparable to, the securities markets in countries with more developed economies and capital markets. Indian stock exchanges have, in the past, experienced substantial fluctuations in the prices of listed securities. Indian stock exchanges (including the BSE and the NSE) have experienced problems which, if such or similar problems were to continue or recur, could affect the market price and liquidity of the securities of Indian companies, including the Equity Shares. These problems have included temporary exchange closures, broker defaults, settlement delays and strikes by brokers. In addition, the governing bodies of Indian stock exchanges have, from time to time, imposed restrictions on trading in certain securities, limitations on price movements and margin requirements. Further, from time to time, disputes have occurred between listed companies, stock exchanges and other regulatory bodies, which in some cases may have a negative effect on market sentiment.

73. Foreign Account Tax Compliance withholding may affect payments on the Equity Shares.

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("foreign passthru payments") to persons that fail to meet certain certification, reporting, or related requirements. A number of jurisdictions (including India) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Equity Shares, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Equity Shares, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Equity Shares, such withholding would not apply prior to January 1, 2019. Investors should consult their own tax advisors regarding how these rules may apply prior to the second anniversary of the date on which final regulations defining the term “foreign passthru payments” are published in the U.S. Federal Register. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Equity Shares, no person will be required to pay additional amounts as a result of the withholding.

74. Holders of Equity Shares could be restricted in their ability to exercise pre-emptive rights under Indian law and could thereby suffer future dilution of their ownership position.

Under the Companies Act, a company incorporated in India must offer holders of its equity shares pre-emptive rights to subscribe and pay for a proportionate number of shares to maintain their existing ownership percentages prior to the issuance of any new equity shares, unless the pre-emptive rights have been waived by the adoption of a special resolution by holders of three-fourths of the equity shares who have voted on such resolution. However, if the law of the jurisdiction that you are in does not permit the exercise of such pre-emptive rights without us filing an offering document or registration statement with the applicable authority in such jurisdiction, you will be unable to exercise such pre-emptive rights unless we make such a filing. We may elect not to file a registration statement in relation to pre-emptive rights otherwise available by Indian law to you. To the extent that you are unable to exercise pre-emptive rights granted in respect of the Equity Shares, you may suffer future dilution of your ownership position and your proportional interests in us would be reduced.

SECTION III: INTRODUCTION

THE OFFER

The following table sets forth details of the Offer:

Equity Shares Offered	
Offer of Equity Shares*#	Up to [●] Equity Shares, aggregating up to ₹13,300 million
The Offer consists of:	
Fresh Issue(1)	Up to [●] Equity Shares, aggregating up to ₹3,300 million
Offer for Sale(2)	Up to [●] Equity Shares, aggregating up to ₹10,000 million
Of which	
Employee Reservation Portion (3) (4)	Up to [●] Equity Shares, aggregating up to ₹[●] million
Net Offer	Up to [●] Equity Shares, aggregating up to ₹[●] million
The Net Offer consists of:	
A) QIB Portion(5)(6)	Not less than [●] Equity Shares
of which:	
- Anchor Investor Portion	Up to [●] Equity Shares
- Net QIB Portion (assuming the Anchor Investor Portion is fully subscribed)	[●] Equity Shares
of which:	
- Mutual Fund Portion	[●] Equity Shares
- Balance for all QIBs including Mutual Funds	[●] Equity Shares
B) Non-Institutional Portion	Not more than [●] Equity Shares
C) Retail Portion(5)	Not more than [●] Equity Shares
Pre and post-Offer Equity Shares	
Equity Shares outstanding prior the Offer	220,779,720 Equity Shares
Equity Shares outstanding after the Offer	[●] Equity Shares
Use of Net Proceeds	See "*Objects of the Offer*" on page 87 for information about the use of the proceeds from the Offer.

* *In terms of the Banking Regulation Act and circulars issued thereunder, prior approval from the RBI is required for any issue/ acquisition of shares which results in a person holding (by himself or acting in concert with any other person) five percent or more of the paid-up equity share capital or voting rights of our Bank.*

\# *Our Bank may, in consultation with the Managers, consider a Pre-IPO Placement of such number of Equity Shares for an aggregate amount of up to ₹2,000 million. The Pre-IPO Placement, if undertaken, will be at a price to be decided by our Bank, in consultation with the Managers, and the Pre-IPO Placement will be completed prior to filing of the Red Herring Prospectus with the RoC. If the Pre-IPO Placement is undertaken, the aggregate amount raised in the Pre-IPO Placement will be reduced from the Fresh Issue, subject to the minimum Offer size constituting at least [●]% of the post-Offer paid-up equity share capital of our Bank.*

(1) *The Fresh Issue has been authorized by our Board pursuant to a resolution passed on April 28, 2021 and by our Shareholders pursuant to a special resolution passed on May 1, 2021. Further, our Board has taken on record the approval for the Offer for Sale by the Promoter Selling Shareholder pursuant to its resolution dated May 4, 2021.*

(2) *The Promoter Selling Shareholder has confirmed and approved its participation in the Offer for Sale as set out below:*

Promoter Selling Shareholder	No. of Equity Shares proposed to be offered in the Offer for Sale	Date of Board Resolution	Date of consent letter
FBSL	Up to [●] Equity Shares, aggregating up to ₹10,000 million	April 27, 2021	April 30, 2021

For further information, see "Capital Structure - History of the Equity Share capital held by our Promoter" on page 74

(3) *In the event of under-subscription in the Employee Reservation Portion, the unsubscribed portion will be available for allocation and Allotment, proportionately to all Eligible Employees who have Bid in excess of ₹200,000 (net of Employee Discount, if any), subject to the maximum value of Allotment made to such Eligible Employee not exceeding ₹500,000 (net of Employee Discount, if any). The unsubscribed portion, if any, in the Employee Reservation Portion (after allocation up to ₹500,000), shall be added to the Net Offer. The Employee Reservation Portion shall not exceed 5% of our post-Offer paid-up equity share capital.*

(4) *Our Bank and the Promoter Selling Shareholder may, in consultation with the Managers, offer an Employee Discount of up to [●]% to the Offer Price (equivalent of ₹ [●] per Equity Share), which shall be announced at least two Working Days prior to the Bid/Offer Opening Date.*

(5) *Our Bank and the Promoter Selling Shareholder may, in consultation with the Managers, allocate up to 60% of the QIB Portion to Anchor Investors on a discretionary basis. The QIB Portion will accordingly be reduced for any Equity Shares allocated to Anchor Investors. One-third of the Anchor Investor Portion shall be reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the Anchor Investor Allocation Price. In the event of under-subscription or non-Allotment in the Anchor Investor Portion, the remaining Equity Shares shall be added to the Net QIB Portion. 5% of the Net QIB Portion shall be available for allocation on a proportionate basis to Mutual Funds only, and the remainder of the Net QIB Portion shall be available for allocation on a proportionate basis to all QIB Bidders (other than Anchor Investors), including Mutual Funds, subject to valid Bids being received at or above the Offer Price. In the event the aggregate demand from Mutual Funds is less than as specified above, the balance Equity Shares available for Allotment in the Mutual Fund Portion will be added to the QIB Portion and allocated proportionately to the QIB Bidders (other than Anchor Investors) in proportion to their Bids. For details, see "Offer Procedure" on page 349*

(6) *Subject to valid Bids being received at or above the Offer Price, under-subscription, if any, in the in any category except the QIB Portion, would be allowed to be met with spill over from any other category or combination of categories at the discretion of our Bank and the Promoter Selling Shareholder*

in consultation with the Managers and the Designated Stock Exchange. Under-subscription, if any, in the QIB Portion would not be allowed to be met with spill-over from other categories or a combination of categories. Further, an Eligible Employee Bidding in the Employee Reservation Portion can also Bid under the Net Offer and such Bids will not be treated as multiple Bids. Any undersubscription in the Employee Reservation Portion shall be added to the Net Offer. In the event of under-subscription in the Offer, subject to receiving minimum subscription for 90% of the Fresh Issue and compliance with Rule 19(2)(b) of the SCRR, the Allotment for the valid Bids will be made in the first instance towards subscription for 90% of the Fresh Issue. If there remain any balance valid Bids in the Offer, the Allotment for the balance valid Bids will be made towards Equity Shares offered by the Promoter Selling Shareholder, and only then, towards the remaining Equity Shares in the Fresh Issue. For further details, see "Offer Structure" on page 345.

Allocation to all categories, except the Anchor Investor Portion and the Retail Portion, shall be made on a proportionate basis subject to valid Bids received at or above the Offer Price, as applicable. The allocation to each Retail Individual Bidder shall not be less than the minimum Bid Lot, subject to availability of Equity Shares in the Retail Portion and the remaining available Equity Shares, if any, shall be allocated on a proportionate basis. For further details, see "*Offer Procedure – Basis of Allotment*" on page 342.

SUMMARY OF FINANCIAL INFORMATION

(All amounts in ₹ million except otherwise stated)

Particulars	As at December 31, 2020	As at March 31, 2020	As at March 31, 2019	As at March 31, 2018
Capital & Liabilities				
Capital	636.10	636.10	564.36	374.59
Employees stock options outstanding	8.99	-	-	-
Reserves and surplus	9,440.82	8,401.55	6,095.58	3,000.85
Deposits	52,766.45	46,539.33	20,432.12	7,270.98
Borrowings	10,620.10	13,681.62	12,830.74	10,689.79
Other liabilities and provisions	2,761.31	1,904.14	1,794.60	1,404.94
TOTAL	**76,233.77**	**71,162.74**	**41,717.40**	**22,741.15**
Assets				
Cash and balances with Reserve Bank of India	8,338.57	10,585.33	1,419.14	476.46
Balances with banks and money at call and short notice	1,536.38	243.73	3,796.68	2,038.63
Investments	12,510.56	10,069.60	7,008.60	2,727.12
Advances	51,579.78	48,155.79	27,646.89	16,295.96
Fixed assets	350.67	403.64	330.74	223.03
Other assets	1,917.81	1,704.65	1,515.35	979.95
TOTAL	**76,233.77**	**71,162.74**	**41,717.40**	**22,741.15**
Contingent liabilities	32.66	183.67	1,147.53	955.71
Bills for collection	-	-	-	-

RESTATED SUMMARY STATEMENT OF PROFIT AND LOSS

(All amounts in ₹ million except otherwise stated)

Particulars	Nine months period ended	Year ended	Year ended	Year ended
	December 31, 2020	**March 31, 2020**	**March 31, 2019**	**March 31, 2018**
I. Income				
Interest earned	9,395.48	10,702.56	6,051.51	3,139.64
Other income	587.58	1,454.64	697.31	365.34
TOTAL	**9,983.06**	**12,157.20**	**6,748.82**	**3,504.98**
II. Expenditure				
Interest expended	4,187.87	4,515.04	2,290.74	1,189.14
Operating expenses	3,345.22	4,261.34	2,958.10	1,779.36
Provision and contingencies	1,410.70	1,946.33	480.18	1,511.98
TOTAL	**8,943.79**	**10,722.71**	**5,729.02**	**4,480.48**
III. Profit / (loss)				
Net profit / (loss) for the period / year	1,039.27	1,434.49	1,019.80	(975.50)
Profit / (loss) brought forward	970.74	(61.75)	(795.46)	180.04
Total profit/(loss)	**2,010.01**	**1,372.74**	**224.34**	**(795.46)**
IV. Appropriation/transfers				
Transfer to statutory reserves	-	358.70	254.96	-
Transfer to other reserves	7.47	43.30	31.13	-
Transfer to Government/proposed dividend	-	-	-	-
Balance carried over to the balance sheet	2,002.54	970.74	(61.75)	(795.46)
Total	**2,010.01**	**1,372.74**	**224.34**	**(795.46)**
Significant Accounting Policies				
Notes to Restated Summary Statement				
Earnings per equity share				
Basic and diluted (₹)	16.34	24.43	22.41	(26.04)
* *not annualised for nine months ended December 31, 2020*				
Face value per share (₹)	10.00	10.00	10.00	10.00

RESTATED SUMMARY STATEMENT OF CASH FLOWS

(All amounts in ₹ million except otherwise stated)

	Particulars	Nine months period ended December 31, 2020	Year ended March 31, 2020	Year ended March 31, 2019	Year ended March 31, 2018
A.	**Cash flows from/(used in) operating activities:**				
	Profit / (loss) before tax	**1,348.93**	**2,027.25**	**1,103.02**	**(898.38)**
	Adjustments for:				
	Depreciation and amortisation expenses	122.16	169.04	121.93	70.24
	Amortisation of premium on investments	48.12	16.02	5.63	4.14
	(Profit)/ loss on disposal of fixed assets	(0.12)	0.66	0.25	1.78
	Share/debenture issue expenses	-	-	3.81	-
	Goodwill written off	-	-	47.10	-
	Employee stock option cost	8.99	-	-	-
	Loan portfolio written off	279.29	454.36	101.57	1,293.89
	Provision for loan portfolio	833.03	921.04	276.50	140.97
	Provision for other contingencies	(27.75)	(15.25)	(173.21)	-
	Provision/depreciation - Investments	(0.75)	(0.79)	-	-
	(Profit) on sale of investment in SLR securities	(11.40)	(1.79)	(2.81)	(0.34)
	Loss on sale of investment in SLR securities	8.96	1.26	2.64	20.98
	(Profit) on sale of investment in mutual funds	(2.93)	(10.64)	(13.09)	(56.24)
	Operating profits before working capital changes	**2,606.53**	**3,561.16**	**1,473.34**	**577.04**
	Movement in working capital:				
	Increase in deposits	6,227.12	26,107.21	13,161.14	7,270.98
	Increase / (decrease) in other liabilities	670.96	(576.04)	583.12	95.65
	(Increase) in investments (net)	(2,485.89)	(3,075.70)	(4,286.94)	(2,751.90)
	(Increase) in advances	(4,293.61)	(20,948.98)	(11,676.00)	(9,827.88)
	Decrease / (increase) in fixed deposits	35.38	642.70	(1,262.19)	296.42
	(Increase) in other assets	(132.69)	(269.99)	(462.93)	(161.36)
	Cash generated from / (used in) operating activities	**2,627.80**	**5,440.36**	**(2,470.46)**	**(4,501.05)**
	Taxes on income paid, net	(418.87)	(746.55)	(276.00)	(14.17)
	Net cash generated from / (used in) operating activities (A)	**2,208.93**	**4,693.81**	**(2,746.46)**	**(4,515.22)**
B.	**Cash flows from investing activities:**				
	Purchase of fixed assets	(69.41)	(243.32)	(230.68)	(207.21)
	Proceeds from sale of fixed assets	0.34	0.73	0.79	0.20
	Purchase of investments in mutual funds	(1,799.93)	(4,800.00)	(19,195.12)	(29,939.51)
	Proceeds from sale of investments in mutual funds	1,802.86	4,810.64	19,208.21	29,995.75
	Proceeds from term money lending	-	899.90	-	-
	Net cash (used in)/ generated from investing activities (B)	**(66.14)**	**667.95**	**(216.80)**	**(150.77)**
C.	**Cash flows from financing activities:**				
	Proceeds from issue of equity shares	-	943.22	2,264.70	-
	Share / debenture issue expenses	-	-	(3.81)	-
	Repayment of borrowing under the LAF segment	(470.00)	-	-	-
	Proceeds from borrowing under the LAF segment	-	1,030.00	-	-
	Proceeds from loans availed from banks and financial institutions	200.00	4,249.93	6,500.00	8,057.58
	Repayment of loans availed from banks and financial institutions	(2,791.52)	(5,004.07)	(4,259.09)	(4,791.30)
	Proceeds from issue of non-convertible debentures	-	1,000.00	-	1,250.00
	Redemption of non-convertible debentures	-	(425.00)	(100.00)	(137.50)

Particulars		Nine months period ended	Year ended	Year ended	Year ended
		December 31, 2020	**March 31, 2020**	**March 31, 2019**	**March 31, 2018**
	Net cash (used in)/generated from financing activities (C)	**(3,061.52)**	**1,794.08**	**4,401.80**	**4,378.78**
	Net (decrease)/ increase in cash and cash equivalents during the period/year (A+B+C)	**(918.73)**	**7,155.84**	**1,438.54**	**(287.21)**
	Cash and cash equivalents at the beginning of the period / year	**10,752.63**	**3,596.79**	**2,158.25**	**2,445.46**
	Cash and cash equivalents at the end of the year[1]	**9,833.90**	**10,752.63**	**3,596.79**	**2,158.25**
	Components of cash and cash equivalents				
	Cash and balances with Reserve Bank of India	8,338.57	10,585.33	1,419.14	476.46
	Balances with banks and money at call and short notice	1,495.33	167.30	2,177.65	1,681.79
		9,833.90	**10,752.63**	**3,596.79**	**2,158.25**

[1] *Includes cash and bank balances with Reserve Bank of India, balances with banks in current account and money at call and short as on December 31, 2020, March 31, 2020, March 31, 2019 and March 31, 2018.*

[***The remainder of this page has intentionally been left blank*.**]

GENERAL INFORMATION

Registered Office

Fincare Small Finance Bank Limited
301-306, 3rd Floor, Abhijeet -V
Opp. Mayor's Bunglow, Law Garden Road
Mithakhali
Ahmedabad 380 006
Gujarat, India
Registration Number: 025373
CIN: U67120GJ1995PLC025373
RBI Registration Number: MUM:135

Corporate Office

Fincare Small Finance Bank Limited
5th Floor, Bren Mercury, Kaikondanahalli
Sarjapur Main Road
Bengaluru 560 035
Karnataka, India

Address of the RoC

Our Bank is registered with the RoC situated at the following address:

Registrar of Companies, Ahmedabad
ROC Bhavan, Opposite Rupal Park Society
Behind Ankur Bus Stop
Naranpura
Ahmedabad 380 013
Gujarat, India

Company Secretary and Compliance Officer

Shefaly Kothari
5th Floor, Bren Mercury, Kaikondanahalli
Sarjapur Main Road
Bengaluru 560 035
Karnataka, India
Tel: +91 80 4250 4444
Email: sfbcompsec@fincarebank.com

Board of Directors

As on the date of this Draft Red Herring Prospectus, our Board of Directors of our Bank comprises the following:

Name	Designation	DIN	Address
Pramod Kabra	Part-time Chairman and Non-Executive Director	02252403	2101, Floor-21, Plot-30, Tower No. 4, Strata Planet Godrej, Keshavrao Khadye Marg, Saat Rasta, Jacob Circle, Mumbai 400 011, Maharashtra, India
Rajeev Yadav	Managing Director and Chief Executive Officer	00111379	Villa 578, Phase 3, Adarsh Palm Retreat, Outer Ring Road, Devara Beesanahalli, Bellandur, Bangalore 560 103, Karnataka, India
Alok Prasad	Independent Director	00080225	144, Vista Villas, Opposite Unitech Cyber Park, Sector 46, Gurgaon 122 001, Haryana, India
Aarthi Sivanandh	Independent Director	00140141	Flat No 3B, Door No 209/12, Pooja Poora Apartments, 209 St Marys Road, Alwarpet, Chennai, Tamil Nadu, India 600 018
Ravindran Lakshmanan	Nominee Director*	07631421	15/4, Maanappa Gounder Street 3, Erode, Surampatti 638 009, Tamil Nadu, India
Sameer Yogesh Nanavati	Nominee Director**	00157693	2, Avkar Society, Manjalpur, Vadodara 390 011, Gujarat, India
Sunil Satyapal Gulati	Independent Director	00016990	Flat No. 703, Sterling Sea Face, Dr. AB Road, Near Poonam Chambers, Worli, Mumbai 400 018, Maharashtra, India
Varun Sabhlok	Independent Director	07704720	237, Arcadia Road, #01-01, The Arcadia Singapore 289 844
Vinay Baijal	Independent Director	07516339	701, Lodha Grandeur, Sayani Road, Near Parel S.T. Depot, Prabhadevi, Mumbai 400 025, Maharashtra, India

* *Ravindran Lakshmanan, Nominee Director, has been nominated by our Promoter*

** *Sameer Yogesh Nanavati, Nominee Director, has been nominated by our Promoter*

For further details of our Directors, see "*Our Management*" on page 186.

Filing

A copy of this Draft Red Herring Prospectus has been filed electronically on the SEBI Intermediary Portal at https://siportal.sebi.gov.in/intermediary/index.html, in accordance with SEBI circular bearing reference SEBI/HO/CFD/DIL1/CIR/P/2018/011 dated January 19, 2018 and emailed at cfddil@sebi.gov.in. in accordance with the instructions issued by the SEBI on March 27, 2020, in relation to "Easing of Operational Procedure – Division of Issues and Listing – CFD."

A copy of the Red Herring Prospectus, along with the material contracts and documents required to be filed under Section 32 of the Companies Act would be filed with the RoC and a copy of the Prospectus to be filed under Section 26 of the Companies Act, 2013 would be filed with the RoC at its office and through the electronic portal at http://www.mca.gov.in/mcafoportal/loginvalidateuser.do.

Global Coordinators and Book Running Lead Managers

ICICI Securities Limited
ICICI Centre
H. T. Parekh Marg
Churchgate
Mumbai 400 020
Maharashtra, India
Tel: +91 22 2288 2460
E-mail: fincare.ipo@icicisecurities.com
Investor grievance e-mail: customercare @icicisecurities.com
Website: www.icicisecurities.com
Contact Person: Shekher Asnani/ Anurag Byas

Axis Capital Limited
1st Floor, Axis House
C 2 Wadia International Centre
P. B. Marg, Worli
Mumbai 400 025
Maharashtra, India
Tel: +91 22 4325 2183
E-mail: fincare.ipo@axiscap.in
Investor grievance e-mail: complaints@axiscap.in
Website: www.axiscapital.co.in
Contact Person: Ankit Bhatia

IIFL Securities Limited
10th Floor, IIFL Centre
Kamala City, Senapati Bapat Marg
Lower Parel (West)
Mumbai 400 013
Maharashtra, India
Tel: +91 22 4646 4600
E-mail: fincare.ipo@iiflcap.com
Investor grievance e-mail: ig.ib@iiflcap.com
Website: www.iiflcap.com
Contact Person: Sachin Jagad/Nishita Mody

SBI Capital Markets Limited
202, Maker Tower 'E'
Cuffe Parade
Mumbai 400 005
Maharashtra, India
Tel: +91 22 2217 8300
E-mail: fincare.ipo@sbicaps.com
Investor grievance e-mail: investor.relations@sbicaps.com
Website: www.sbicaps.com
Contact Person: Aditya Deshpande

Book Running Lead Manager

Ambit Private Limited
Ambit House
449, Senapati Bapat Marg
Lower Parel
Mumbai 400 013
Maharashtra, India
Tel: +91 22 6623 3000
E-mail: fincare.ipo@ambit.co
Investor grievance e-mail: customerservicemb@ambit.co
Website: www.ambit.co
Contact Person: Nikhil Bhiwapurkar/ Jaspreet Thukral

Syndicate Members

[●]

Legal Counsel to our Bank and the Promoter Selling Shareholder as to Indian Law

Cyril Amarchand Mangaldas
3rd Floor, Prestige Falcon Towers
19, Brunton Road, Off. M.G. Road
Bengaluru – 560 025
Karnataka, India
Tel: +91 80 2558 4870

Legal Counsel to the Managers as to Indian Law

IndusLaw
2nd Floor
Block D, The MIRA
Mathura Road
New Delhi 110 065
India
Tel.: +91 11 4782 1000

International Legal Counsel to the Managers

Clifford Chance Pte. Ltd.
12 Marina Boulevard
25th Floor
Marina Bay Financial Centre, Tower 3
Singapore 018 982
Tel: +65 6410 2200

Statutory Auditors to our Bank

Walker Chandiok & Co. LLP
11th Floor, Tower II, One Financial Centre
SB Marg, Elphinstone (W)
Mumbai 400 013
Maharashtra, India
Tel: +91 22 6626 2699
Email: manish.gujral@walkerchandiok.in
Firm Registration Number: 001076N/N500013
Peer Review Number: 011707

There have been no changes in the auditors of our Bank during the three years preceding the date of this Draft Red Herring Prospectus.

Registrar to the Offer

KFin Technologies Private Limited
(formerly know as "Karvy Fintech Private Limited")
Selenium, Tower B, Plot No. - 31 and 32
Financial District
Nanakramguda, Serilingampally
Hyderabad, Rangareddi 500 032
Telangana, India
Tel: +91 40 6716 2222
E-mail: fincarebank.ipo@kfintech.com
Website: www.kfintech.com
Investor grievance e-mail: einward.ris@kfintech.com
Contact Person: M Murali Krishna
SEBI Registration Number: INR000000221

Bankers to the Bank

Axis Bank Limited
"Trishul", Registered Office, 3rd Floor
Opp. Samartheswar Mahadev Temple
Near Law Garden, Ahmedabad 380 006
Gujarat, India
Tel: 079 6630 6102 24
E-mail: preet.jadawala@axisbank.com
Website: www.axisbank.com
Contact Person: Preet S Jadawal

ICICI Bank Limited
ICICI Bank, Shobha Pearl, Commisasariat Road
Off MG Road, Bangalore
Karnataka, India
Tel: +91 96866 61845

E-mail: ashwin.talwalkar@icicibank.com
Website: www.icicibank.com
Contact Person: Ashwin Talwalkar

State Bank of India
SBI SME Laghu Udyog Branch
Neptune Tower Annexe
Opp Gandhigram Railway Station
Off Ashram Road, Ahmedabad 380 009
Gujarat, India
Tel: +91 76000 35184
E-mail: sanjeev.sharan@sbi.co.in
Website: www.sbi.co.in
Contact Person: Sanjeev Sharan

Bankers to the Offer

Escrow Collection Bank(s)
[●]

Refund Bank(s)
[●]

Public Offer Bank(s)
[●]

Sponsor Bank
[●]

Designated Intermediaries

Self-Certified Syndicate Banks

The banks registered with SEBI, which offer the facility of ASBA services, (i) in relation to ASBA, where the Bid Amount will be blocked by authorising an SCSB, a list of which is available on the website of SEBI at (www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognisedFpi=yes&intmId=34) and updated from time to time and at such other websites as may be prescribed by SEBI from time to time, (ii) in relation to RIBs using the UPI Mechanism, a list of which is available on the website of SEBI at (https://sebi.gov.in/sebiweb/other/OtherAction.do?doRecognisedFpi=yes&intmId=40) or such other website as updated from time to time.

Applications through UPI in the Offer can be made only through the SCSBs mobile applications (apps) whose name appears on the SEBI website. A list of SCSBs and mobile application, which, are live for applying in public issues using UPI mechanism is provided as Annexure 'A' to the SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2019/85 dated July 26, 2019. The said list shall be updated on SEBI website.

Syndicate SCSB Branches

In relation to Bids (other than Bids by Anchor Investor) submitted to a member of the Syndicate, the list of branches of the SCSBs at the Specified Locations named by the respective SCSBs to receive deposits of Bid cum Application Forms from the Members of the Syndicate is available on the website of the SEBI (http://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognised=yes) and updated from time to time. For more information on such branches collecting Bid cum Application Forms from the Syndicate at Specified Locations, see the website of the SEBI (http://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognised=yes) as updated from time to time.

Registered Brokers

The list of the Registered Brokers eligible to accept ASBA forms, including details such as postal address, telephone number and e-mail address, is provided on the websites of the BSE and the NSE at www.bseindia.com/Markets/PublicIssues/brokercentres_new.aspx? and www.nseindia.com/products/content/equities/ipos/ipo_mem_terminal.htm, respectively, as updated from time to time.

Registrar and Share Transfer Agents

The list of the RTAs eligible to accept ASBA Forms at the Designated RTA Locations, including details such as address, telephone number and e-mail address, is provided on the websites of Stock Exchanges at www.bseindia.com/Static/Markets/PublicIssues/RtaDp.aspx? and www.nseindia.com/products/content/equities/ipos/asba_procedures.htm, respectively, as updated from time to time.

Collecting Depository Participants

The list of the CDPs eligible to accept ASBA Forms at the Designated CDP Locations, including details such as name and contact details, is provided on the websites of BSE at www.bseindia.com/Static/Markets/PublicIssues/RtaDp.aspx? and on the website of NSE at www.nseindia.com/products/content/equities/ipos/asba_procedures.htm, as updated from time to time.

Experts

Except as stated below, our Bank has not obtained any expert opinions:

Our Bank has received written consent dated May 8, 2021 from our Statutory Auditors namely, Walker Chandiok & Co. LLP, Chartered Accountants, holding a valid peer review certificate from the Institute of Chartered Accountants of India, to include their name as an "expert" as defined under Section 2(38) of the Companies Act, 2013, read with Section 26(5) of the Companies Act, 2013, in relation to the Restated Financial Statements, the report on the Restated Financial Statements dated May 4, 2021, the statement of special tax benefits under direct tax and the statement of special tax benefits under indirect tax, both dated May 8, 2021 included in this Draft Red Herring Prospectus and such consent has not been withdrawn as on the date of this Draft Red Herring Prospectus. However, the term "expert" shall not be construed to mean an "expert" as defined under the U. S. Securities Act.

Monitoring Agency

In terms of the proviso to Regulation 41(1) of the SEBI ICDR Regulations, our Bank is not required to appoint a monitoring agency for this Offer.

Appraising Entity

None of the objects for which the Net Proceeds will be utilised have been appraised by any agency.

Credit Rating

As this is an issue of Equity Shares, there is no credit rating required for the Offer.

IPO Grading

No credit agency registered with SEBI has been appointed in respect of obtaining grading for the Offer.

Trustees

As this is an issue of Equity Shares, the appointment of trustees is not required.

Green Shoe Option

No green shoe option is contemplated under the Offer.

Inter-se allocation of responsibilities

The following table sets forth the inter-se allocation of responsibilities for various activities among the Managers:

Sr. No.	Activity	Responsibility	Coordinator
1.	Pre-Offer Due diligence of Bank's operations/management/business /legal etc., drafting and design of DRHP, RHP and Prospectus, abridged prospectus and application form. Ensure compliance and completion of prescribed formalities with the Stock Exchanges, SEBI and RoC including finalisation of RHP, Prospectus and RoC filing, follow up and coordination till final approval from all regulatory authorities	GCBRLMs, BRLM	I-Sec
2.	Capital structuring with the relative components and formalities such as type of instruments, size of issue, allocation between primary and secondary, etc.	GCBRLMs, BRLM	I-Sec
3.	Drafting and approval of all statutory advertisements	GCBRLMs, BRLM	SBICAP
4.	Drafting and approval of all publicity material other than statutory advertisements, including corporate advertisements, brochures, filing of media compliance report with SEBI, etc.	GCBRLMs, BRLM	SBICAP
5.	Appointment of Registrar to the Offer, Printers, Banker(s) to the Offer, Advertising agency, Monitoring Agency, etc (including coordinating all agreements to be entered with such parties)	GCBRLMs, BRLM	Ambit
6.	International institutional marketing of the Offer, which will cover, *inter alia*: • Co-ordination for research briefing • Preparation and finalization of road show presentation and FAQs • Institutional marketing strategy • Finalizing the list and division of international investors for one-to-one meetings	GCBRLMs, BRLM	I-Sec

Sr. No.	Activity	Responsibility	Coordinator
	• Finalizing international road show and investor meeting schedules		
7.	Domestic institutional marketing of the Offer, which will cover, *inter alia*: • Finalizing the list and division of domestic investors for one-to-one meetings • Finalizing domestic road show and investor meeting schedules	GCBRLMs, BRLM	IIFL
8.	Conduct non-institutional marketing of the Offer, which will cover, *inter-alia*: • Finalising media, marketing and public relations strategy; • Formulating strategies for marketing to Non-Institutional Investors	GCBRLMs, BRLM	Axis
9.	Conduct retail marketing of the Offer, which will cover, *inter-alia*: • Finalising media, marketing, public relations strategy and publicity budget including list of frequently asked questions at retail road shows • Finalising collection centres • Finalising centres for holding conferences for brokers etc. • Follow-up on distribution of publicity and Offer material including form, RHP/Prospectus and deciding on the quantum of the Offer material	GCBRLMs, BRLM	SBICAP
10.	Coordination with Stock Exchanges for book building process, filing of letters including software, bidding terminals, mock trading and anchor investor intimation, and payment of 1% security deposit to the designated stock exchange	GCBRLMs, BRLM	Axis
11.	Managing the book and finalization of pricing in consultation with our Bank and the Promoter Selling Shareholder	GCBRLMs, BRLM	I-Sec
12.	Post bidding activities including management of escrow accounts, coordinate non- institutional allocation, coordination with Registrar, SCSBs, Sponsor Banks and other Bankers to the Offer, intimation of allocation and dispatch of refund to Bidders, etc. Post-Offer activities, which shall involve essential follow-up steps including allocation to Anchor Investors, follow-up with Bankers to the Offer and SCSBs to get quick estimates of collection and advising our Bank about the closure of the Offer, based on correct figures, finalisation of the basis of allotment or weeding out of multiple applications, listing of instruments, dispatch of certificates or demat credit and refunds and co-ordination with various agencies connected with the post-Offer activity such as registrar to the Offer, Bankers to the Offer, SCSBs including responsibility for underwriting arrangements, as applicable. Payment of the applicable securities transactions tax on sale of unlisted equity shares by the Selling Shareholder under the Offer for Sale to the Government and filing of the securities transactions tax return by the prescribed due date as per Chapter VII of Finance (No. 2) Act, 2004. Co-ordination with SEBI and Stock Exchanges for refund of 1% security deposit and submission of all post-Offer reports including the initial and final post-Offer report to SEBI	GCBRLMs, BRLM	IIFL

Book Building Process

Book Building Process, in the context of the Offer, refers to the process of collection of Bids from investors on the basis of the Red Herring Prospectus, the Bid cum Application Forms and the Revision Forms within the Price Band. The Price Band, minimum Bid Lot size and Employee Discount (if any) will be decided by our Bank and the Promoter Selling Shareholder, in consultation with the Managers, and advertised in [●] editions of [●], an English national daily newspaper and [●] editions of [●], a Hindi national daily newspaper and [●] editions of [●], a Gujarat national daily newspaper (Gujarati also being the regional language of Gujarat, where our Registered Office is located) at least two Working Days prior to the Bid/ Offer Opening Date and shall be made available to the Stock Exchanges for the purpose of uploading on their respective websites. The Offer Price shall be determined by our Bank and the Promoter Selling Shareholder, in consultation with the Managers after the Bid/ Offer Closing Date.

All Bidders, except Anchor Investors, are mandatorily required to use the ASBA process for participating in the Offer by providing details of their respective ASBA Account in which the corresponding Bid Amount will be blocked by SCSBs. In addition to this, the RIBs may participate through the ASBA process by either (a) providing the details of their respective ASBA Account in which the corresponding Bid Amount will be blocked by the SCSBs; or (b) through the UPI Mechanism. Anchor Investors are not permitted to participate in the Offer through the ASBA process.

In accordance with the SEBI ICDR Regulations, QIBs and Non-Institutional Bidders are not allowed to withdraw or lower the size of their Bids (in terms of the quantity of the Equity Shares or the Bid Amount) at any stage. Retail Individual Bidders (subject to the Bid Amount being up to ₹200,000) and Eligible Employees Bidding in the Employee Reservation Portion (subject to the Bid Amount being up ₹500,000, net of Employee Discount, if any) can revise their Bids during the Bid/Offer Period and withdraw their Bids on or before the Bid/Offer Closing Date. Further, Anchor Investors cannot withdraw their Bids after the Anchor Investor Bid/Offer Period. Allocation to the Anchor Investors will be on a discretionary basis.

For further details on the method and procedure for Bidding, see "*Offer Structure*" and "*Offer Procedure*" on pages 345 and 349, respectively.

Illustration of Book Building and Price Discovery Process

For an illustration of the Book Building Process and the price discovery process, see "*Offer Procedure"* on page 349.

Underwriting Agreement

After the determination of the Offer Price and allocation of Equity Shares, but prior to the filing of the Prospectus with the RoC, our Bank intends to enter into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be issued and offered in the Offer. The Underwriting Agreement is dated [●]. Pursuant to the terms of the Underwriting Agreement, the obligations of each of the Underwriters will be several and will be subject to certain conditions specified therein.

The Underwriters have indicated their intention to underwrite the following number of Equity Shares:

(This portion has been intentionally left blank and will be filled in before filing of the Prospectus with the RoC.)

Name, Address, Telephone Number and Email Address of the Underwriters	Indicative Number of Equity Shares to be Underwritten	Amount Underwritten (₹ in million)
[●]	[●]	[●]

The abovementioned underwriting commitments are indicative and will be finalised after pricing of the Offer, the Basis of Allotment and actual allocation in accordance with provisions of the SEBI ICDR Regulations.

In the opinion of our Board, the resources of the abovementioned Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. The abovementioned Underwriters are registered with the SEBI under Section 12(1) of the SEBI Act or registered as brokers with the Stock Exchanges. Our Board, at its meeting held on [●], has accepted and entered into the Underwriting Agreement mentioned above on behalf of our Bank.

Allocation among the Underwriters may not necessarily be in proportion to their underwriting commitment set forth in the table above.

Notwithstanding the above table, the Underwriters shall be severally responsible for ensuring payment with respect to the Equity Shares allocated to investors respectively procured by them in accordance with the Underwriting Agreement. In the event of any default in payment, the respective Underwriter, in addition to other obligations defined in the Underwriting Agreement, will also be required to procure subscribers for or subscribe to the Equity Shares to the extent of the defaulted amount in accordance with the Underwriting Agreement. The Underwriting Agreement has not been executed as on the date of this Draft Red Herring Prospectus and will be executed after determination of the Offer Price and allocation of Equity Shares, but prior to the filing of the Prospectus with the RoC. The extent of underwriting obligations and the Bids to be underwritten in the Offer shall be as per the Underwriting Agreement.

CAPITAL STRUCTURE

The share capital of our Bank, as on the date of this Draft Red Herring Prospectus, is set forth below:

(In ₹, except share data)

Sr. No.	Particulars	Aggregate value at face value (₹)	Aggregate value at Offer Price*
A.	**AUTHORIZED SHARE CAPITAL**[(1)]		
	300,000,000 Equity Shares	3,000.00 million	[●]
B.	**ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL BEFORE AND AFTER THE OFFER**		
	220,779,720 Equity Shares	2,207.80 million	[●]
C.	**PRESENT OFFER**[#]		
	Offer of up to [●] Equity Shares aggregating up to ₹13,300 million[(2)(3)]	[●]	[●]
	of which		
	Fresh Issue of up to [●] Equity Shares aggregating up to ₹3,300 million	[●]	[●]
	Offer for Sale of up to [●] Equity Shares by the Promoter Selling Shareholder aggregating up to ₹10,000 million	[●]	[●]
	which includes		
	Employee Reservation Portion of up to [●] Equity Shares[(4)]	[●]	[●]
	Net Offer of up to [●] Equity Shares	[●]	[●]
D.	**SECURITIES PREMIUM ACCOUNT**		
	Before the Offer	6,822.88 million	
	After the Offer	[●]	

* *To be included upon finalisation of Offer Price*

[#] *Our Bank may, in consultation with the Managers, undertake a Pre-IPO Placement of such number of Equity Shares for an aggregate amount of up to ₹2,000 million. The Pre-IPO Placement, if undertaken, will be at a price to be decided by our Bank, in consultation with the Managers, and the Pre-IPO Placement will be completed prior to filing of the Red Herring Prospectus with the RoC. If the Pre-IPO Placement is undertaken, the aggregate amount raised in the Pre-IPO Placement will be reduced from the Fresh Issue, subject to the minimum Offer size constituting at least [●]% of the post-Offer paid-up equity share capital of our Bank.*

[(1)] *For details in relation to the changes in the authorised share capital of our Bank, see "History and Certain Corporate Matters – Amendments to the Memorandum of Association" on page 179.*

[(2)] *The Offer has been authorised by our Board of Directors and our Shareholders pursuant to the resolutions passed at their meetings dated April 28, 2021 and May 1, 2021, respectively, and this DRHP has been approved by our Board pursuant to a resolution passed at their meeting dated May 8, 2021. Further, our Board has taken on record the approval for the Offer for Sale by the Promoter Selling Shareholder pursuant to its resolution dated May 4, 2021.*

[(3)] *The Promoter Selling Shareholder confirms that the Offered Shares have been held by the Promoter Selling Shareholder for a period of at least one year prior to the filing of this Draft Red Herring Prospectus in accordance with Regulation 8 of the SEBI ICDR Regulations and accordingly, are eligible for the Offer in accordance with the provisions of the SEBI ICDR Regulations. For details on the authorization of the Promoter Selling Shareholder in relation to the Offer for Sale, see "The Offer" on page 55.*

[(4)] *Eligible Employees bidding in the Employee Reservation Portion must ensure that the maximum Bid Amount does not exceed ₹500,000 (net of Employee Discount, if any). However, the initial Allotment to an Eligible Employee in the Employee Reservation Portion shall not exceed ₹200,000 (net of Employee Discount, if any). Only in the event of under-subscription in the Employee Reservation Portion, such unsubscribed portion will be available for allocation and Allotment proportionately to all Eligible Employees who have Bid in excess of ₹200,000 (net of Employee Discount, if any), subject to the maximum value of Allotment made to such Eligible Employee not exceeding ₹500,000 (net of Employee Discount, if any).*

Notes to the Capital Structure

1. **Share Capital History of our Bank**

(a) ***Equity Share capital***

The history of the Equity Share capital of our Bank is set forth in the table below:

Date of allotment	Number of Equity Shares allotted	Face value per Equity Share (₹)	Offer Price per Equity Share (₹)	Nature of consideration	Nature of allotment	Cumulative number of Equity Shares	Cumulative paid-up Equity Share capital (₹)
April 5, 1995*	200	10	10	Cash	Initial subscription to MoA[(1)]	200	2,000

Date of allotment	Number of Equity Shares allotted	Face value per Equity Share (₹)	Offer Price per Equity Share (₹)	Nature of consideration	Nature of allotment	Cumulative number of Equity Shares	Cumulative paid-up Equity Share capital (₹)
February 24, 2009*	210,000	10	10	Cash	Preferential allotment(2)	460,000	4,600,000
May 7, 2009	442,500	10	10	Cash	Preferential allotment(3)	902,500	9,025,000
May 7, 2009	1,000,000	10	10	Cash	Preferential allotment(4)	1,902,500	10,025,000
September 7, 2009	409,000	10	10	Cash	Preferential allotment(5)	2,311,500	14,115,000
September 7, 2009	589,300	10	11	Cash	Preferential allotment(6)	2,900,800	20,008,000
December 12, 2009	225,000	10	11	Cash	Preferential allotment(7)	3,125,800	22,258,000
October 25, 2010	2,762,430	10	36.20	Cash	Preferential allotment(8)	5,888,230	58,882,300
June 19, 2013	3,488,373	10	43	Cash	Preferential allotment(9)	9,376,603	93,766,030
October 30, 2014	405,063	10	39.50	Cash	Rights issue of Equity Shares(10)	9,781,666	97,816,660
May 3, 2016	6,868,132	10	91	Cash	Rights issue of Equity Shares (11)	16,649,798	166,497,980
October 1, 2016	4,054,054	10	111	Cash	Private Placement(12)	2,0703,852	207,038,520
October 1, 2016	4,054,054	10	111	Cash	Private Placement(13)	24,757,906	247,579,060
October 1, 2016	2,997,015	10	111	Cash	Private Placement(14)	27,754,921	277,549,210
March 3, 2017	6,995,073	10	203	Cash	Private Placement(15)	34,749,994	347,499,940
March 24, 2017	2,610,837	10	203	Cash	Private Placement(16)	37,360,831	373,608,310
March 30, 2017	98,523	10	203	Cash	Private Placement(17)	37,459,354	374,593,540
September 27, 2018	15,723,932	10	89	Cash	Rights issue of Equity Shares(18)	53,183,286	531,832,860
March 29, 2019	3,252,695	10	266	Cash	Rights issue of Equity Shares(19)	56,435,981	564,359,810
December 5, 2019	6,559,436	10	131.47	Cash	Rights issue of Equity Shares(20)	62,995,417	629,954,170
December 31, 2019	615,064	10	131.47	Cash	Rights issue of Equity Shares(21)	63,610,481	636,104,810
April 27, 2021	9,982,759	10	170	Cash	Rights issue of Equity Shares(22)	73,593,240	735,932,400
May 4, 2021	147,186,480	10	NA	NA	Bonus issue of two Equity Shares as bonus share for every one existing Equity Share held on May 3, 2021(23)	220,779,720	2,207,797,200

* *On February 3, 2009, our Bank, then known as Banas Finlease Private Limited, was acquired by Keyur Doshi, Soham Shukla, Sameer Nanavati and Mahender Chawla from the erstwhile shareholders of Banas Finlease Private Limited pursuant to advertisements published on January 1, 2009 in the Indian Express and Jansatta (as per the rules and regulations of the RBI in relation to change in ownership of shares along with control of management) and share transfer applications received by Banas Finlease Private Limited. For the period between April 5, 1995, being the date of incorporation of our Bank and February 3, 2009, being the date when the aforementioned acquisition was undertaken, certain corporate records of our Bank are not traceable with our Bank, or with the RoC. For further details, see "Risk Factors - We have limited knowledge and records of documents relating to corporate actions undertaken by our Bank prior to February 2009. Further, we have not been able to trace certain secretarial records and documents in relation to our Bank, including filings made by our Bank with statutory authorities. We cannot assure you that no legal proceedings or regulatory actions will be initiated against our Bank in the future in relation to such missing corporate records." on page 31.*

(1) *100 Equity Shares each allotted to Becharbhai and Daxaben*

(2) *60,000 Equity Shares each were allotted to Keyur Doshi, Soham Shukla and Sameer Nanavati, and 30,000 Equity Shares were allotted to Mahender Chawla*

(3) *147,500 Equity Shares each were allotted to Keyur Doshi, Soham Shukla and Sameer Nanavati*

*(4) 300,000 partly-paid up equity shares of our Bank (“**Partly Paid-up Shares**”) each were allotted to Keyur Doshi, Soham Shukla and Sameer Nanavati, and 100,000 Partly Paid-up Shares were allotted to Mahender Chawla. The Partly Paid-up Shares were made fully paid up in Fiscal 2011*

(5) 113,000 Equity Shares each were allotted to Komal K. Doshi and Parinda S. Nanavati, 73,000 Equity Shares were allotted to Bhargavi S. Shukla, 50,000 Equity Shares were allotted to Mahender R. Chawla, 40,000 Equity Shares were allotted to Soham S. Shukla and 20,000 Equity Shares were allotted to Preeti M. Chawla

(6) 50,000 Equity Shares each were allotted to Manjula Shah jointly with Bhaskar Shah, Geeta R Chhabria jointly with Raajkumar K Chhabria, Madhuben S Mehta jointly with Shaileshbhai S Mehta, Neha K Shah, Hetal T Desai, Vipulkumar Modi jointly with Sonal V Modi, Mona Parikh, Pranav A Shah jointly with Alpa P Shah, Vishal S Mehta jointly with Mansi V Mehta, Sahil S Mehta jointly with Kajal S Mehta and Binduben V Joshi jointly with Virenbhai Joshi, 25,000 Equity Shares were allotted to Sunitha R Chawla jointly with Ramchand D Chawla and 14,300 Equity Shares were allotted to Alam S Shukla jointly with Anagha A Shukla

(7) 225,000 Equity Shares were allotted to Vivek S Kothari

(8) 2,762,430 Equity Shares were allotted to Indium IV (Mauritius) Holdings Limited

(9) 3,488,373 Equity Shares were allotted to Indium IV (Mauritius) Holdings Limited

(10) 405,063 Equity Shares were allotted to Indium IV (Mauritius) Holdings Limited

(11) 5,066,081 Equity Shares were allotted to Indium IV (Mauritius) Holdings Limited and 1,802,051 Equity Shares were allotted to our Promoter

(12) 4,054,054Equity Shares were allotted to Future Financial Services Private Limited

(13) 4,054,054 Equity Shares were allotted to Future Financial Services Private Limited

(14) 2,997,015 Equity Shares were allotted to Future Financial Services Private Limited

(15) 6,995,073 Equity Shares were allotted to the Promoter

(16) 2,610,837 Equity Shares were allotted to our Promoter

(17) 98,523 Equity Shares were allotted to our Promoter

(18) 14,943,820 Equity Shares were allotted to our Promoter, and 390,056 Equity Shares each were allotted to True North Fund V LLP and Silver Leaf Oak (Mauritius) Limited

(19) 1,917,293 Equity Shares were allotted to Lok Management Services Private Limited, 1,204,644 Equity Shares were allotted to our Promoter and 130,758 Equity Shares were allotted to True North Fund V LLP

(20) 5,742,755 Equity Shares were allotted to our Promoter, 490,975 Equity Shares were allotted to Lok Management Services Private Limited and 325,706 Equity Shares were allotted to True North Fund V LLP

(21) 570,472 Equity Shares were allotted to Lok Management Services Private Limited and 44,592 Equity Shares were allotted to True North Fund V LLP

(22) 1,605,000 Equity Shares were allotted to Wagner Limited, 1,525,000 Equity Shares were allotted to Indium IV (Mauritius) Holdings Limited, 1,471,095 Equity Shares were allotted to True North Fund V LLP, 762,000 Equity Shares were allotted to Omega TC Holdings Pte Limited, 524,113 Equity Shares were allotted to Vistra ITCL I Ltd Business Excellence Trust III India Business Excellence Fund III, 445,000 Equity Shares were allotted to LeapFrog Rural Inclusion (India) Limited, 443,000 Equity Shares were allotted to Kotak Mahindra Life Insurance Company Limited, 400,000 Equity Shares were allotted to Edelweiss Tokio Life Insurance Company Limited, 391,719 Equity Shares were allotted to Amethyst Inclusion Pte. Limited, 273,440 Equity Shares were allotted to H S Khola (jointly with Saroj Khola), 253,616 Equity Shares were allotted to Saroj Khola (jointly with H S Khola), 211,256 Equity Shares were allotted to Dasarathareddy Gunnamreddy, 199,785 Equity Shares were allotted to Acts Mahila Mutually Aided Co-operative Thrift Society, 156,000 Equity Shares were allotted to Bharti Axa Life Insurance Company Limited, 126,000 Equity Shares were allotted to Kalavathi Gunnamreddy, 119,565 Equity Shares were allotted to Silver Leaf Oak (Mauritius) Limited, 115,630 Equity Shares were allotted to Omaze Investments (represented by S Shivapriya and Prakash Sundaram), 70,000 Equity Shares were allotted to Tata Capital Financial Services Limited, 84,888 Equity Shares were allotted to Motilal Oswal Finvest Limited, 70,000 Equity Shares were allotted to Edelweiss GI Investment Assets, 68,171 Equity Shares were allotted to Keyur Doshi, 49,500 Equity Shares were allotted to Care Health Insurance Limited, 49,500 Equity Shares were allotted to Jhelum Investment Fund I, 47,000 Equity Shares were allotted to Sameer Nanavati, 38,382 Equity Shares were allotted to Pankaj Gulati (jointly with Lalita Gulati), 25,000 Equity Shares were allotted to Bhargavi Soham Shukla, 25,000 Equity Shares were allotted to Mahender Ramchand Chawla, 24,006 Equity Shares were allotted to Vurakaranam Chandar Rao, 20,972 Equity Shares were allotted to Parth Keyur Doshi (jointly with Komal Keyur Doshi), 20,616 Equity Shares were allotted to Komal Keyur Doshi (jointly with Keyur Doshi), 20,500 Equity Shares each allotted to Vic Enterprises Private Limited and MB Finmart Private Limited, 20,500 Equity Shares were allotted to Soham Sanatbhai Shukla, 19,500 Equity Shares were allotted to M Venkata Jayaram, 16,000 Equity Shares were allotted to Vivek Kothari, 15,500 Equity Shares were allotted to Mahesh Krishnamurthy, 15,000 Equity Shares were allotted to S M Sundaram, 13,273 Equity Shares were allotted to Paresh Bhaskar Shah, 13,272 Equity Shares were allotted to Kishore R Mangalvedhe, 13,220 Equity Shares were allotted to Deepabh Jain, 12,500 Equity Shares were allotted to Jyoti Ajay Pancholi, 12,000 Equity Shares were allotted to Raj Kumari Arora, 8,800 Equity Shares were allotted to Geeta R Chhabria, 8,700 Equity Shares were allotted to Ashok Murlidhar Wadhwa (jointly with Reena Ashok Wadhwa), 7,971 Equity Shares were allotted to Preeti M Chawla, 7,870 Equity Shares were allotted to Rakesh Kumar Das, 7,610 Equity Shares were allotted to Ravish Chandra, 7,600 Equity Shares were allotted to Sandeep Bhalla, 7,400 Equity Shares were allotted to Ayush Ajay Pancholi, 6,400 Equity Shares were allotted to Imtiyaz Ahmed, 6,300 Equity Shares were allotted to Yogesh Markandrai Nanavati, 6,200 Equity Shares were allotted to Ashish Karamchandani (jointly with Vibha Krishnamurthy), 5,519 Equity Shares were allotted to Mahender R Chawla HUF, 5,300 Equity Shares were allotted to Parinda Sameer Nanavati, 5,200 Equity Shares were allotted to Amar Y G Simha, 4,870 Equity Shares were allotted to Prakash Sundaram, 4,800 Equity Shares were allotted to Nilesh Sangoi, 4,600 Equity Shares were allotted to Dhanya Anapuzha, 4,600 Equity Shares were allotted to Devika Praveen, 4,300 Equity Shares were allotted

to Manoj Bhalla, 3,700 Equity Shares were allotted to Pratiksha Yogesh, 3,700 Equity Shares were allotted to Ashish Chhabra (jointly with Payal Jain), 3,439 Equity Shares were allotted to Virender Sharma, 3,500 Equity Shares were allotted to Shashi Kumar Tatikonda, 3,400 Equity Shares were allotted to Pallavi S, 3,300 Equity Shares were allotted to Rekha Prafulchandra Kothari, 3,100 Equity Shares were allotted to Vineetha Rani, 3,100 Equity Shares were allotted to Sriram Raju, 3,100 Equity Shares were allotted to Tathamangalam Natarajan Sambasivan, 2,800 Equity Shares were allotted to Meera Krishnamurthy, 1,900 Equity Shares were allotted to Mani Murugan, 1,900 Equity Shares were allotted to Jigar Modi, 1,900 Equity Shares were allotted to Mayur Dashrathbhai Amin, 1,600 Equity Shares were allotted to Sooriya Biju, 1,600 Equity Shares were allotted to Sunanda Praveen Bakshi, 1,600 Equity Shares were allotted to Surya Narayan, 1,500 Equity Shares were allotted to Karuthapandian V, 1,300 Equity Shares were allotted to Amit Trangri, 1,300 Equity Shares were allotted to Manjula Bhaskar Shah (jointly with Bhaskar Mohanlal Shah), 1,219 Equity Shares were allotted to V Subash, 1,100 Equity Shares were allotted to Vijay Kashyap, 716 Equity Shares were allotted to Desai Nimisha Anjan, 900 Equity Shares were allotted to Shobhan Rohitkumar, 700 Equity Shares were allotted to Krupali Ajay Shah (jointly with Ajay Kantilal Shah), 700 Equity Shares were allotted to Ramana J V N S, 700 Equity Shares were allotted to Manjula Seshan Vijayraghavan, 700 Equity Shares were allotted to Trivedi Beena Nimish, 612 Equity Shares were allotted to Swetha Tatikonda, 605 Equity Shares were allotted to Sovon Lal Mukherjee, 600 Equity Shares were allotted to Surya Kumari Kalivarapu, 600 Equity Shares were allotted to Kafeel Ahmed, 505 Equity Shares were allotted to Yashwant Khare, 500 Equity Shares were allotted to Shweta H Shah, 500 Equity Shares were allotted to Sukhjinder Singh Saini, 500 Equity Shares were allotted to Vivek Sharma, 303 Equity Shares were allotted to Suresh N, 400 Equity Shares were allotted to Paul Jose, 300 Equity Shares were allotted to Raghavendra Rao T S, 300 Equity Shares were allotted to Baisy Dennis, 200 Equity Shares were allotted to Sunakshi Agarwal, 200 Equity Shares were allotted to Suresh Samikannu, 101 Equity Shares were allotted to Rajeev Yadav, 100 Equity Shares were allotted to Ramkumar Subramonian, 100 Equity Shares were allotted to Ashish V B Goudar, 100 Equity Shares were allotted to Shah Pratik, 100 Equity Shares were allotted to Neelima Panghal, 100 Equity Shares were allotted to Vidya K H, 100 Equity Shares were allotted to Parimal Mahendrabhai Raval, 100 Equity Shares were allotted to Sunil Vijayraj Bothra, 100 Equity Shares were allotted to Ajit Singh, 100 Equity Shares were allotted to Sube Kumumpallil and 100 Equity Shares were allotted to Aylam Rajendran Santhosh in proportion to their existing shareholding in our Bank

(23) 115,659,712 Equity Shares were allotted to our Promoter, 4,697,222 Equity Shares were allotted to Vistra ITCL I Ltd Business Excellence Trust III India Business Excellence Fund III, 5,766,956 Equity Shares were allotted to Amethyst Inclusion Pte. Ltd., 3,336,580 Equity Shares were allotted to Indium IV (Mauritius) Holdings Limited, 3,653,420 Equity Shares were allotted to Wagner Limited, 3,439,570 Equity Shares were allotted to True North Fund V LLP, 1,734,380 Equity Shares were allotted to Omega TC Holdings Pte Ltd, 1,012,860 Equity Shares were allotted to LeapFrog Rural Inclusion (India) Ltd, 976,960 Equity Shares were allotted to Kotak Mahindra Life Insurance Company Limited, 905,940 Equity Shares were allotted to Edelweiss Tokio Life Insurance Company Limited, 760,780 Equity Shares were allotted to Motilal Oswal Finvest Limited, 577,920 Equity Shares were allotted to H S Khola (jointly with Saroj Khola), 553,232 Equity Shares were allotted to Saroj Khola (jointly with H S Khola), 476,654 Equity Shares were allotted to G Dasarathareddy, 460,450 Equity Shares were allotted to Acts Mahila Mutually Aided Co-operative Thrift Society, 354,000 Equity Shares were allotted to Bharti AXA Life Insurance Company Limited, 284,260 Equity Shares were allotted to Kalavathi Gunnamreddy, 271,770 Equity Shares were allotted to Silver Leaf Oak (Mauritius) Limited, 258,260 Equity Shares were allotted to Omaze Investments (represented by S Shivapriya and Prakash Sundaram), 163,964 Equity Shares were allotted to Keyur Doshi, 159,320 Equity Shares were allotted to Tata Capital Financial Services Limited, 148,980 Equity Shares were allotted to Edelweiss GI Investment Assets, 112,560 Equity Shares were allotted to Care Health Insurance Limited, 112,560 Equity Shares were allotted to Jhelum Investment Fund I, 108,142 Equity Shares were allotted to Sameer Nanavati, 87,984 Equity Shares were allotted to Pankaj Gulati (jointly with Lalita Gulati) 57,820 Equity Shares were allotted to Mahender Ramchand Chawla, 57,240 Equity Shares were allotted to Bhargavi Soham Shukla, 54,452 Equity Shares were allotted to Vurakaranam Chandar Rao, 49,072 Equity Shares were allotted to Komal Keyur Doshi (jointly with Keyur Doshi), 47,944 Equity Shares were allotted to Parth Keyur Doshi (jointly with Komal Keyur Doshi), 47,882 Equity Shares were allotted to Soham Shukla, 46,560 Equity Shares were allotted to M.B. Finmart Private Limited, 46,560 Equity Shares were allotted to Vic Enterprises Private Limited, 45,360 Equity Shares were allotted to M Venkata Jayaraman, 37,342 Equity Shares were allotted to Vivek Kothari, 35,260 Equity Shares were allotted to Mahesh Krishnamurthy, 34,020 Equity Shares were allotted to S M Sundaram, 30,026 Equity Shares were allotted to Paresh Bhaskar Shah, 30,004 Equity Shares were allotted to Kishore R Mangalvedhe, 29,240 Equity Shares were allotted to Deepaph Jain, 28,420 Equity Shares were allotted to Jyoti Ajay Pancholi, 27,580 Equity Shares were allotted to Raj Kumari Arora, 21,680 Equity Shares were allotted to Ashok Murlidhar Wadhwa (jointly with Reena Ashok Wadhwa), 20,260 Equity Shares were allotted to Geeta R Chhabria, 18,122 Equity Shares were allotted to Preeti M Chawla, 17,900 Equity Shares were allotted to Rakesh Kumar Das, 17,780 Equity Shares were allotted to Sandeep Bhalla, 16,820 Equity Shares were allotted to Ayush Ajay Pancholi, 16,620 Equity Shares were allotted to Ravish Chandra, 16,000 Equity Shares were allotted to Prakash Sundaram, 15,800 Equity Shares were allotted to Parinda Sameer Nanavati, 15,020 Equity Shares were allotted to Yogesh Markandrai Nanavati, 14,560 Equity Shares were allotted to Imtiyaz Ahmed, 14,100 Equity Shares were allotted to Ashish Karamchandani (jointly with Vibha Krishnamurthy), 12,558 Equity Shares were allotted to Mahender R Chawla HUF, 11,820 Equity Shares were allotted to Amar Y G Simha, 10,480 Equity Shares were allotted to Dhanya Anapuzha, 10,180 Equity Shares were allotted to Nilesh Sangoi, 9,800 Equity Shares were allotted to Manoj Bhalla, 9,940 Equity Shares were allotted to Devika Praveen, 8,460 Equity Shares were allotted to Pratiksha Yogesh Nanavati, 8,380 Equity Shares were allotted to Shashi Kumar Tatikonda, 8,180 Equity Shares were allotted to Ashish Chhabra (jointly with Payal Jain), 7,720 Equity Shares were allotted to Pallavi S, 7,378 Equity Shares were allotted to Virender Sharma, 7,060 Equity Shares were allotted to Vineetha Rani, 7,040 Equity Shares were allotted to Tathamangalam Natarajan Sambasivan, 7,020 Equity Shares were allotted to Rekha Prafulchandra Kothari, 6,860 Equity Shares were allotted to Sriram Raju, 6,360 Equity Shares were allotted to Meera Krishnamurthy, 4,320 Equity Shares were Mayur Dashrathbhai Amin, 4,200 Equity Shares were allotted to Jigar Modi, 4,200 Equity Shares were allotted to Mani Murugan, 3,560 Equity Shares were allotted to Surya Narayan Patro, 3,560 Equity Shares were allotted to Sunanda Praveen Bakshi, 3,540 Equity Shares were allotted to Sooriya Biju, 3,340 Equity Shares were allotted to Karuthapandian V, 2,960 Equity Shares were allotted to Manjula Bhaskar Shah (jointly with Bhaskar Mohanlal Shah), 2,880 Equity Shares were allotted to Amit Trangri, 2,678 Equity Shares were allotted to V Subhash, 2,420 Equity Shares were allotted to Vijay Kashyap, 2,000 Equity Shares were allotted to Shobhan Rohitkumar Modi, 1,632 Equity Shares were allotted to Desai Nimisha Anjan, 1,600 Equity Shares were allotted to Krupali Ajay Shah (jointly with Ajay Kantilal Shah), 1,600 Equity Shares were allotted to Trivedi Beena Nimish, 1,580 Equity Shares were allotted to Manjula Vijayraghavan, 1,500 Equity Shares were allotted to Ramana J V N S, 1,384 Equity Shares were allotted to Swetha Tatikonda, 1,280 Equity Shares were transferred to Kafeel Ahmed, 1,270 Equity Shares were allotted to Sovon Lal Mukherjee, 1,070 Equity Shares were allotted to Yashwant Khare, 1,280 Equity Shares were allotted to Surya Kumari Kalivarapu, 1,060 Equity Shares were allotted to Shweta H Shah, 1,060 Equity Shares were allotted to Vivek Sharma, 1,060 Equity Shares were allotted to Sukhjinder Singh Saini, 860 Equity Shares were allotted to Paul Jose, 680 Equity Shares were allotted to Baisy Dennis, 680 Equity Shares were allotted toRaghavendra Rao T S, 646 Equity Shares were allotted to Suresh N, 440 Equity Shares were allotted to Suresh Samikannu, 440 Equity Shares were allotted to Sunakshi Agarwal, 280 Equity Shares were allotted to Vidya K H, 224 Equity Shares were allotted to Rajeev Yadav, 220 Equity Shares were allotted to Ramkumar Subramonian, 220 Equity Shares were allotted to Shah Pratik, 220 Equity Shares were allotted to Aylam Rajendran Santhosh, 220 Equity Shares were allotted to Neelima Panghal, 220 Equity Shares were allotted to Parimal Mahendrabhai Raval, 220 Equity Shares were allotted to Ajit Singh, 220 Equity Shares were allotted to Sunil Vijayraj Bothra, 220 Equity Shares were allotted to

Sube Kumumpallil Phillip, 220 Equity Shares were allotted to Ashish V B Goudar, 80 Equity Shares were allotted to Arti Upadhyay, 20 Equity Shares were allotted to Mani Sumathi

(b) ***Preference Share capital***

Our Bank does not have any outstanding preference shares as on the date of the filing of this Draft Red Herring Prospectus.

2. **Offer of Equity Shares at a price lower than the Offer Price in the last year**

Except as disclosed below, our Bank has not issued any Equity Shares during a period of one year preceding the date of this Draft Red Herring Prospectus:

Date of allotment	Number of equity shares allotted	Face value per equity share (₹)	Issue price per equity share (₹)	Nature of consideration	Reason for allotment
April 27, 2021	9,982,759	10	170	Cash	Rights issue(1)
May 4, 2021	147,186,480	10	NA	NA	Bonus issue of two Equity Shares as bonus share for every one existing Equity Share held on May 3, 2021(2)

(1) 11,605,000 Equity Shares were allotted to Wagner Limited, 1,525,000 Equity Shares were allotted to Indium IV (Mauritius) Holdings Limited, 1,471,095 Equity Shares were allotted to True North Fund V LLP, 762,000 Equity Shares were allotted to Omega TC Holdings Pte Limited, 524,113 Equity Shares were allotted to Vistra ITCL I Ltd Business Excellence Trust III India Business Excellence Fund III, 445,000 Equity Shares were allotted to LeapFrog Rural Inclusion (India) Limited, 443,000 Equity Shares were allotted to Kotak Mahindra Life Insurance Company Limited, 400,000 Equity Shares were allotted to Edelweiss Tokio Life Insurance Company Limited, 391,719 Equity Shares were allotted to Amethyst Inclusion Pte. Limited, 273,440 Equity Shares were allotted to H S Khola (jointly with Saroj Khola), 253,616 Equity Shares were allotted to Saroj Khola (jointly with H S Khola), 211,256 Equity Shares were allotted to Dasarathareddy Gunnamreddy, 199,785 Equity Shares were allotted to Acts Mahila Mutually Aided Co-operative Thrift Society, 156,000 Equity Shares were allotted to Bharti Axa Life Insurance Company Limited, 126,000 Equity Shares were allotted to Kalavathi Gunnamreddy, 119,565 Equity Shares were allotted to Silver Leaf Oak (Mauritius) Limited, 115,630 Equity Shares were allotted to Omaze Investments (represented by S Shivapriya and Prakash Sundaram), 70,000 Equity Shares were allotted to Tata Capital Financial Services Limited, 84,888 Equity Shares were allotted to Motilal Oswal Finvest Limited, 70,000 Equity Shares were allotted to Edelweiss GI Investment Assets, 68,171 Equity Shares were allotted to Keyur Doshi, 49,500 Equity Shares were allotted to Care Health Insurance Limited, 49,500 Equity Shares were allotted to Jhelum Investment Fund I, 47,000 Equity Shares were allotted to Sameer Nanavati, 38,382 Equity Shares were allotted to Pankaj Gulati (jointly with Lalita Gulati), 25,000 Equity Shares were allotted to Bhargavi Soham Shukla, 25,000 Equity Shares were allotted to Mahender Ramchand Chawla, 24,006 Equity Shares were allotted to Vurakaranam Chandar Rao, 20,972 Equity Shares were allotted to Parth Keyur Doshi (jointly with Komal Keyur Doshi), 20,616 Equity Shares were allotted to Komal Keyur Doshi (jointly with Keyur Doshi), 20,500 Equity Shares each allotted to Vic Enterprises Private Limited and MB Finmart Private Limited, 20,500 Equity Shares were allotted to Soham Sanatbhai Shukla, 19,500 Equity Shares were allotted to M Venkata Jayaram, 16,000 Equity Shares were allotted to Vivek Kothari, 15,500 Equity Shares were allotted to Mahesh Krishnamurthy, 15,000 Equity Shares were allotted to S M Sundaram, 13,273 Equity Shares were allotted to Paresh Bhaskar Shah, 13,272 Equity Shares were allotted to Kishore R Mangalvedhe, 13,220 Equity Shares were allotted to Deepabh Jain, 12,500 Equity Shares were allotted to Jyoti Ajay Pancholi, 12,000 Equity Shares were allotted to Raj Kumari Arora, 8,800 Equity Shares were allotted to Geeta R Chhabria, 8,700 Equity Shares were allotted to Ashok Murlidhar Wadhwa (jointly with Reena Ashok Wadhwa), 7,971 Equity Shares were allotted to Preeti M Chawla, 7,870 Equity Shares were allotted to Rakesh Kumar Das, 7,610 Equity Shares were allotted to Ravish Chandra, 7,600 Equity Shares were allotted to Sandeep Bhalla, 7,400 Equity Shares were allotted to Ayush Ajay Pancholi, 6,400 Equity Shares were allotted to Imtiyaz Ahmed, 6,300 Equity Shares were allotted to Yogesh Markandrai Nanavati, 6,200 Equity Shares were allotted to Ashish Karamchandani (jointly with Vibha Krishnamurthy), 5,519 Equity Shares were allotted to Mahender R Chawla HUF, 5,300 Equity Shares were allotted to Parinda Sameer Nanavati, 5,200 Equity Shares were allotted to Amar Y G Simha, 4,870 Equity Shares were allotted to Prakash Sundaram, 4,800 Equity Shares were allotted to Nilesh Sangoi, 4,600 Equity Shares were allotted to Dhanya Anapuzha, 4,600 Equity Shares were allotted to Devika Praveen, 4,300 Equity Shares were allotted to Manoj Bhalla, 3,700 Equity Shares were allotted to Pratiksha Yogesh, 3,700 Equity Shares were allotted to Ashish Chhabra (jointly with Payal Jain), 3,439 Equity Shares were allotted to Virender Sharma, 3,500 Equity Shares were allotted to Shashi Kumar Tatikonda, 3,400 Equity Shares were allotted to Pallavi S, 3,300 Equity Shares were allotted to Rekha Prafulchandra Kothari, 3,100 Equity Shares were allotted to Vineetha Rani, 3,100 Equity Shares were allotted to Sriram Raju, 3,100 Equity Shares were allotted to Tathamangalam Natarajan Sambasivan, 2,800 Equity Shares were allotted to Meera Krishnamurthy, 1,900 Equity Shares were allotted to Mani Murugan, 1,900 Equity Shares were allotted to Jigar Modi, 1,900 Equity Shares were allotted to Mayur Dashrathbhai Amin, 1,600 Equity Shares were allotted to Sooriya Biju, 1,600 Equity Shares were allotted to Sunanda Praveen Bakshi, 1,600 Equity Shares were allotted to Surya Narayan, 1,500 Equity Shares were allotted to Karuthapandian V, 1,300 Equity Shares were allotted to Amit Trangri, 1,300 Equity Shares were allotted to Manjula Bhaskar Shah (jointly with Bhaskar Mohanlal Shah), 1,219 Equity Shares were allotted to V Subash, 1,100 Equity Shares were allotted to Vijay Kashyap, 716 Equity Shares were allotted to Desai Nimisha Anjan, 900 Equity Shares were allotted to Shobhan Rohitkumar, 700 Equity Shares were allotted to Krupali Ajay Shah (jointly with Ajay Kantilal Shah), 700 Equity Shares were allotted to Ramana J V N S, 700 Equity Shares were allotted to Manjula Seshan Vijayraghavan, 700 Equity Shares were allotted to Trivedi Beena Nimish, 612 Equity Shares were allotted to Swetha Tatikonda, 605 Equity Shares were allotted to Sovon Lal Mukherjee, 600 Equity Shares were allotted to Surya Kumari Kalivarapu, 600 Equity Shares were allotted to Kafeel Ahmed, 505 Equity Shares were allotted to Yashwant Khare, 500 Equity Shares were allotted to Shweta H Shah, 500 Equity Shares were allotted to Sukhjinder Singh Saini, 500 Equity Shares were allotted to Vivek Sharma, 303 Equity Shares were allotted to Suresh N, 400 Equity Shares were allotted to Paul Jose, 300 Equity Shares were allotted to Raghavendra Rao T S, 300 Equity Shares were allotted to Baisy Dennis, 200 Equity Shares were allotted to Sunakshi Agarwal, 200 Equity Shares were allotted to Suresh Samikannu, 101 Equity Shares were allotted to Rajeev Yadav, 100 Equity Shares were allotted to Ramkumar Subramonian, 100 Equity Shares were allotted to Ashish V B Goudar, 100 Equity Shares were allotted to Shah Pratik, 100 Equity Shares were allotted to Neelima Panghal, 100 Equity Shares were allotted to Vidya K H, 100 Equity Shares were allotted to Parimal Mahendrabhai Raval, 100 Equity Shares were allotted to Sunil Vijayraj Bothra, 100 Equity Shares were allotted to Ajit Singh, 100 Equity Shares were allotted to Sube Kumumpallil and 100 Equity Shares were allotted to Aylam Rajendran Santhosh in proportion to their existing shareholding in our Bank

(2) 115,659,712 Equity Shares were allotted to our Promoter, 4,697,222 Equity Shares were allotted to Vistra ITCL I Ltd Business Excellence Trust III India Business Excellence Fund III, 5,766,956 Equity Shares were allotted to Amethyst Inclusion Pte. Ltd., 3,336,580 Equity Shares were allotted to Indium IV (Mauritius) Holdings Limited, 3,653,420 Equity Shares were allotted to Wagner Limited, 3,439,570 Equity Shares

were allotted to True North Fund V LLP, 1,734,380 Equity Shares were allotted to Omega TC Holdings Pte Ltd, 1,012,860 Equity Shares were allotted to LeapFrog Rural Inclusion (India) Ltd, 976,960 Equity Shares were allotted to Kotak Mahindra Life Insurance Company Limited, 905,940 Equity Shares were allotted to Edelweiss Tokio Life Insurance Company Limited, 760,780 Equity Shares were allotted to Motilal Oswal Finvest Limited, 577,920 Equity Shares were allotted to H S Khola (jointly with Saroj Khola), 553,232 Equity Shares were allotted to Saroj Khola (jointly with H S Khola), 476,654 Equity Shares were allotted to G Dasarathareddy, 460,450 Equity Shares were allotted to Acts Mahila Mutually Aided Co-operative Thrift Society, 354,000 Equity Shares were allotted to Bharti AXA Life Insurance Company Limited, 284,260 Equity Shares were allotted to Kalavathi Gunnamreddy, 271,770 Equity Shares were allotted to Silver Leaf Oak (Mauritius) Limited, 258,260 Equity Shares were allotted Omaze Investments (represented by S Shivapriya and Prakash Sundaram), 163,964 Equity Shares were allotted to Keyur Doshi, 159,320 Equity Shares were allotted to Tata Capital Financial Services Limited, 148,980 Equity Shares were allotted to Edelweiss GI Investment Assets, 112,560 Equity Shares were allotted to Care Health Insurance Limited, 112,560 Equity Shares were allotted to Jhelum Investment Fund I, 108,142 Equity Shares were allotted to Sameer Nanavati, 87,984 Equity Shares were allotted to Pankaj Gulati (jointly with Lalita Gulati) 57,820 Equity Shares were allotted to Mahender Ramchand Chawla, 57,240 Equity Shares were allotted to Bhargavi Soham Shukla, 54,452 Equity Shares were allotted to Vurakaranam Chandar Rao, 49,072 Equity Shares were allotted to Komal Keyur Doshi (jointly with Keyur Doshi), 47,944 Equity Shares were allotted to Parth Keyur Doshi (jointly with Komal Keyur Doshi), 47,882 Equity Shares were allotted to Soham Shukla, 46,560 Equity Shares were allotted to M.B. Finmart Private Limited, 46,560 Equity Shares were allotted to Vic Enterprises Private Limited, 45,360 Equity Shares were allotted to M Venkata Jayaraman, 37,342 Equity Shares were allotted to Vivek Kothari, 35,260 Equity Shares were allotted to Mahesh Krishnamurthy, 34,020 Equity Shares were allotted to S M Sundaram, 30,026 Equity Shares were allotted to Paresh Bhaskar Shah, 30,004 Equity Shares were allotted to Kishore R Mangalvedhe, 29,240 Equity Shares were allotted to Deepaph Jain, 28,420 Equity Shares were allotted to Jyoti Ajay Pancholi, 27,580 Equity Shares were allotted to Raj Kumari Arora, 21,680 Equity Shares were allotted to Ashok Murlidhar Wadhwa (jointly with Reena Ashok Wadhwa), 20,260 Equity Shares were allotted to Geeta R Chhabria, 18,122 Equity Shares were allotted to Preeti M Chawla, 17,900 Equity Shares were allotted to Rakesh Kumar Das, 17,780 Equity Shares were allotted to Sandeep Bhalla, 16,820 Equity Shares were allotted to Ayush Ajay Pancholi, 16,620 Equity Shares were allotted to Ravish Chandra, 16,000 Equity Shares were allotted to Prakash Sundaram, 15,800 Equity Shares were allotted to Parinda Sameer Nanavati, 15,020 Equity Shares were allotted to Yogesh Markandrai Nanavati, 14,560 Equity Shares were allotted to Imtiyaz Ahmed, 14,100 Equity Shares were allotted to Ashish Karamchandani (jointly with Vibha Krishnamurthy), 12,558 Equity Shares were allotted to Mahender R Chawla HUF, 11,820 Equity Shares were allotted to Amar Y G Simha, 10,480 Equity Shares were allotted to Dhanya Anapuzha, 10,180 Equity Shares were allotted to Nilesh Sangoi, 9,800 Equity Shares were allotted to Manoj Bhalla, 9,940 Equity Shares were allotted to Devika Praveen, 8,460 Equity Shares were allotted to Pratiksha Yogesh Nanavati, 8,380 Equity Shares were allotted to Shashi Kumar Tatikonda, 8,180 Equity Shares were allotted to Ashish Chhabra (jointly with Payal Jain), 7,720 Equity Shares were allotted to Pallavi S, 7,378 Equity Shares were allotted to Virender Sharma, 7,060 Equity Shares were allotted to Vineetha Rani, 7,040 Equity Shares were allotted to Tathamangalam Natarajan Sambasivan, 7,020 Equity Shares were allotted to Rekha Prafulchandra Kothari, 6,860 Equity Shares were allotted to Sriram Raju, 6,360 Equity Shares were allotted to Meera Krishnamurthy, 4,320 Equity Shares were Mayur Dashrathbhai Amin, 4,200 Equity Shares were allotted to Jigar Modi, 4,200 Equity Shares were allotted to Mani Murugan, 3,560 Equity Shares were allotted to Surya Narayan Patro, 3,560 Equity Shares were allotted to Sunanda Praveen Bakshi, 3,540 Equity Shares were allotted to Sooriya Biju, 3,340 Equity Shares were allotted to Karuthapandian V, 2,960 Equity Shares were allotted to Manjula Bhaskar Shah (jointly with Bhaskar Mohanlal Shah), 2,880 Equity Shares were allotted to Amit Trangri, 2,678 Equity Shares were allotted to V Subhash, 2,420 Equity Shares were allotted to Vijay Kashyap, 2,000 Equity Shares were allotted to Shobhan Rohitkumar Modi, 1,632 Equity Shares were allotted to Desai Nimisha Anjan, 1,600 Equity Shares were allotted to Krupali Ajay Shah (jointly with Ajay Kantilal Shah), 1,600 Equity Shares were allotted to Trivedi Beena Nimish, 1,580 Equity Shares were allotted to Manjula Vijayraghavan, 1,500 Equity Shares were allotted to Ramana J V N S, 1,384 Equity Shares were allotted to Swetha Tatikonda, 1,280 Equity Shares were transferred to Kafeel Ahmed, 1,270 Equity Shares were allotted to Sovon Lal Mukherjee, 1,070 Equity Shares were allotted to Yashwant Khare, 1,280 Equity Shares were allotted to Surya Kumari Kalivarapu, 1,060 Equity Shares were allotted to Shweta H Shah, 1,060 Equity Shares were allotted to Vivek Sharma, 1,060 Equity Shares were allotted to Sukhjinder Singh Saini, 860 Equity Shares were allotted to Paul Jose, 680 Equity Shares were allotted to Baisy Dennis, 680 Equity Shares were allotted toRaghavendra Rao T S, 646 Equity Shares were allotted to Suresh N, 440 Equity Shares were allotted to Suresh Samikannu, 440 Equity Shares were allotted to Sunakshi Agarwal, 280 Equity Shares were allotted to Vidya K H, 224 Equity Shares were allotted to Rajeev Yadav, 220 Equity Shares were allotted to Ramkumar Subramonian, 220 Equity Shares were allotted to Shah Pratik, 220 Equity Shares were allotted to Aylam Rajendran Santhosh, 220 Equity Shares were allotted to Neelima Panghal, 220 Equity Shares were allotted to Parimal Mahendrabhai Raval, 220 Equity Shares were allotted to Ajit Singh, 220 Equity Shares were allotted to Sunil Vijayraj Bothra, 220 Equity Shares were allotted to Sube Kumumpallil Phillip, 220 Equity Shares were allotted to Ashish V B Goudar, 80 Equity Shares were allotted to Arti Upadhyay, 20 Equity Shares were allotted to Mani Sumathi

3. **Offer of shares for consideration other than cash or out of revaluation of reserves***

Our Bank has not issued any Equity Shares out of revaluation of reserves since its incorporation or for consideration other than cash as on the date of this Draft Red Herring Prospectus.

* *On February 3, 2009, our Bank, then known as Banas Finlease Private Limited, was acquired by Keyur Doshi, Soham Shukla, Sameer Nanavati and Mahender Chawla from the erstwhile shareholders of Banas Finlease Private Limited pursuant to advertisements published on January 1, 2009 in the Indian Express and Jansatta (as per the rules and regulations of the RBI in relation to change in ownership of shares along with control of management) and share transfer applications received by Banas Finlease Private Limited. For the period between April 5, 1995, being the date of incorporation of our Bank and February 3, 2009, being the date when the aforementioned acquisition was undertaken, certain corporate records of our Bank are not traceable with our Bank, or with the RoC. For further details, see "Risk Factors - We have limited knowledge and records of documents relating to corporate actions undertaken by our Bank prior to February 2009. Further, we have not been able to trace certain secretarial records and documents in relation to our Bank, including filings made by our Bank with statutory authorities. We cannot assure you that no legal proceedings or regulatory actions will be initiated against our Bank in the future in relation to such missing corporate records." on page 31.*

4. **Offer of Equity Shares pursuant to schemes of arrangement***

Our Bank has not allotted any Equity Shares pursuant to a scheme of amalgamation approved under Section 391 to 394 of the Companies Act, 1956 or Sections 230 to 234 of the Companies Act.

* *On February 3, 2009, our Bank, then known as Banas Finlease Private Limited, was acquired by Keyur Doshi, Soham Shukla, Sameer Nanavati and Mahender Chawla from the erstwhile shareholders of Banas Finlease Private Limited pursuant to advertisements published on January 1, 2009 in the Indian Express and Jansatta (as per the rules and regulations of the RBI in relation to change in ownership of shares along with control of management) and share transfer applications received by Banas Finlease Private Limited. For the period between April 5, 1995, being the date of incorporation of our Bank and February 3, 2009, being the date when the aforementioned acquisition was undertaken, certain corporate records of our Bank are not traceable with our Bank, or with the RoC. For further details, see "Risk Factors - We have limited knowledge and records of documents relating to corporate actions undertaken by our Bank prior to February 2009. Further, we have not been able to trace certain secretarial records and documents in relation to our Bank, including filings made by our Bank with statutory authorities.*

We cannot assure you that no legal proceedings or regulatory actions will be initiated against our Bank in the future in relation to such missing corporate records." on page 31.

5. **History of the Equity Share capital held by our Promoter**

As on the date of this Draft Red Herring Prospectus, our Promoter holds 173,489,568 Equity Shares equivalent to 78.58% of the issued, subscribed and paid-up Equity Share capital of our Bank.

(a) **Build-up of the shareholding of our Promoter in our Bank**

The details regarding the equity shareholding of our Promoter since incorporation of our Bank is set forth in the table below.

Date of allotment and made fully paid-up	Nature of transaction	No. of Equity Shares	Nature of consideration	Face Value per Equity Share (₹)	Transfer Price per Equity Share (₹)	Percentage of the pre-Offer capital (%)	Percentage of the post- Offer capital (%)
Fincare Business Services Limited							
December 16, 2014	Transfer of Equity Shares(1)	1,386,500	Cash	10	47.7	0.63	[●]
December 16, 2014	Transfer of Equity Shares(2)	1,180,000	Cash	10	53.14	0.53	[●]
May 3, 2016	Rights Issue of Equity Shares	1,802,051	Cash	10	91	0.82	[●]
September 15, 2016	Swap of Equity Shares(3)	7,215,166	Other than cash	10	NA	3.27	[●]
October 5, 2016	Transfer of Equity Shares(4)	1,735,490	Cash	10	111	0.79	[●]
October 14, 2016	Transfer of Equity Shares(5)	(6)	Cash	10	111	0.00	[●]
March 3, 2017	Private placement	6,995,073	Cash	10	203	3.17	[●]
March 24, 2017	Private placement	2,610,837	Cash	10	203	1.18	[●]
March 30, 2017	Private placement	98,523	Cash	10	203	0.04	[●]
September 15, 2017	Transfer of Equity Shares pursuant to the amalgamation of Future Financial Services Private Limited and India Finserve Advisors Private Limited with our Promoter(6)	11,105,123	Other than cash	10	NA	5.03	[●]
September 27, 2018	Rights Issue of Equity Shares	14,943,820	Cash	10	89	6.77	[●]
March 29, 2019	Rights Issue of Equity Shares	1,204,644	Cash	10	266	0.55	[●]
December 5, 2019	Rights Issue of Equity Shares	5,742,755	Cash	10	131.47	2.60	[●]
March 5, 2020	Transfer of Equity Shares pursuant to the amalgamation of Lok Management Services Private Limited with our Promoter(7)	2,978,740	Other than cash	10	NA	1.35	[●]
January 13, 2021	Transfer of Equity Shares(8)	(3,620)	Cash	10	285	0.00	[●]
January 13, 2021	Transfer of Equity Shares(9)	(2,130)	Cash	10	282.50	0.00	[●]
January 13, 2021	Transfer of Equity Shares(10)	(9,360)	Cash	10	282	0.00	[●]
January 13, 2021	Transfer of Equity Shares(11)	(3,180)	Cash	10	281.61	0.00	[●]
January 13, 2021	Transfer of Equity Shares(12)	(380)	Cash	10	281.50	0.00	[●]

Date of allotment and made fully paid-up	Nature of transaction	No. of Equity Shares	Nature of consideration	Face Value per Equity Share (₹)	Transfer Price per Equity Share (₹)	Percentage of the pre-Offer capital (%)	Percentage of the post- Offer capital (%)
January 13, 2021	Transfer of Equity Shares(13)	(11,550)	Cash	10	281	0.01	[●]
January 13, 2021	Transfer of Equity Shares(14)	(180)	Cash	10	280.60	0.00	[●]
January 13, 2021	Transfer of Equity Shares(15)	(23,270)	Cash	10	280.50	0.01	[●]
January 13, 2021	Transfer of Equity Shares(16)	(3,790)	Cash	10	280	0.00	[●]
January 15, 2021	Transfer of Equity Shares(17)	(20)	Cash	10	287	0.00	[●]
January 15, 2021	Transfer of Equity Shares(18)	(2,440)	Cash	10	284	0.00	[●]
January 15, 2021	Transfer of Equity Shares(19)	(5,610)	Cash	10	283	0.00	[●]
January 15, 2021	Transfer of Equity Shares(20)	(1,130)	Cash	10	282.50	0.00	[●]
January 15, 2021	Transfer of Equity Shares(21)	(1,290)	Cash	10	281.50	0.00	[●]
January 15, 2021	Transfer of Equity Shares(22)	(5,860)	Cash	10	281	0.00	[●]
January 15, 2021	Transfer of Equity Shares(23)	(52,970)	Cash	10	280.60	0.02	[●]
January 15, 2021	Transfer of Equity Shares(24)	(1,730)	Cash	10	280.50	0.00	[●]
January 15, 2021	Transfer of Equity Shares(25)	(80)	Cash	10	280.25	0.00	[●]
January 16, 2021	Transfer of Equity Shares(26)	(221,710)	Cash	10	280.55	0.10	[●]
January 18, 2021	Transfer of Equity Shares(27)	(30)	Cash	10	288	0.00	[●]
January 18, 2021	Transfer of Equity Shares(28)	(10)	Cash	10	287	0.00	[●]
January 18, 2021	Transfer of Equity Shares(29)	(210)	Cash	10	286.50	0.00	[●]
January 18, 2021	Transfer of Equity Shares(30)	(90)	Cash	10	285.50	0.00	[●]
January 18, 2021	Transfer of Equity Shares(31)	(700)	Cash	10	285	0.00	[●]
January 18, 2021	Transfer of Equity Shares(32)	(290)	Cash	10	284	0.00	[●]
January 18, 2021	Transfer of Equity Shares(33)	(10)	Cash	10	283.50	0.00	[●]
January 18, 2021	Transfer of Equity Shares(34)	(340)	Cash	10	283	0.00	[●]
January 18, 2021	Transfer of Equity Shares(35)	(8,780)	Cash	10	282	0.00	[●]
January 18, 2021	Transfer of Equity Shares(36)	(3,930)	Cash	10	281	0.00	[●]
January 18, 2021	Transfer of Equity Shares(37)	(248,690)	Cash	10	280.50	0.11	[●]
January 18, 2021	Transfer of Equity Shares(38)	(1,850)	Cash	10	280	0.00	[●]
January 19, 2021	Transfer of Equity Shares(39)	(120)	Cash	10	288	0.00	[●]
January 19, 2021	Transfer of Equity Shares(40)	(460)	Cash	10	286.50	0.00	[●]
January 19, 2021	Transfer of Equity Shares(41)	(470)	Cash	10	286	0.00	[●]
January 19, 2021	Transfer of Equity Shares(42)	(40)	Cash	10	285.50	0.00	[●]
January 19, 2021	Transfer of Equity Shares(43)	(10)	Cash	10	285	0.00	[●]
January 19, 2021	Transfer of Equity Shares(44)	(180)	Cash	10	284	0.00	[●]
January 19, 2021	Transfer of Equity Shares(45)	(740)	Cash	10	283.50	0.00	[●]

Date of allotment and made fully paid-up	Nature of transaction	No. of Equity Shares	Nature of consideration	Face Value per Equity Share (₹)	Transfer Price per Equity Share (₹)	Percentage of the pre-Offer capital (%)	Percentage of the post- Offer capital (%)
January 19, 2021	Transfer of Equity Shares(46)	(580)	Cash	10	283	0.00	[●]
January 19, 2021	Transfer of Equity Shares(47)	(370)	Cash	10	282.50	0.00	[●]
January 19, 2021	Transfer of Equity Shares(48)	(15,560)	Cash	10	281.50	0.01	[●]
January 19, 2021	Transfer of Equity Shares(49)	(3,220)	Cash	10	281	0.00	[●]
January 19, 2021	Transfer of Equity Shares(50)	(45,870)	Cash	10	280	0.02	[●]
January 20, 2021	Transfer of Equity Shares(51)	(330)	Cash	10	285.50	0.00	[●]
January 20, 2021	Transfer of Equity Shares(52)	(26,390)	Cash	10	281	0.01	[●]
January 20, 2021	Transfer of Equity Shares(53)	(143,290)	Cash	10	280.50	0.06	[●]
January 20, 2021	Transfer of Equity Shares(54)	(16,320)	Cash	10	280.20	0.01	[●]
January 20, 2021	Transfer of Equity Shares(55)	(210)	Cash	10	280	0.00	[●]
January 21, 2021	Transfer of Equity Shares(56)	(9,660)	Cash	10	280	0.00	[●]
January 21, 2021	Transfer of Equity Shares(57)	(105,190)	Cash	10	280.50	0.05	[●]
January 22, 2021	Transfer of Equity Shares(58)	(200)	Cash	10	285.50	0.00	[●]
January 22, 2021	Transfer of Equity Shares(59)	(200)	Cash	10	281	0.00	[●]
January 22, 2021	Transfer of Equity Shares(60)	(61,430)	Cash	10	280.40	0.03	[●]
February 3, 2021	Transfer of Equity Shares(61)	(250)	Cash	10	286.50	0.00	[●]
February 3, 2021	Transfer of Equity Shares(62)	(200)	Cash	10	286	0.00	[●]
February 3, 2021	Transfer of Equity Shares(63)	(660)	Cash	10	285.50	0.00	[●]
February 3, 2021	Transfer of Equity Shares(64)	(170)	Cash	10	285	0.00	[●]
February 3, 2021	Transfer of Equity Shares(65)	(120)	Cash	10	283.50	0.00	[●]
February 3, 2021	Transfer of Equity Shares(66)	(100)	Cash	10	282	0.00	[●]
February 3, 2021	Transfer of Equity Shares(67)	(2,140)	Cash	10	281.60	0.00	[●]
February 3, 2021	Transfer of Equity Shares(68)	(1,400)	Cash	10	281.50	0.00	[●]
February 3, 2021	Transfer of Equity Shares(69)	(1,840)	Cash	10	281	0.00	[●]
February 3, 2021	Transfer of Equity Shares(70)	(600)	Cash	10	280.75	0.00	[●]
February 3, 2021	Transfer of Equity Shares(71)	(10,100)	Cash	10	280.50	0.00	[●]
February 3, 2021	Transfer of Equity Shares(72)	(10)	Cash	10	280	0.00	[●]
February 5, 2021	Transfer of Equity Shares(73)	(14,130)	Cash	10	281	0.01	[●]
February 8, 2021	Transfer of Equity Shares(74)	(40)	Cash	10	288	0.00	[●]
February 8, 2021	Transfer of Equity Shares(75)	(90)	Cash	10	286	0.00	[●]
February 12, 2021	Transfer of Equity Shares(76)	(6,000)	Cash	10	282	0.00	[●]
February 12, 2021	Transfer of Equity Shares(77)	(7,000)	Cash	10	281	0.00	[●]
February 12, 2021	Transfer of Equity Shares(78)	(23,000)	Cash	10	280.50	0.01	[●]

Date of allotment and made fully paid-up	Nature of transaction	No. of Equity Shares	Nature of consideration	Face Value per Equity Share (₹)	Transfer Price per Equity Share (₹)	Percentage of the pre-Offer capital (%)	Percentage of the post- Offer capital (%)
February 18, 2021	Transfer of Equity Shares(79)	(1,000)	Cash	10	284	0.00	[●]
February 25, 2021	Transfer of Equity Shares(80)	(2,500)	Cash	10	281	0.00	[●]
March 1, 2021	Transfer of Equity Shares(81)	(30,440)	Cash	10	280	0.01	[●]
March 12, 2021	Transfer of Equity Shares(82)	(21,000)	Cash	10	281	0.01	[●]
May 4, 2021	Bonus issue of two Equity Shares as bonus share for every one existing Equity Share	115,659,712	NA	10	NA	52.39	[●]
Total		**173,489,568**				**78.58**	[●]

(1) 570,000 Equity Shares were transferred from Keyur Doshi, 242,500 Equity Shares were transferred from Mahender Chawla, 225,000 Equity Shares were transferred from Vivek Kothari, 113,000 Equity Shares each were transferred from Komal K. Doshi and Parinda Nanavati, 73,000 Equity Shares were transferred from Bhargavi Shukla and 50,000 Equity Shares were transferred from Geeta R. Chhabria (jointly with Raajkumar K. Chhabria)

(2) 610,000 Equity Shares were transferred from Soham Shukla and 570,000 Equity Shares were transferred from Sameer Nanavati

(3) Swap of 7,215,166 equity shares held by Indium IV (Mauritius) Holdings Limited in our Bank and 8,883,092 equity shares held by Indium IV (Mauritius) Holdings Limited in FFSPL with 12,781,306 equity shares of our Promoter allotted to Indium IV (Mauritius) Holdings Limited, pursuant to restructuring of our Promoter's holdings in compliance with the RBI Final Approval

(4) 1,735,490 Equity Shares were transferred from Indium IV (Mauritius) Holdings Limited

(5) 1 Equity Share each was transferred to Keyur Doshi, Soham Shukla, Sameer Nanavati, Vivek S. Kothari, Rajeev Yadav and Dashrathareddy G

(6) Transfer of 11,105,123 Equity Shares pursuant to the amalgamation of Future Financial Services Private Limited and India Finserve Advisors Private Limited with our Promoter pursuant to a scheme of amalgamation under Sections 391 to 394 read with Section 100 to 103 of the Companies Act, 1956 and Section 52 of the Companies Act, 2013

(7) Transfer of 2,978,740 Equity Shares pursuant to the amalgamation of Lok Management Services Private Limited and our Promoter pursuant to a scheme of amalgamation under Section 233 and other relevant provisions of the Companies Act, 2013

(8) 3,620 Equity Shares were transferred to Bhargavi Soham Shukla

(9) 2,130 Equity Shares were transferred to Mahesh Krishnamurthy

(10) 3,910 Equity Shares were transferred to Mahender Ramchand Chawla, 2,780 Equity Shares were transferred to M.B. Finmart Private Limited 1,790 Equity Shares were transferred to Raj Kumari Arora and 880 Equity Shares were transferred to Imtiyaz Ahmed

(11) 3,180 Equity Shares were transferred to M. Venkata Jayaraman

(12) 380 Equity Shares were transferred to Meera Krishnamurthy

(13) 6,780 Equity Shares each were transferred to Care Health Insurance Limited, 3,920 Equity Shares were transferred to Komal Keyur Doshi (jointly with Keyur Doshi) and 850 Equity Shares were transferred to Ashish Karamchandani (jointly with Vibha Krishnamurthy)

(14) 180 Equity Shares were transferred to Manjula Bhaskar Shah (jointly with Bhaskar Mohanlal Shah)

(15) 8,810 Equity Shares were transferred to Keyur Doshi, 6,780 Equity Shares were transferred to Jhelum Investment Fund I, 3,000 Equity Shares were transferred to Parth Keyur Doshi (jointly with Komal Keyur Doshi), 2,670 Equity Shares were transferred to Vivek Kothari, 2,010 Equity Shares were transferred to S M Sundaram

(16) 2,780 Equity Shares were transferred to Vic Enterprises Private Limited and 1,010 Equity Shares were transferred to Ayush Ajay Pancholi

(17) 20 Equity Shares were transferred to Suresh Samikannu

(18) 2,440 Equity Shares were transferred to Soham Sanatbhai Shukla

(19) 5,610 Equity Shares were transferred to Pankaj Gulati (jointly with Lalita Gulati)

(20) 700 Equity Shares were transferred to Ravish Chandra, 420 Equity Shares were transferred to Tathamangalam Natarajan Sambasivan and 10 Equity Shares were transferred to Ramkumar Subramonian

(21) 1,290 Equity Shares were transferred to Sandeep Bhalla

(22) 4,490 Equity Shares were transferred to Edelweiss GI Investment Assets, 1,080 Equity Shares were transferred to Rakesh Kumar Das, 250 Equity Shares were transferred to Virender Sharma and 40 Equity Shares were transferred to Baisy Dennis

(23) 52,970 Equity Shares were transferred to Edelweiss Tokio Life Insurance Company Limited

(24) 1,730 Equity Shares were transferred to Kishore R. Mangalvedhe

(25) 80 Equity Shares were transferred to Swetha Tatikonda,

(26) 221,710 Equity Shares were transferred to Wagner Limited

(27) 30 Equity Shares were transferred to Yashwant Khare

(28) 10 Equity Shares were transferred to Shah Pratik

(29) 210 Equity Shares were transferred to Rekha Prafulchandra Kothari

(30) 50 Equity Shares were transferred to Ramana J.V.N.S. and 40 Equity Shares were transferred to Kafeel Ahmed

(31) 690 Equity Shares were transferred to Shashi Kumar Tatikonda and 10 Equity Shares were transferred to Ashish V.B. Goudar

(32) 290 Equity Shares were transferred to Nilesh Sangoi

(33) 10 Equity Shares were transferred to Neelima Panghal

(34) 200 Equity Shares were transferred to Jigar Modi and 140 Equity Shares were transferred to Amit Trangri

(35) 7,070 Equity Shares were transferred to Nanavati Sameer and 1,710 Equity Shares were transferred to Jyoti Ajay Pancholi

(36) 2,600 Equity Shares were transferred to Parinda Sameer Nanavati and 1,330 Equity Shares were transferred to Geeta R. Chhabria

(37) 248,690 Equity Shares were transferred to True North Fund V LLP

(38) 1,090 Equity Shares were transferred to Preeti M. Chawla and 760 Equity Shares were transferred to Mahender R Chawla HUF

(39) 120 Equity Shares were transferred to V. Subash

(40) 460 Equity Shares were transferred to Pallavi S

(41) 430 Equity Shares were transferred to Vineetha Rani, 30 Equity Shares were transferred to Sukhjinder Singh Saini and 10 Equity Shares transferred to Rajeev Yadav

(42) 40 Equity Shares were transferred to Vidya KH.

(43) 10 Equity Shares were transferred to Parimal Mahendrabhai Raval

(44) 180 Equity Shares were transferred to Surya Narayan Patro

(45) 710 Equity Shares were transferred to Amar Y.G. Simha and 30 Equity Shares were transferred to Shweta H. Shah

(46) 530 Equity Shares were transferred to Pratiksha Yogesh Nanavati, 30 Equity Shares were transferred to Vivek Sharma and 20 Equity Shares were transferred to Suresh N.

(47) 370 Equity Shares were transferred to Devika Praveen

(48) 15,520 Equity Shares were transferred to H.S. Khola and 40 Equity Shares were transferred to Raghavendra Rao T.S.

(49) 3,220 Equity Shares were transferred to Vurakaranam Chandar Rao

(50) 45,480 Equity Shares were transferred to Kotak Mahindra Life Insurance Company Limited and 390 Equity Shares were transferred to Ashish Chhabra (jointly with Payal Jain)

(51) 330 Equity Shares were transferred to Sriram Raju

(52) 26,130 Equity Shares were transferred to Kalavathi Gunnamreddy and 260 Equity Shares were transferred to Mayur Dashrathbhai Amin

(53) 143,290 Equity Shares were transferred to Indium IV Mauritius Holdings Limited

(54) 16,320 Equity Shares were transferred to Silver Leaf Oak (Mauritius) Limited

(55) 210 Equity Shares were transferred to Yogesh Markandrai Nanavati

(56) 9,660 Equity Shares were transferred to Tata Capital Financial Services Limited

(57) 105,190 Equity Shares were transferred to Omega TC Holdings Pte Ltd

(58) 200 Equity Shares were transferred to Mani Murugan

(59) 100 Equity Shares each were transferred to Krupali Ajay Shah and Trivedi Beena Nimish

(60) 61,430 Equity Shares were transferred to Leapfrog Rural Inclusion (India) Limited

(61) 180 Equity Shares were transferred to Sunanda Praveen Bakshi, 40 Equity Shares were transferred to Arti Upadhayay and 30 Equity Shares were transferred to Paul Jose

(62) 170 Equity Shares were transferred to Karuthapandian V. and 30 Equity Shares were transferred to Sovon Lal Mukherjee

(63) 640 Equity Shares were transferred to Dhanya Anapuzha and 10 Equity Shares each were transferred to Sunil Vijayraj Bothra and Mani Sumathi

(64) 170 Equity Shares were transferred to Sooriya Biju

(65) 110 Equity Shares were transferred to Vijay Kashyap and 10 Equity Shares were transferred to Aylam Rajendran Santhosh

(66) 100 Equity Shares were transferred to Shobhan Rohitkumar Modi

(67) 2,140 Equity Shares were transferred to Ashok Murlidhar Wadhwa (jointly with Reena Ashok Wadhwa)

(68) 1,400 Equity Shares were transferred to Deepabh Jain

(69) 1,740 Equity Shares were transferred to Paresh Bhaskar Shah and 100 Equity Shares each were transferred to Desai Nimisha Anjan

(70) 600 Equity Shares were transferred to Manoj Bhalla

(71) 10,070 Equity Shares were transferred to Dasarathareddy Gunnamreddy, 20 Equity Shares were transferred to Sunakshi Agarwal and 10 Equity Shares were transferred to Ajit Singh

(72) 10 Equity Shares were transferred to Sube Kumumpallil Phillip

(73) 14,130 Equity Shares were transferred to Prakash Sundaram

(74) 40 Equity Shares were transferred to Surya Kumari Kalivarapu

(75) 90 Equity Shares were transferred to Manjula Vijayraghavan

(76) 5,000 Equity Shares were transferred to Keyur Doshi and 1,000 Equity Shares were transferred to Yogesh Nanavati

(77) 7,000 Equity Shares were transferred to Dasarathareddy Gunnamreddy

(78) 23,000 Equity Shares were transferred to Saroj Khola (jointly with H S Khola)

(79) 1,000 Equity Shares were transferred to Soham Shukla

(80) 2,500 Equity Shares were transferred to Omaze Investments (represented by S Shivapriya and Prakash Sundaram)

(81) 30,440 Equity Shares were transferred to Acts Mahilla Mutually Aided Co Op Thrift Society Limited

(82) 21,000 Equity Shares were transferred to Bharti AXA Life Insurance Company Limited

All the Equity Shares held by our Promoter were fully paid-up on the respective dates of acquisition of such Equity Shares.

(b) **Details of Promoter's contribution and lock-in**

(i) Pursuant to Regulations 14 and 16 of the SEBI ICDR Regulations, an aggregate of 20% of the fully diluted post-Offer Equity Share capital of our Bank held by the Promoter (assuming full conversion of vested options, if any, under ESOP 2018-3-FSFB ("**ESOP 2018**"), shall be locked in for a period of three years as minimum Promoter's contribution from the date of Allotment and the shareholding of the Promoter in excess of 20% of the fully diluted post-Offer Equity Share capital shall be locked in for a period of one year from the date of Allotment.

(ii) Details of the Equity Shares to be locked-in for three years from the date of Allotment as minimum Promoter's contribution are set forth in the table below:

Name of Promoter	Number of Equity Shares locked-in	Date of allotment of Equity Shares and when made fully paid-up*	Nature of transaction	Face Value per Equity Share (₹)	Offer/ Acquisition price per Equity Share (₹)	Percentage of the pre-Offer paid-up capital (%)	Percentage of the post-Offer paid-up capital (%)	Date up to which Equity Shares are subject to lock-in
Fincare Business Services Limited	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
Total	[●]	[●]	[●]	[●]	[●]	[●]	[●]	

* *All Equity Shares allotted to our Promoter were fully paid-up at the time of allotment.*

(iii) Our Bank undertakes that the Equity Shares that are being locked-in are not ineligible for computation of Promoter's contribution in terms of Regulation 15 of the SEBI ICDR Regulations.

(iv) In this connection, please note that:

a. The Equity Shares offered for Promoter's contribution do not include (i) Equity Shares acquired in the three immediately preceding years for consideration other than cash and revaluation of assets or capitalisation of intangible assets was involved in such transaction, or (ii) Equity Shares resulting from bonus issue by utilization of revaluation reserves or unrealised profits of our Bank or bonus shares issued against Equity Shares, which are otherwise ineligible for computation of minimum Promoter's contribution.

b. The minimum Promoter's contribution does not include any Equity Shares acquired during the immediately preceding one year at a price lower than the price at which the Equity Shares are being offered to the public in the Offer.

c. Our Bank has not been formed by the conversion of one or more partnership firms or a limited liability partnership firm.

d. As on the date of this Draft Red Herring Prospectus, 2,331,150 Equity Shares ("**Pledged Shares**") held by our Promoter are pledged with Tata Capital Financial Services Limited. The pledge on the Pledged Shares will be released in its entirety, prior to the filing of the RHP with the RoC, and in no event, later than 5 (five) days prior to filing of the RHP with the RoC. It is clarified that the Pledged Shares do not form part of the Promoter's contribution.

e. All the Equity Shares held by our Promoter are in dematerialised form.

(c) **Other lock-in requirements:**

(i) In addition to the 20% of the fully diluted post-Offer shareholding of our Bank held by our Promoter locked in for three years as specified above, the entire pre-Offer Equity Share capital of our Bank will be locked-in for a period of one year from the date of Allotment, including any unsubscribed portion of the Offer for Sale, except for the Equity Shares which are successfully transferred as a part of the Offer for Sale by the Promoter Selling Shareholder, and any other categories of shareholding exempted under Regulation 17 of SEBI ICDR Regulations.

(ii) Our Promoter has agreed not to sell, transfer, charge, pledge or otherwise encumber in any manner, the Promoter's contribution from the date of filing of this Draft Red Herring Prospectus, until the expiry of the lock-in specified above, or for such other time as required under SEBI ICDR Regulations, except as may be permitted, in accordance with the SEBI ICDR Regulations.

(iii) Further, pursuant to the SFB Licensing Guidelines, our Promoter's minimum initial contribution to the paid-up Equity Share capital of our Bank is required to be at least 40% and locked in for a period of five years from the date of commencement of business. Our Promoter's contribution is required to be diluted thereafter, in accordance with the SFB Licensing Guidelines as described in "*Key Regulations and Policies*" on page 165.

(iv) Any Equity Shares Allotted to Anchor Investors under the Anchor Investor Portion shall be locked-in for a period of 30 days from the date of Allotment.

6. **Shareholding Pattern of our Bank**

The table below presents the equity shareholding pattern of our Bank as on the date of this Draft Red Herring Prospectus.

Category (I)	**Category of shareholder (II)**	**Number of shareholders (III)**	**Number of fully paid-up Equity Shares held (IV)**	**Number of partly paid-up Equity Shares held (V)**	**Number of shares underlying Depository Receipts (VI)**	**Total number of shares held (VII) =(IV)+(V)+ (VI)**	**Shareholding as a % of total number of shares (calculated as per SCRR, 1957) (VIII) As a % of (A+B+C2)**	**Number of Voting Rights held in each class of securities (IX)***			**Number of shares underlying outstanding convertible securities (including warrants) (X)**	**Shareholding, as a % assuming full conversion of convertible securities (as a percentage of diluted share capital) (XI)= (VII)+(X) As a % of (A+B+C2)**	**Number of locked in shares (XII)**		**Number of Shares pledged or otherwise encumbered (XIII)**		**Number of Equity Shares held in dematerialized form (XIV)**
								Number of Voting Rights		**Total as a % of (A+B+C)**			**Number (a)**	**As a % of total Shares held** (b)	**Number (a)**	**As a % of total Shares held (b)**	
								Class: Equity Shares	**Total**								
(A)	**Promoters and Promoter Group**	1	173,489,568	0	0	173,489,568	78.58	Equity	173,489,568	78.58	0	0	0	0	2,331,150	1.06	173,489,568
(B)	**Public**	114	47,290,152	0	0	47,290,152	21.42	Equity	47,290,152	21.42	0	0	0	0	129,130	0.06	47,290,152
(C)	**Non Promoters - Non Public**	0	0	0	0	0	0.00	0	0	0	0	0	0	0	0	0	0
(C1)	**Shares underlying DRs**	0	0	0	0	0	0.00	0	0	0	0	0	0	0	0	0	0
(C2)	**Shares held by Employee Trusts**	0	0	0	0	0	0.00	0	0	0	0	0	0	0	0	0	0
	Total	**115**	**220,779,720**	**0**	**0**	**220,779,720**	**100.00**		**220,779,720**	**100.00**	**0**	**0**	**0**	0	**2,460,280**	**1.11**	**220,779,720**

* *Voting rights of all Shareholders will be exercised in accordance with applicable law*

7. **Details of equity shareholding of the major Shareholders of our Bank**

(i) The Shareholders holding 1% or more of the paid-up Equity Share capital of our Bank and the number of Equity Shares held by them as on the date of this Draft Red Herring Prospectus are set forth in the table below:

Sr. No.	Name of the Shareholder	Number of Equity Shares on a fully diluted basis*	Percentage of the pre- Offer Equity Share capital (%) on a fully diluted basis
1.	Fincare Business Services Limited	173,489,568	78.57
2.	Amethyst Inclusion Pte. Ltd.	8,650,434	3.92
3.	Vistra ITCL I Ltd Business Excellence Trust III India Business Excellence Fund III	7,045,833	3.19
4.	Wagner Limited	5,480,130	2.48
5.	True North Fund V LLP	5,159,355	2.34
6.	Indium IV (Mauritius) Holdings Limited	5,004,870	2.27
7.	Omega TC Holdings Pte Ltd	2,601,570	1.18
	Total	**207,431,760**	**93.94**

**Based on the beneficiary position statement dated May 5, 2021 and assuming exercise of all vested options*

(ii) The Shareholders who held 1% or more of the paid-up Equity Share capital of our Bank and the number of Equity Shares held by them 10 days prior to the date of this Draft Red Herring Prospectus are set forth in the table below:

Sr. No.	Name of the Shareholder	Number of Equity Shares on a fully diluted basis*	Percentage of the pre- Offer Equity Share capital (%) on a fully diluted basis
1.	Fincare Business Services Limited	57,829,856	78.54
2.	Amethyst Inclusion Pte. Ltd.	2,883,478	3.92
3.	Vistra ITCL I Ltd Business Excellence Trust III India Business Excellence Fund III	2,348,611	3.19
4.	Wagner Limited	1,826,710	2.48
5.	True North Fund V LLP	1,719,785	2.34
6.	Indium IV (Mauritius) Holdings Limited	1,668,290	2.27
7.	Omega TC Holdings Pte Ltd	867,190	1.18
	Total	69,143,920	**93.90**

**Based on the beneficiary position statement dated April 30, 2021 and assuming exercise of all vested options*

(iii) The Shareholders who held 1% or more of the paid-up equity share capital of our Bank and the number of equity shares held by them one year prior to the date of this Draft Red Herring Prospectus are set forth in the table below:

Sr. No.	Name of the Shareholder	Number of Equity Shares on a fully diluted basis*	Percentage of the pre- Offer equity share capital (%) on a fully diluted basis
1.	Fincare Business Services Limited	56,019,976	88.07
2.	Lok Management Services Private Limited@	2,978,740	4.68
3.	True North Fund V LLP	2,556,407	4.02
4.	Indium IV (Mauritius) Holdings Limited	1,665,296	2.62
	Total	**63,220,419**	**99.39**

**Based on the beneficiary position statement dated May 8, 2020 and assuming exercise of all vested options*

@Lok Management Services Private Limited was merged with our Promoter by way of order of the Regional Director dated March 5, 2020. However, due to procedural formalities, the name of relevant demat account was changed to our Promoter's name on June 3, 2020, where our Board took note of this change by way of a circular resolution dated July 24, 2020 and our Board approved this on July 29, 2020

(iv) The Shareholders who held 1% or more of the paid-up equity share capital of our Bank and the number of equity shares held by them two years prior to the date of this Draft Red Herring Prospectus are set forth in the table below:

Sr. No.	Name of the Shareholder	Number of Equity Shares on a fully diluted basis*	Percentage of the pre-Offer equity share* capital (%) on a fully diluted basis
1.	Fincare Business Services Limited	50,277,221	89.09
2.	True North Fund V LLP	2,186,109	3.87
3.	Lok Management Services Private Limited	1,917,293	3.40
4.	Indium IV (Mauritius) Holdings Limited	1,665,296	2.95
	Total	**56,045,919**	**99.31**

**Based on the beneficiary position statement dated May 10, 2019 and assuming exercise of all vested options*

8. **Details of Equity Shares held by our Directors, Key Managerial Personnel and directors of our Promoter and members of our Promoter Group**

(i) Except as disclosed below our Directors, Key Managerial Personnel and directors of our Promoter do not hold Equity Shares and employee stock options in our Bank:

Sr. No.	Name	No. of Equity Shares	Percentage of the pre-Offer Equity Share Capital (%)	Number of employee stock options outstanding	Percentage of the post-Offer of Equity Share Capital (%)
Directors					
1.	Sameer Yogesh Nanavati	162,213	0.07	Nil	[●]
2.	Rajeev Yadav	336	Negligible	123,484*	[●]
KMPs					
3.	Keyur Doshi	245,946	0.11	Nil	[●]
4.	Pankaj Gulati	131,976	0.06	Nil	[●]
5.	Mahendra Ramchand Chawla	86,730	0.04	Nil	[●]
6.	Chandar Rao V.	81,678	0.04	Nil	[●]
7.	Soham Shukla	71,823	0.03	Nil	[●]
8.	Venkata Jayaraman M.	68,040	0.03	Nil	[●]
9.	Kishore Mangalvedhe	45,006	0.02	Nil	[●]
10.	Deepabh Jain	43,860	0.02	Nil	[●]
11.	Rakesh Das	26,850	0.01	Nil	[●]
12.	Ravish Chandra	24,930	0.01	Nil	[●]
13.	Nilesh Sangoi	15,270	0.01	Nil	[●]
14.	Devika Praveen	14,910	0.01	Nil	[●]
15.	Ashish Chhabra	12,270	0.01	Nil	[●]
16.	Virender Sharma	11,067	0.01	Nil	[●]
17.	Subash V	4,017	0.00	Nil	[●]
Directors of our Promoter					
18.	Dasarathareddy Gunnamreddy	714,981	0.32	Nil	[●]
Total		**1,761,903**	**0.80**	**123,484**	**[●]**

** The Nomination and Remuneration Committee of the Bank, in its meeting dated April 20, 2021, has recommended the grant of 137,500 options to Rajeev Yadav, the Managing Director and CEO, at an exercise price of ₹280 per option, under the ESOP Scheme, for which approval is awaited from the RBI. Therefore, the cost pertaining to the proposed grant has not been accounted for in the Restated Financial Statements.*

(ii) Except as disclosed below, the directors of our Promoter, our Promoter and the members of the Promoter Group do not hold Equity Shares and employee stock options in our Bank:

S. No.	Name	No. of Equity Shares	Percentage of the pre-Offer Equity Share Capital (%)	Percentage of the post-Offer Equity Share Capital (%)
Promoter				
1.	Fincare Business Services Limited	173,489,568	78.58	[●]
Director of our Promoter				
2.	Dasarathareddy Gunnamreddy	714,981	0.32	[●]
Total		**174,204,549**	**78.90**	**[●]**

9. None of the Managers or their respective associates (as defined under the SEBI Merchant Bankers Regulations) hold any Equity Shares in our Bank as on the date of this Draft Red Herring Prospectus.

10. There are no partly paid-up Equity Shares as on the date of this Draft Red Herring Prospectus and all Equity Shares were fully paid-up as on the date of allotment, except as disclosed in *"- Notes to Capital Structure – 1. Share Capital History of our Bank – (a) Equity Shares capital"* on page 68.

11. **ESOP 2018**

Our Bank, pursuant to the resolution passed by our Board on March 29, 2019 and the resolution passed by our Shareholders on May 10, 2019, adopted ESOP 2018 to create, offer, issue and allot in one or more tranches, stock options which are convertible into Equity Shares. ESOP 2018 was further amended by the Board pursuant to the resolution passed at its meeting held on April 28, 2021 and by the Shareholders pursuant to special resolution passed at the general meeting of our Bank held on May 1, 2021. The purpose of ESOP 2018 is to reward the employees of our Bank for their performance and to motivate and incentivize them to contribute to the growth of our Bank. The aggregate number of Equity Shares issued under ESOP 2018, upon exercise, shall not exceed 1,000,000 Equity Shares at such price and on such terms and conditions as may be fixed or determined by the Board.

ESOP 2018 is in compliance with the SEBI SBEB Regulations. As on March 31, 2021, 123,484 options have been granted by our Bank under ESOP 2018. The details of ESOP 2018, as on March 31, 2021, are as follows:

Particulars	Financial Year 2021	Financial Year 2020	Financial Year 2019
Total options outstanding at the beginning of the period	Nil	Nil	Nil
Options granted	123,484 (Refer to Note 1)	Nil	Nil
Vesting period	The options are granted with a vesting schedule of one third of the granted options each vesting at the end of 12 months, 24 months and 36 months, respectively, from the date of the grant.	-	-
Exercise Price (in ₹)	Weighted Average Exercise of ₹280.85	Nil	Nil
Options vested and not exercised	40,750	-	-
Options exercised	Nil	-	-
The total number of Equity Shares arising as a result of exercise of options	Nil	-	-
Options forfeited/lapsed	Nil	-	-
Variation of terms of options	There is no variation in the terms of the options granted.	-	-
Money realized by exercise of options	Nil	-	-
Total number of options in force	123,484 (Refer to Note 1)		
Employee-wise detail of options granted to:	Nil	-	-
i. Key managerial personnel	**Name**	**Financial Year**	**Number of Options Granted**
	Rajeev Yadav	2021	123,484 (Refer to Note 1)
		Total	123,484
ii. Any other employee who received a grant in any one year of options amounting to 5% or more of the options granted during the year	Nil		
iii. Identified employees who were granted options during any one year equal to or exceeding 1% of the issued capital (excluding outstanding warrants and	No options were granted under the ESOP 2018 amounting to more than 1% of the issued capital of our Bank, at the time of grant, to any employee in any year.		

<table>
<tr><th>Particulars</th><th>Financial Year 2021</th><th>Financial Year 2020</th><th>Financial Year 2019</th></tr>
<tr><td>conversions) of our Bank at the time of grant</td><td colspan="3"></td></tr>
<tr><td>Fully diluted earnings per Equity Share – (face value of ₹10 per Equity Share) pursuant to issue of Equity Shares on exercise of options calculated in accordance with the applicable accounting standard for ‘Earnings per Share’</td><td colspan="3"><table>
<tr><th colspan="3">Diluted EPS as per the Restated Financial Statements</th></tr>
<tr><th>Nine Months Period Ended December 31, 2020*</th><th>Financial Year 2020</th><th>Financial Year 2019</th></tr>
<tr><td>16.34</td><td>24.43</td><td>22.41</td></tr>
</table>
*not annualized</td></tr>
<tr><td>Lock-in</td><td colspan="3">As per ESOP 2018, there is no lock-in</td></tr>
<tr><td>Difference, if any, between employee compensation cost calculated using the intrinsic value of stock options and the employee compensation cost calculated on the basis of fair value of stock options and its impact on profits and on the Earnings per Equity Share – (face value ₹10 per Equity Share)</td><td colspan="3">Our Bank has calculated the employee compensation cost using Fair Value method.</td></tr>
<tr><td>Description of the pricing formula method and significant assumptions used during the year to estimate the fair values of options, including weighted-average information, namely, risk-free interest rate, expected life, expected volatility, expected dividends and the price of the underlying share in market at the time of grant of the option</td><td colspan="3">Following method and assumptions were used for computing the weighted average fair value as per the Restated Financial Statements:
The Black Scholes valuation model has been used for computing the weighted average fair value:<table>
<tr><th>Particulars</th><th>Nine Months Period Ended December 31, 2020</th></tr>
<tr><td>Weighted average exercise price (₹)</td><td>280.85</td></tr>
<tr><td>Weighted average share price (₹)</td><td>280.85</td></tr>
<tr><td>Expected volatility</td><td>33.50% - 36.40%</td></tr>
<tr><td>Life of the options granted (Vesting and exercise period)</td><td></td></tr>
<tr><td>- At the grant date</td><td>3.50 years - 5.50 years</td></tr>
<tr><td>Risk free interest rate</td><td>6.48% - 7.19%</td></tr>
<tr><td>Expected Dividend rate</td><td>-</td></tr>
</table></td></tr>
<tr><td>Impact on profit and Earnings per Equity Share – (face value ₹10 per Equity Share) of the last three years if the accounting policies prescribed in the SEBI SBEB Regulations had been followed in respect of options granted in the last three years</td><td colspan="3">Our Bank has complied with the Guidance Note on Accounting for Employee Share-based payments, issued by The Institute of Chartered Accountants of India which is in line with SEBI (Share Based Employee Benefits) Regulations, 2014, as amended.</td></tr>
<tr><td>Intention of the KMPs and whole time directors who are holders of Equity Shares allotted on exercise of options granted to sell their equity shares within three months after the date of listing of Equity Shares pursuant to the Offer</td><td colspan="3">There is no intention of any of the Key Managerial Personnel or whole-time Directors to sell their Equity Shares within three months after the date of listing pursuant to the Offer.</td></tr>
<tr><td>Intention to sell Equity Shares arising out of an</td><td colspan="3">There is no intention of any of the Directors, senior management personnel and employees to sell their Equity Shares within three months after the date of listing pursuant to the Offer.</td></tr>
</table>

Particulars	Financial Year 2021	Financial Year 2020	Financial Year 2019
employee stock option scheme within three months after the listing of Equity Shares, by Directors, senior management personnel and employees having Equity Shares arising out of an employee stock option scheme, amounting to more than 1% of the issued capital (excluding outstanding warrants and conversions)			

Note 1: Pursuant to approval from the RBI vide letter dated February 10, 2021, the Bank has made a grant of 48,188 options pertaining to Financial Year 2018 and 75,296 options pertaining to Financial Year 2019 to Rajeev Yadav, the Managing Director and Chief Executive Officer. This has been accounted in the Restated Financial Statements for the nine months period ended December 31, 2020.

Note 2: The Nomination and Remuneration Committee of the Bank, in its meeting dated April 20, 2021, has recommended the grant of 137,500 options to Rajeev Yadav, the Managing Director and CEO, at an exercise price of ₹280 per option, under the ESOP Scheme, for which approval is awaited from the RBI. Therefore, the cost pertaining to the proposed grant has not been accounted for in the Restated Financial Statements.

12. Except as disclosed in "– *5. History of the Equity Share capital held by our Promoter*" on page 74, none of the members of our Promoter Group, directors of our Promoter, our Directors or their relatives have purchased or sold any securities of our Bank during the period of six months immediately preceding the date of filing of this Draft Red Herring Prospectus.

13. As of the date of the filing of this Draft Red Herring Prospectus, the total number of our Shareholders is 115. The number of Shareholders is as per the statement of beneficiary position as on May 5, 2021.

14. Our Bank, our Directors and the Managers have not made any or entered into any buy-back arrangements for purchase of Equity Shares.

15. Except for Equity Shares that may be allotted pursuant to the conversion of employee stock options granted under ESOP 2018, the Equity Shares allotted pursuant to the Fresh Issue and the Equity Shares allotted pursuant to the Pre-IPO Placement (if undertaken), there will be no further issue of Equity Shares whether by way of issue of bonus shares, rights issue, preferential issue or any other manner during the period commencing from the date of filing of this Draft Red Herring Prospectus until the listing of the Equity Shares on the Stock Exchanges pursuant to the Offer.

16. There have been no financing arrangements whereby the directors of our Promoter, our Promoter Group, our Directors, and their relatives have financed the purchase by any other person of securities of our Bank other than in the normal course of the business of the financing entity, during a period of six months preceding the date of filing of this Draft Red Herring Prospectus.

17. Our Bank presently does not intend or propose and is not under negotiations and considerations to alter its capital structure for a period of six months from the Bid/ Offer Opening Date, by way of split or consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into or exchangeable, directly or indirectly for Equity Shares) whether on a preferential basis or by way of issue of bonus shares or on a rights basis or by way of further public issue of Equity Shares or qualified institutions placements or otherwise. Provided, however, that the foregoing restrictions do not apply to any issuance of Equity Shares, pursuant to the exercise of employee stock options under ESOP 2018 and the Equity Shares to be allotted pursuant to the Pre-IPO Placement (if undertaken).

18. Except employee stock options granted pursuant to ESOP 2018, there are no outstanding convertible securities or any warrant, option or right to convert a debenture, loan or other instrument which would entitle any person any option to receive Equity Shares, as on the date of this Draft Red Herring Prospectus.

OBJECTS OF THE OFFER

The Offer comprises of the Fresh Issue and the Offer for Sale.

Offer for Sale

The Promoter Selling Shareholder will be entitled to the proceeds from the Offer for Sale. Our Bank will not receive any proceeds from the Offer for Sale.

Objects of the Offer

In terms of the RBI Final Approval and the SFB Licensing Guidelines, our Bank is required to list its Equity Shares on the Stock Exchanges within a period of three years from reaching a net worth of ₹5,000 million. Our Bank proposes to utilize the Net proceeds from the Fresh Issue towards augmenting its Tier-1 capital base to meet our future capital requirements. Further, a small portion of the proceeds from the Fresh Issue will be used towards meeting the expenses in relation to the Offer. Our Bank expects to receive the benefits of listing the Equity Shares on the Stock Exchanges.

Net Proceeds

The details of the proceeds from the Fresh Issue are summarized in the following table:

Particulars	Estimated amount (₹ in million)(2)
Gross proceeds of the Fresh Issue(1)	[●]
(Less) Fresh Issue expenses	[●]
Net Proceeds	**[●]**

(1) *Includes the proceeds, if any, received pursuant to the Pre-IPO Placement. (if undertaken) Upon allotment of Equity Shares issued pursuant to the Pre-IPO Placement, we may utilise the proceeds from such Pre-IPO Placement towards the Objects of the Offer prior to completion of the Offer. If the Pre-IPO Placement is undertaken, the amount raised from the Pre-IPO Placement will be reduced from the Fresh Issue, subject to the minimum Offer Size constituting at least [●]% of the post-Offer paid-up equity share capital of our Bank.*

(2) *To be finalised upon determination of the Offer Price and updated in the Prospectus prior to filing with the RoC.*

Requirements of funds and utilisation of Net Proceeds

The Net Proceeds are proposed to be utilised towards augmentation of our Bank's Tier-I capital base to meet our Bank's future capital requirements which are expected to arise out of growth in our Bank's assets, primarily our Bank's loans/advances and investment portfolio and to ensure compliance with regulatory requirements on capital adequacy prescribed by the RBI from time to time. The amount to be funded from Net Proceeds and proposed to be deployed in Fiscal 2022 towards augmentation of our Bank's Tier-1 capital base is ₹ [●] million.

Offer Expenses

The total expenses of the Offer are estimated to be approximately ₹[●] million.

The Offer related expenses primarily include fees payable to the Managers and legal counsel, fees payable to the Auditors, brokerage and selling commission, underwriting commission, commission payable to Registered Brokers, RTAs, CDPs, SCSBs' fees, Registrar's fees, printing and stationery expenses, advertising and marketing expenses and all other incidental and miscellaneous expenses for listing the Equity Shares on the Stock Exchanges.

Other than (a) listing fees and expenses for any corporate advertisements, i.e. any corporate advertisements consistent with past practices of our Bank and not including expenses relating to marketing and advertisements undertaken in connection with the Offer, which shall be borne solely by our Bank, and (ii) fees for counsel to the Promoter Selling Shareholder, which shall be solely borne by the Promoter Selling Shareholder, our Bank and the Promoter Selling Shareholder shall share the costs and expenses (including all applicable taxes) directly attributable to the Offer based on the proportion of Equity Shares included in the Offer for Sale, and the Equity Shares allotted by our Bank pursuant to the Fresh Issue, as a percentage of the total Equity Shares Allotted in the Offer. However, expenses relating to the Offer may be paid by our Bank on behalf of the Promoter Selling Shareholder in the first instance and the Promoter Selling Shareholder has agreed to, upon commencement of listing and trading of the Equity Shares on the Stock Exchanges pursuant to the Offer, reimburse our Bank for any expenses in relation to the Offer, paid by our Bank on behalf of such Promoter Selling Shareholder, subject to certain stipulated conditions.

In the event that the Offer is postponed or withdrawn or abandoned for any reason or the Offer is not successfully completed, our Bank shall pay all costs, charges, fees and expenses in relation to the Offer.

The estimated Offer related expenses are as under:

Activity	Estimated expenses(1) (₹ in million)	As a % of the total estimated Offer expenses(1)	As a % of the total Offer size(1)
Managers fees and commissions (including underwriting commission, brokerage and selling commission)	[●]	[●]	[●]

Activity	Estimated expenses[1] (₹ in million)	As a % of the total estimated Offer expenses[1]	As a % of the total Offer size[1]
Commission/processing fee for SCSBs and Bankers to the Offer and fee payable to the Sponsor Bank for Bids made by RIBs using UPI [2]	[●]	[●]	[●]
Brokerage and selling commission and bidding charges for Members of the Syndicate, Registered Brokers, RTAs and CDPs[3][4]	[●]	[●]	[●]
Fees payable to the Registrar to the Offer	[●]	[●]	[●]
Fees payable to the other advisors to the Offer	[●]	[●]	[●]
Others			
- Listing fees, SEBI filing fees, upload fees, BSE and NSE processing fees, book building software fees and other regulatory expenses	[●]	[●]	[●]
- Printing and stationery	[●]	[●]	[●]
- Advertising and marketing expenses	[●]	[●]	[●]
- Fee payable to legal counsels	[●]	[●]	[●]
- Miscellaneous	[●]	[●]	[●]
Total estimated Offer expenses	[●]	[●]	[●]

(1) *Amounts will be finalised on determination of Offer Price*

(2) *Selling commission payable to the SCSBs on the portion for Retail Individual Bidders and Non-Institutional Bidders which are directly procured by the SCSBs, would be as follows:*

*Portion for Retail Individual Bidders**	[●]*% of the Amount Allotted (plus applicable taxes)*
*Portion for Non-Institutional Bidders**	[●]*% of the Amount Allotted (plus applicable taxes)*
*Portion for Eligible Employees**	[●]*% of the Amount Allotted (plus applicable taxes)*

* *Amount Allotted is the product of the number of Equity Shares Allotted and the Offer Price*

Selling Commission payable to the SCSBs will be determined on the basis of the bidding terminal ID as captured in the Bid Book of BSE or NSE.

(3) *No processing fees shall be payable by our Bank and the Promoter Selling Shareholder to the SCSBs on the applications directly procured by them Processing fees payable to the SCSBs on the portion for Retail Individual Bidders and Non-Institutional Bidders which are procured by the members of the Syndicate/sub-Syndicate/Registered Broker/RTAs/ CDPs and submitted to SCSBs for blocking, would be as follows:*

*Portion for Retail Individual Bidders**	[●]*% of the Amount Allotted (plus applicable taxes)*
*Portion for Non-Institutional Bidders**	[●]*% of the Amount Allotted (plus applicable taxes)*
*Portion for Eligible Employees**	[●]*% of the Amount Allotted (plus applicable taxes)*

* *Amount Allotted is the product of the number of Equity Shares Allotted and the Offer Price*

(4) *Selling commission on the portion for Retail Individual Bidders and Non-Institutional Bidders which are procured by members of the Syndicate (including their sub-Syndicate Members), Registered Brokers, RTAs and CDPs would be as follows:*

*Portion for Retail Individual Bidders**	[●]*% of the Amount Allotted (plus applicable taxes)*
*Portion for Non-Institutional Bidders**	[●]*% of the Amount Allotted (plus applicable taxes)*
*Portion for Eligible Employees**	[●]*% of the Amount Allotted (plus applicable taxes)*

**Amount Allotted is the product of the number of Equity Shares Allotted and the Offer Price*

Processing fees payable for applications made by Retail Individual Bidders using the UPI Mechanism would be as follows:

Sponsor Bank	[●]*% of the Amount Allotted (plus applicable taxes)*

The Selling Commission payable to the Syndicate / sub-Syndicate Members will be determined on the basis of the application form number / series, provided that the application is also bid by the respective Syndicate / sub-Syndicate Member. For clarification, if a Syndicate ASBA application on the application form number / series of a Syndicate / sub-Syndicate Member, is bid by an SCSBs, the Selling Commission will be payable to the SCSBs and not the Syndicate / Sub-Syndicate Member.

Bidding Charges payable to members of the Syndicate (including their sub-Syndicate Members), RTAs and CDPs on the portion for Non-Institutional Bidders which are procured by them and submitted to SCSBs for blocking and Retail Individual Bidders (using the UPI Mechanism), would be as follows: ₹[●] plus applicable taxes, per valid application bid by the Syndicate (including their sub-Syndicate Members), RTAs and CDPs.

The selling commission and Bidding Charges payable to Registered Brokers the RTAs and CDPs will be determined on the basis of the bidding terminal id as captured in the bid book of BSE or NSE.

Means of finance

The fund requirements set out for the aforesaid objects of the Offer are proposed to be met entirely from the Net Proceeds. Accordingly, our Bank confirms that there is no requirement to make firm arrangements of finance through verifiable means towards at least 75% of the stated means of finance, excluding the amount to be raised from the Fresh Issue and existing identifiable accruals as required under the SEBI ICDR Regulations.

Interim use of Net Proceeds

Our Bank, in accordance with the policies established by the Board from time to time, will have the flexibility to deploy the Net Proceeds. Pending utilization for the purposes described above, our Bank will deposit the Net Proceeds only with one or more scheduled commercial banks included in the second schedule of the RBI Act as may be approved by our Board.

In accordance with Section 27 of the Companies Act, 2013, our Bank confirms that it shall not use the Net Proceeds for buying, trading, or otherwise dealing in the equity shares of any other listed company or for any investment in equity markets.

Bridge Financing Facilities

Our Bank has not raised any bridge loans from any bank or financial institution as on the date of this Draft Red Herring Prospectus, which are proposed to be repaid from the Net Proceeds.

Appraising Entity

None of the objects of the Offer for which the Net Proceeds will be utilised have been appraised by any bank/ financial institution.

Monitoring of Utilization of Funds

In terms of the proviso to Regulation 41(1) of the SEBI ICDR Regulations, our Bank is not required to appoint a monitoring agency for this Offer. To the extent applicable, our Bank will disclose the utilization of the Net Proceeds under a separate head in our balance sheet along with the relevant details, for all such amounts that have not been utilised.

Our Bank will indicate investments, if any, of unutilised Net Proceeds in the balance sheet of our Bank for the relevant Fiscals subsequent to receipt of listing and trading approvals from the Stock Exchanges.

Pursuant to Regulations 18(3) and 32(3) of the Listing Regulations, our Bank shall, on a quarterly basis, disclose to the Audit Committee the uses and applications of the Net Proceeds. The Audit Committee shall make recommendations to our Board for further action, if appropriate.

On an annual basis, our Bank shall prepare a statement of funds utilized for purposes other than those stated in the Red Herring Prospectus and place it before the Audit Committee and make other disclosures as may be required until such time as the Net Proceeds remain unutilized. Such disclosure shall be made only until such time that all the Net Proceeds have been utilized in full. The statement shall be certified by the Statutory Auditor of our Bank.

Further, in accordance with Regulation 32(1) of the Listing Regulations, our Bank shall furnish to the Stock Exchanges on a quarterly basis, a statement indicating (i) deviations, if any, in the actual utilization of the Net Proceeds of the Fresh Issue from the objects of the Fresh Issue as stated above; and (ii) details of category wise variations in the actual utilization of the Net Proceeds from the objects of the Offer as stated above. This information will also be published in newspapers simultaneously with the interim or annual financial results and explanation for such variation (if any) will be included in our Directors' report, after placing the same before the Audit Committee.

Variation in Objects

In accordance with Sections 13(8) and 27 of the Companies Act and applicable rules, our Bank shall not vary the objects of the Offer without our Bank being authorised to do so by the Shareholders by way of a special resolution through postal ballot. In addition, the notice issued to the Shareholders in relation to the passing of such special resolution ("**Postal Ballot Notice**") shall specify the prescribed details as required under the Companies Act and applicable rules.

The Postal Ballot Notice shall simultaneously be published in the newspapers, one in English and one in Gujarati, being the regional language of Gujarat, where the Registered Office is situated in accordance with the Companies Act and applicable rules. Our Promoter or controlling shareholders will be required to provide an exit opportunity to such Shareholders who do not agree to the proposal to vary the objects, at such price, and in such manner, in accordance with our Articles of Association and the SEBI ICDR Regulations.

Other Confirmations

No part of the Net Proceeds will be paid by us as consideration to our Promoter, the Directors and Key Managerial Personnel, except in the normal course of business and in compliance with applicable law.

Our Bank has not entered into and is not planning to enter into any arrangement/ agreements with the Promoter, Directors and Key Managerial Personnel in relation to the utilisation of the Net Proceeds. Further there is no existing or anticipated interest of such individuals and entities in the objects of the Offer as set out above.

BASIS FOR OFFER PRICE

The Offer Price will be determined by our Bank and the Promoter Selling Shareholder, in consultation with the Managers, on the basis of assessment of market demand for the Equity Shares offered through the Book Building Process and on the basis of quantitative and qualitative factors as described below. The face value of the Equity Shares is ₹10 each and the Offer Price is [●] times the Floor Price and [●] times the Cap Price.

Qualitative Factors

Some of the qualitative factors and our strengths which form the basis for computing the Offer Price are:

a. Customer-centric approach driven by digital banking and automation;

b. Strong commitment to financial inclusion with extensive rural franchise and expanding urban presence;

c. Multi-channel, low cost distribution network with diversified geographic presence;

d. Fast-growing stable deposit base with a growing CASA franchise;

e. Stable and experienced professional leadership team with strong corporate governance;

f. Robust risk management policies, leading to healthy asset quality; and

g. Strong track record of financial and operational performance

For details, see "*Our Business – Competititve Strengths*" on page 135.

Quantitative Factors

The information presented below relating to our Bank is based on the Restated Financial Statements. For details, see "*Financial Statements*" on page 234.

Some of the quantitative factors which may form the basis for computing the Offer Price are as follows:

A. Basic and Diluted Earnings Per Share ("EPS") as adjusted for change in capital:

Fiscal Year ended	Basic EPS (in ₹)	Diluted EPS (in ₹)	Weight
March 31, 2018	(26.04)	(26.04)	1
March 31, 2019	22.41	22.41	2
March 31, 2020	24.43	24.43	3
Weighted Average	15.34	15.34	
Nine months period ended December 31, 2020*	16.34	16.34	

* *Not annualized*

$$\text{Basic earnings per share (₹)} = \frac{\text{Restated net profit available to equity shareholders}}{\text{Weighted average number of equity shares outstanding during the year/period}}$$

$$\text{Diluted earnings per share (₹)} = \frac{\text{Restated net profit available to equity shareholders}}{\text{Weighted average number of diluted equity shares outstanding during the year/period}}$$

NOTES:

(1) Basic and diluted earnings per Equity Share are computed in accordance with Accounting Standard 20 'Earnings per Share'.

(2) The above statement should be read with significant accounting policies and notes on Restated Financial Statements as appearing in the Financial Statements.

(3) Weighted average is aggregate of year-wise weighted EPS divided by the aggregate of weights i.e. {(EPS x Weight) for each year} / {Total of weights}

B. Price/Earning ("P/E") ratio in relation to the in relation to Price Band of ₹ [●] to ₹[●] per Equity Share:

Particulars	P/E at the Floor Price (no. of times)	P/E at the Cap Price (no. of times)
Based on basic EPS for year ended March 31, 2020	[●]	[●]
Based on diluted EPS for year ended March 31, 2019	[●]	[●]

Industry Peer Group P/E ratio

Particulars	Industry P/E
Highest	41.35

Particulars	Industry P/E
Lowest	10.61
Average	21.52

Note: The industry high and low has been considered from the industry peer set provided later in this section. The industry composite has been calculated as the arithmetic average of P/E for industry peer set disclosed in this section. For further details, see "– Comparison with listed industry peers" on page 91

C. Return on net worth ("RoNW")

As per Restated Financial Statements:

Fiscal Year ended	RoNW (%)	Weight
March 31, 2018	(28.90%)	1
March 31, 2019	15.31%	2
March 31, 2020	15.87%	3
Weighted Average	8.22%	
Nine months period ended December 31, 2020*	10.33%	

* *Not annualized*

$$\text{Return on net worth (\%)} = \frac{\text{Restated profit after tax, attributable to equity shareholders}}{\text{Net worth as restated at the end of year/period}}$$

(1) *Weighted average is aggregate of year-wise weighted RoNW divided by the aggregate of weights i.e. {(RoNW x Weight) for each year} / {Total of weights}*

D. Net Asset Value ("NAV") per Equity Share

As at	Restated Financial Statements (₹)
December 31, 2020	158.56
March 31, 2020	142.08
After Offer	
Offer Price	[●]

Note: Offer Price per Equity Share will be determined on conclusion of the Book Building Process

Net asset value per equity share represents restated net worth at the end of the year/period divided by total number of equity shares outstanding at the end of year/period

E. Comparison with Listed Industry Peers

The following peer group has been determined on the basis of companies listed on Indian stock exchanges, whose business profile is comparable to our businesses:

Name of the company	Total Income (₹ in million)	Face Value per Equity Share (₹)	P/E	EPS (Basic) (₹)	RoNW (%)	NAV (₹)
Fincare Small Finance Bank Limited	12,157.20	10.00	[●]	24.43	15.87%	142.08
Peer Group						
AU Small Finance Bank Limited	49,919.76	10.00	41.35	22.78	15.42%	143.92
Bandhan Bank Limited	30,237.37	10.00	16.58	18.78	19.90%	94.37
CreditAccess Grameen Limited	17,054.80	10.00	25.89	23.20	11.27%	189.90
Equitas Small Finance Bank Limited	29,277.96	10.00	24.27	2.39	8.88%	26.05
Ujjivan Small Finance Bank Limited	30,258.10	10.00	13.56	2.19	10.98%	18.45
Spandana Sphoorty Financial Limited	14,695.06	10.00	10.61	56.21	13.38%	408.29
Suryoday Small Finance Bank Limited	8,541.38	10.00	18.39	13.38	10.40%	123.13

Source: All the financial information for listed industry peers mentioned above is on a consolidated basis (unless otherwise available only on standalone basis) and is sourced from the annual reports/ financial results as available of the respective company for the year ended March 31, 2020 submitted to stock exchanges or on company's website as available

Financial information for Fincare Small Finance Bank Limited is based on the Restated Financial Statements for the year ended March 31, 2020.

Notes:

1. *Basic EPS refers to the Basic EPS sourced from the annual report/ financial results of the respective company for the year ended March 31, 2020*

2. *P/E Ratio has been computed based on the closing market price of equity shares on BSE on May 05, 2021 divided by the Basic EPS provided under Note 1.*

3. *RoNW is computed as net profit after tax (or total comprehensive income, as applicable) divided by closing net worth.*

4. *Net worth has been computed as sum of share capital, reserves and surplus, money received against share warrants and employee stock options outstanding, as applicable*

5. *Net Asset Value ("**NAV**") is computed as the closing net worth divided by the equity shares outstanding as on March 31, 2020.*

The trading price of the Equity Shares could decline due to the factors mentioned in the "*Risk Factors*" on page 20 and you may lose all or part of your investment.

F. The Offer price is [●] times of the face value of the Equity Shares

The Offer Price of ₹ [●] has been determined by our Bank and the Promoter Selling Shareholder, in consultation with the Managers, on the basis of market demand from investors for Equity Shares through the Book Building Process and is justified in view of the above qualitative and quantitative parameters.

Investors should read the above mentioned information along with "*Risk Factors*", "*Our Business*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and "*Financial Statements*" on pages 20, 133, 288 and 234, respectively, to have a more informed view.

STATEMENT OF SPECIAL TAX BENEFITS

Statement of Special Tax Benefits available to the Bank and its shareholders under the applicable direct tax laws in India

To,

The Board of Directors
Fincare Small Finance Bank Limited
301-306, 3rd Floor, Abhijeet – V
Opposite Mayor Bunglow
Law Garden Road, Mithakhali
Ahmedabad – 380006

Proposed Offering of securities ("Offer") in India by Fincare Small Finance Bank Limited (the "Issuer"/" Bank")

1. This report is issued in accordance with the terms of our engagement letter dated 26 March 2020.

2. The accompanying Statement of Special Tax Benefits available to the Bank and its Shareholders (hereinafter referred to as "the Statement") under the Income-tax Act, 1961 (read with Income Tax Rules, circulars, notifications) as amended by the Finance Act, 2021 (hereinafter referred to as the "Income Tax Regulations") has been prepared by the management of the Bank in connection with the proposed Offer. The Statement is attached to this certificate.

Management's Responsibility

3. The preparation of this Statement as of the date of our report which is to be included in the Draft Red Herring Prospectus is the responsibility of the management of the Bank and has been approved by the Board of Directors of the Bank at its meeting held on 28 April 2021 for the purpose set out in paragraph 10 below. The management's responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and presentation of the Statement, and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances. The Management is also responsible for identifying and ensuring that the Bank complies with the laws and regulations applicable to its activities.

Auditor's Responsibility

4. Our work has been carried out in accordance with Standards on Auditing, the 'Guidance Note on Reports or Certificates for Special Purposes (Revised 2016)' and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India.

5. Pursuant to the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations 2018, as amended (the 'ICDR Regulations') and the Companies Act 2013 ('Act'), it is our responsibility to report whether the Statement prepared by the Bank, presents, in all material respects, the possible special tax benefits available to the Bank and its shareholders in accordance with the Income Tax Regulations as at the date of our report.

6. Our work was performed solely to assist you in meeting your responsibilities in relation to your compliance with the Act and the ICDR Regulations in connection with the Offer.

7. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and other assurance and related services engagements.

Inherent Limitations

8. We draw attention to the fact that the Statement includes certain inherent limitations that can influence the reliability of the information.

   Several of the benefits mentioned in the accompanying statement are dependent on the Bank or its shareholders fulfilling the conditions prescribed under the relevant provisions of the tax laws. Hence, the ability of the Bank or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which may or may not be fulfilled. The benefits discussed in the accompanying statement are not exhaustive.

   The Statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences and the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the Offer.

Further, we give no assurance that the Revenue Authorities/ Courts will concur with our views expressed herein. Our views are based on the existing provisions of law and its interpretation, which are subject to change from time to time. We do not assume responsibility to update the views consequent to such changes**.**

Opinion

9. In our opinion, the Statement prepared by the Bank presents, in all material respects, the special tax benefits available, to the Bank and it's shareholders, in accordance with the Income Tax Regulations as at the date of our report.

   Considering the matter referred to in paragraph 8 above, we are unable to express any opinion or provide any assurance as to whether:

   (i) The Bank or its shareholders will continue to obtain the benefits per the Statement in future; or

   (ii) The conditions prescribed for availing the benefits per the Statement have been/ would be met with.

Restriction on Use

10. This report is addressed to and is provided to enable the Board of Directors of the Bank to include this report in the Draft Red Herring Prospectus, prepared in connection with the Offer to be filed by the Bank with the Securities and Exchange Board of India and the concerned stock exchanges.

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm Registration No. 001076N/N500013

Huned Contractor
Partner
Membership No.: 41456

UDIN: 21041456AAAAAO3713

Place: Mumbai
Date: 8 May 2021

STATEMENT OF SPECIAL TAX BENEFITS AVAILABLE TO FINCARE SMALL FINANCE BANK LIMITED (THE "BANK") AND ITS SHAREHOLDERS

UNDER THE INCOME-TAX ACT, 1961 (hereinafter referred to as the 'Act')

1. Special tax benefits available to the Bank under the Act

- The Bank being a Small Finance Bank as per the provisions of section 36(1)(viia) of the Act, could claim a deduction of:

  (i) provision made for bad and doubtful debts in its books of accounts to the extent of eight and one-half per cent of its total income (computed before making any deduction under this section and Chapter VI-A); and

  (ii) an amount not exceeding ten per cent of the aggregate average advances made by the rural branches of such bank computed in the prescribed manner;

- As per section 36(1)(vii) of the Act, where the Bank has claimed deduction under section 36(1)(viia) of the Act, then subsequent claim of deduction of actual bad debts under section 36(1)(vii) of the Act would be reduced to the extent of deduction already claimed under section 36(1)(viia) of the Act.

- Further, the Bank is also eligible for a deduction of 20% of the business profits derived from eligible business as prescribed or an amount transferred to the special reserve, whichever is lower, in accordance with the provisions of section 36(1)(viii) of the Act in computing its income under the head "Profits and gains of business or profession". However, where the aggregate amounts transferred to such special reserve from time to time, exceeds two hundred percent of the paid-up share capital and general reserves, the Bank shall not get a deduction for such excess transfer. Currently, the Bank is not availing the deduction under this sub-section.

- Further, as per section 41(4) of the Act, where any deduction has been claimed by the Bank in respect of a bad debt under Section 36(1)(vii) of the Act, then any amount subsequently recovered on any such debt is greater than the difference between such debt and the amount so allowed as a deduction under section 36(1)(vii) of the Act, the excess shall be deemed to be business income of the year in which it is recovered.

- As per provisions of section 43D of the Act, in case of a scheduled bank, the income by way of interest in relation to such categories of bad or doubtful debts (i.e. Non-performing assets) as may be prescribed having regard to the guidelines issued by the Reserve Bank of India in relation to such debts shall be chargeable to tax in the previous year in which it is credited to its profit and loss account or, as the case may be, in the year in which it is actually received by that bank, whichever is earlier.

2. Lower corporate tax rate under Section 115BAA of the Act

Section 115BAA of the Act has been inserted by the Taxation Laws (Amendment) Act, 2019 ("the Amendment Act, 2019") w.e.f. April 1, 2020 (assessment year) granting an option to domestic companies to compute corporate tax at a reduced rate of 25.168% (22% plus surcharge of 10% and cess of 4%), provided such companies do not avail the following deductions/exemptions:

i. Deduction under the provisions of section 10AA (deduction for units in Special Economic Zone);

ii. Deduction under clause (iia) of sub-section (1) of section 32 (Additional depreciation);

iii. Deduction under section 32AD or section 33AB or section 33ABA (Investment allowance in backward areas, Investment deposit account, site restoration fund);

iv. Deduction under sub-clause (ii) or sub-clause (iia) or sub-clause (iii) of sub-section (1) or sub-section (2AA) or sub-section (2AB) of section 35 (Expenditure on scientific research);

v. Deduction under section 35AD or section 35CCC (Deduction for specified business, agricultural extension project);

vi. Deduction under section 35CCD (Expenditure on skill development)

vii. Deduction under any provisions of Chapter VI-A other than the provisions of section 80JJAA or Section 80M;

viii. No set off of any loss carried forward or depreciation from any earlier assessment year, if such loss or depreciation is attributable to any of the deductions referred from clause i to vii above; and

ix. No set off of any loss or allowance for unabsorbed depreciation deemed so under section 72A, if such loss or depreciation is attributable to any of the deductions referred from clause i to vii above.

In case a company opts for section 115BAA of the Act, provisions of Minimum Alternate Tax ["MAT"] under section 115JB of the Act would not be applicable and MAT credit of the earlier year(s) will not be available for set-off as clarified by the Central Board of Direct Taxes, through its circular no. 29/2019 dated 2 October 2019. The option needs to be exercised on or before the due date of filing the tax return. Option once exercised, cannot be subsequently withdrawn for the same or any other tax year.

The Bank has represented to us that they have opted to apply section 115BAA of the Act for the assessment year 2020-2021.

3. Deductions from Gross Total Income - Section 80 JJAA of the Act - Deduction in respect of employment of new Employee

Subject to fulfilment of prescribed conditions, the Bank is entitled to claim deduction, under the provisions of Section 80JJAA of the Act, of an amount equal to thirty per cent of additional employee cost (relating to specified category of employees) incurred in the course of business in the previous year, for three assessment years including the assessment year relevant to the previous year in which such employment is provided.

4. Special tax benefits available to the shareholders under the Act

There are no special tax benefits available to the shareholders of the Bank.

Notes:-

1. This Annexure sets out only the special tax benefits available to the Bank and the shareholders under the current Income Tax Act, 1961 i.e., the Act as amended by the Finance Act, 2021 applicable for Financial year 2021-22 relevant to the Assessment year 2022-23, presently in force in India.

2. These special tax benefits are dependent on the Bank fulfilling the conditions prescribed under the relevant provisions of the Act. Hence, the ability of the Bank to derive the tax benefits is dependent upon fulfilling such conditions, which based on the business imperatives, the Bank may or may not choose to fulfil.

3. The special tax benefits discussed in the Statement are not exhaustive, but just indicative. Further, the special tax benefits discussed in this statement are only intended to provide general information to the investors and hence, is neither designed nor intended to be a substitute for professional tax advice, which the investors may wish to take before making any investments. In view of the individual nature of the tax consequences accompanied with the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the issue.

4. The Statement is prepared based on information available with the Management of the Bank and there is no assurance that:

   i. the Bank or its shareholders will continue to obtain these benefits in future;

   ii. the conditions prescribed for availing the benefits have been/ would be met with; and

   iii. the revenue authorities/courts will concur with the view expressed herein.

5. The above views are based on the existing provisions of law and our interpretation of the law, which are subject to change from time to time and are not binding on the income-tax department or on its officials / authorities or on any other Regulator.

6. The Statement has been prepared on the basis that the shares of the Bank will be listed on a recognized stock exchange in India and the Bank will be issuing shares.

For and on behalf of Fincare Small Finance Bank Limited

Fincare Small Finance Bank Limited
Rajeev Yadav
Managing Director and CEO

Place: Bengaluru
Date: 8 May 2021

STATEMENT OF SPECIAL TAX BENEFITS AVAILABLE TO THE BANK AND ITS SHAREHOLDERS UNDER THE APPLICABLE INDIRECT TAX LAWS IN INDIA

To,
The Board of Directors
Fincare Small Finance Bank Limited
301-306, 3rd Floor, Abhijeet – V
Opposite Mayor Bunglow
Law Garden Road, Mithakhali
Ahmedabad – 380006

Proposed Offering of securities ("Offer") in India by Fincare Small Finance Bank Limited (the "Issuer"/ "Bank")

1. This report is issued in accordance with the terms of our engagement letter dated 26 March 2020.

2. The accompanying Statement of Special Tax Benefits available to the Bank and its Shareholders (hereinafter referred to as "the Statement") under the Central Goods and Services Tax Act, 2017, Integrated Goods and Services Tax Act, 2017 and respective State Goods and Services Tax Act, 2017 (collectively referred as "Indirect Tax Regulations"), has been prepared by the management of the Bank in connection with the proposed Offer, which we have initialed for identification purposes.

Management's Responsibility

3. The preparation of this Statement as of the date of our report which is to be included in the Draft Red Herring Prospectus is the responsibility of the management of the Bank and has been approved by the Board of Directors of the Bank at its meeting held on 28 April 2021 for the purpose set out in paragraph 10 below. The management's responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and presentation of the Statement, and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances. The Management is also responsible for identifying and ensuring that the Bank complies with the laws and regulations applicable to its activities.

Auditor's Responsibility

4. Our work has been carried out in accordance with Standards on Auditing, the 'Guidance Note on Reports or Certificates for Special Purposes (Revised 2016)' and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India.

5. Pursuant to the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations 2018, as amended (the 'ICDR Regulations') and the Companies Act 2013 ('Act'), it is our responsibility to report whether the Statement prepared by the Bank, presents, in all material respects, the possible special tax benefits available to the Bank and its shareholders in accordance with the Indirect Tax Regulations as at the date of our report.

6. Our work was performed solely to assist you in meeting your responsibilities in relation to your compliance with the Act and the ICDR Regulations in connection with the Offering.

7. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and other assurance and related services engagements.

Inherent Limitations

8. We draw attention to the fact that the Statement includes certain inherent limitations that can influence the reliability of the information.

   Several of the benefits mentioned in the accompanying statement are dependent on the Bank or its shareholders fulfilling the conditions prescribed under the relevant provisions of the Indirect Tax Regulations. Hence, the ability of the Bank or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which may or may not be fulfilled. The benefits discussed in the accompanying statement are not exhaustive.

   The Statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences and the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the Offer.

   Further, we give no assurance that the Revenue Authorities/ Courts will concur with our views expressed herein. Our views are based on the existing provisions of law and its interpretation, which are subject to change from time to time. We do not assume responsibility to update the views consequent to such changes.

Opinion

9. In our opinion, the Statement prepared by the Bank presents, in all material respects, the special tax benefits available, to the Bank and it's shareholders, in accordance with the Indirect Tax Regulations as at the date of our report.

   Considering the matter referred to in paragraph 8 above, we are unable to express any opinion or provide any assurance as to whether:

   (i) The Bank or its shareholders will continue to obtain the benefits per the Statement in future; or

   (ii) The conditions prescribed for availing the benefits per the Statement have been/ would be met with.

Restriction on Use

10. This report is addressed to and is provided to enable the Board of Directors of the Bank to include this report in the Draft Red Herring Prospectus, prepared in connection with the Offer to be filed by the Bank with the Securities and Exchange Board of India and the concerned stock exchanges.

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm Registration No. 001076N/N500013

Huned Contractor
Membership No.: 41456

UDIN: 21041456AAAAAP5752

Place: Mumbai
Date: 8 May 2021

STATEMENT OF POSSIBLE SPECIAL TAX BENEFITS AVAILABLE TO THE BANK, AND SHAREHOLDERS OF THE BANK UNDER THE APPLICABLE INDIRECT TAX REGULATIONS IN INDIA

Benefits available to Fincare Small Finance Bank Limited ('The Bank') and the Shareholders of The Bank under the Central Goods and Services Tax Act, 2017, Integrated Goods and Services Tax Act, 2017, respective State Goods and Services Tax Act, 2017, (collectively referred as "Indirect Tax Regulations").

1. <u>Special Tax Benefits available to The Bank</u>

The Bank is engaged in providing banking services which attract GST at the prescribed rates. The Bank avails fifty percent of eligible input tax credit and utilizes the same as per the prescribed GST law.

Further, interest income earned by the Bank by extending deposits, loans in so far as the consideration is represented by way of interest (other than interest involved in credit card services) is exempt under GST law.

Apart from the above, none of any special Indirect tax benefits are available to the Bank under the Indirect Tax Regulations in India.

2. <u>Special Tax Benefits available to the Shareholders of The Bank</u>

The shareholders of the Bank are not eligible to special tax benefits under the provisions of the Central Goods Services Tax Act, 2017, Integrated Goods and Services Tax Act, 2017, respective State Goods and Services Tax Act, 2017, there under.

Note:

1. These special tax benefits are dependent on the Bank or its shareholders fulfilling the conditions prescribed under the relevant provisions of the Indirect Tax Regulations. Hence, the ability of the Bank or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on the business imperatives, The Bank or its shareholders may or may not choose to fulfil.

2. The special tax benefits discussed in the Statement are not exhaustive and is only intended to provide general information to the investors and hence, is neither designed nor intended to be a substitute for a professional tax advice. In view of the individual nature of the tax consequences aid the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the issue.

3. The Statement has been prepared on the basis that the shares of the Bank are listed on a recognized stock exchange in India and the Bank will be issuing shares.

4. The Statement is prepared on the basis of information available with the Management of the Bank and there is no assurance that:

   i. The Bank or its shareholders will continue to obtain these benefits in future;

   ii. The conditions prescribed for availing the benefits have been / would be met with; and

   iii. The revenue authorities / courts will concur with the view expressed herein.

5. The above views are basis the existing provisions of law and its interpretation, which are subject to change from time to time.

For and on behalf of

Fincare Small Finance Bank Limited
Rajeev Yadav
Managing Director and CEO

Place: Bengaluru
Date: 8 May 2021

SECTION IV: ABOUT OUR BANK

INDUSTRY OVERVIEW

*Unless noted otherwise, the information contained in this section is obtained or derived from "Analysis of small finance banks and various retail loan products" issued in March 2021 (the "**CRISIL Report**") prepared and issued by CRISIL Research, a division of CRISIL Limited, on our request. Neither we nor the Managers, nor any other person connected with the Offer have independently verified this information. The data may have been re-classified by us for the purposes of presentation. Industry sources and publications generally state that the information contained therein has been obtained from sources generally believed to be reliable, but that their accuracy, completeness and underlying assumptions are not guaranteed and their reliability cannot be assured. Industry sources and publications are also prepared based on information as of specific dates and may no longer be current or reflect current trends. Industry sources and publications may also base their information on estimates, projections, forecasts and assumptions that may prove to be incorrect. Accordingly, investors must rely on their independent examination of, and should not place undue reliance on or base their investment decision solely on, this information. Recipients should not construe any of the contents in this report as advice relating to business, financial, legal, taxation or investment matters and are advised to consult their own business, financial, legal, taxation, and other advisors concerning the transaction.*

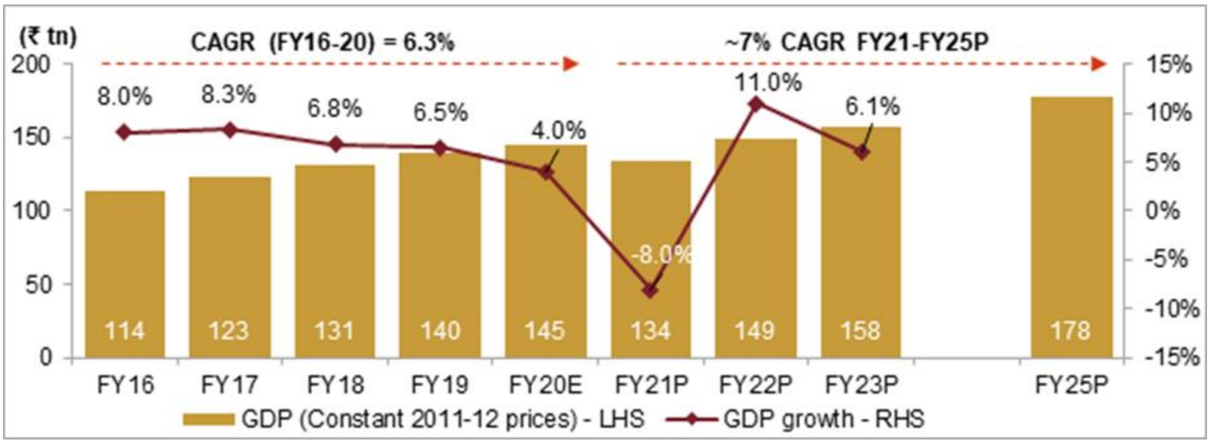
MACROECONOMIC OUTLOOK

COVID-19 pandemic impacts world and Indian economy; bounce back expected in fiscal 2022

The COVID-19 pandemic sharply slowed the Indian economy in Q1 of fiscal 2021, but the huge economic costs that it extracted have since given way to India's GDP finally growing after two consecutive quarters of contraction. The economy grew by 0.4% year-on-year in Q3, reflecting a sustained improvement from a contraction in Q1 of 24.4% and a contraction in Q2 of 7.3%. Overall, CRISIL estimates that the Indian economy will shrink 8.0% in fiscal 2021 on account of the pandemic. After sluggish growth in the first half of fiscal 2021 with GDP contracting by 15.9% owing to rising COVID-19 cases, GDP growth could become positive in the second half of fiscal 2021 as economic activity gradually picks up.

We expect GDP growth to rebound to 11% in fiscal 2022 on the back of a very weak base, counter-cyclical budget and some global support from a rising-global-tide-lifts-all-boats effect. The focus of the government's budget on capital expenditure while walking a fiscal tightrope provides optimism and creates a platform for higher growth. The gradual increase in vaccinations against COVID-19 is also expected to boost confidence and to support a stronger recovery. Even after the strong rebound, fiscal 2022 real GDP is expected to be only 2.4% higher than in fiscal 2020.

Budgetary support and vaccines expected to boost economic growth



Note: E - Estimated and P - Projected

Source: National Statistics Office (NSO), International Monetary Fund (IMF) and CRISIL Research estimates

Supreme Court decision on litigations related to loan repayment during moratorium period is positive for credit culture

Lending institutions (banks and NBFCs) were permitted to an effective moratorium of six months on the payment of term loans falling due between March 1, 2020 and August 31, 2020 for all accounts that were standard accounts as of February 29, 2020. Given the disruptive impact that the COVID-19 pandemic had on incomes of certain customer segments as well as uncertainty created by the pandemic, a large proportion of NBFC customers availed of the flexibility provided by the RBI and, as of August 2020, 40-45% of NBFCs' loan book was estimated to be under moratorium.

Further, the Supreme Court ("**SC**") was in the process of hearing litigations challenging the accrual of interest during the moratorium period on principal repayments and interest payments. In response to hearing on a case filed against the central government, the SC in an interim order dated September 3, 2020 directed lending institutions that accounts that were not declared as NPAs as of August 31, 2020 could not be declared as NPAs until further orders, pending disposal of the case by the Supreme Court. As a result, lending institutions have not classified any borrower account that had not been declared as an NPA as of August 31, 2020 as NPA subsequently, notwithstanding accounts' overdue status. Consequently, all the data reported by banks to credit information companies ("**CICs**") on individual loan accounts was not truly representative of the status of overdue accounts.

On March 23, 2021, the SC pronounced its final judgement on the matter. The SC lifted the standstill on classification of loan accounts and also refused to direct the government to increase the moratorium period or offer additional relief to impacted sectors over and above the packages already offered. As a result, banks and NBFCs will now be able to classify an account on the basis of its overdue status and the data submitted; CICs will also now reflect the true status of an account. The apex court also refused to grant complete waiver of interest on loans during the moratorium period.

The SC ruling is a shot in the arm for lenders as it ensures that the credit culture is not vitiated. Standstill on recognition of NPAs had tied the hand of lenders and consequently impacted the credit discipline of borrowers. Withdrawal of the same will enable lenders to enforce various legal measures and support their recovery efforts. India's performance for financial inclusion is improving in comparison to other emerging economies; however, a large section of the population still remains unbanked.

To soften the impact of Covid-19 on consumers, on October 23, 2020, the Central Government announced a scheme for the grant of ex-gratia payments to borrowers of certain categories of loans (MSME loans, education loan, housing loans, consumer durable loans, credit card dues, automobile loans, personal loans and consumption loans) where the sanctioned limit and outstanding amount does not exceed ₹ 20 million irrespective of whether the borrower opted for the moratorium or not (aggregate of all facilities with the lender). The ex-gratia payment is equivalent to the difference between compound interest and simple interest charged on those loans for the period March 1, 2020 to August 31, 2020. The scheme involved the lenders crediting the difference between simple interest and compound interest for the period between March 1, 2020 to August 31, 2020 to the accounts of such borrowers and the Government paying such credited amounts to the lenders. These payments were credited to the borrower accounts in November 2020.

The SC, in its March 2021 judgement, has now asked the banks to extend the benefit of receiving interest on interest for loan repayments made during the moratorium period to accounts where the loan outstanding exceeds ₹ 20 million as well. This amount should be adjusted by banks against future loan repayments. As of March 2021, however, it is not very clear whether the government will compensate banks and NBFCs towards the same.

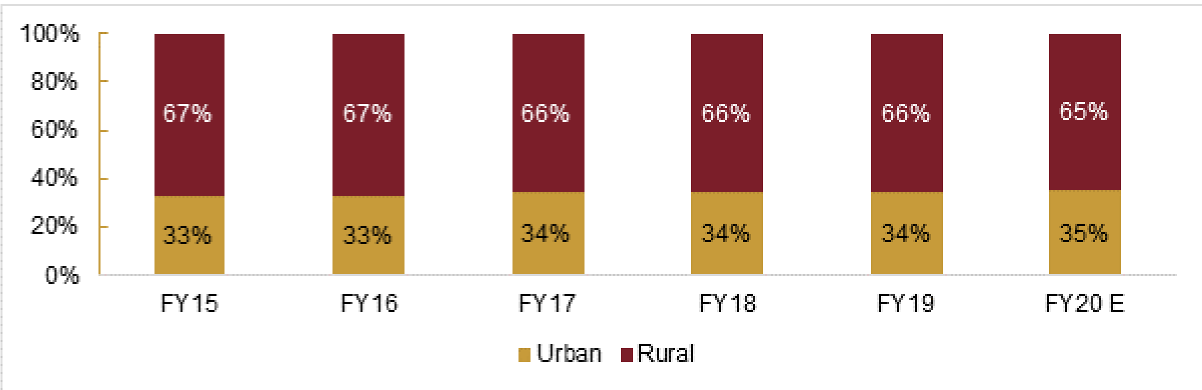
India's financial inclusion is improving; however, a large section of the population remains unbanked

According to the World Bank's Global Findex Database 2017, the global average adult population with a financial account (with a bank, financial institution, or mobile money provider) was about 69% in 2017. India's financial inclusion has improved significantly in the past three years, with the adult population with bank accounts rising from 53% in 2017 (as per Global Findex Database 2014) to 80% with concentrated efforts from the government and various supporting institutions. However, the rise in number of bank accounts has not translated into a corresponding increase in the number of transactions or in the usage of those accounts, as was expected.

As per the Global Findex Database 2017, approximately 50% of the world's unbanked adults are in India, Bangladesh, China, Indonesia, Mexico, Nigeria and Pakistan. Of the world's total unbanked adults (about 1.7 billion), 415 million are from just two countries—India (11%, 190 million) and China (13%, 225 million)—because of their large populations.

While the majority of Indian households are located in a rural region, the banking infrastructure investment in these regions remains low. As a result, there is a gap in the supply and demand of financial services in rural regions of the country, which presents an opportunity for smaller banks.

Two-thirds of total households are in rural India



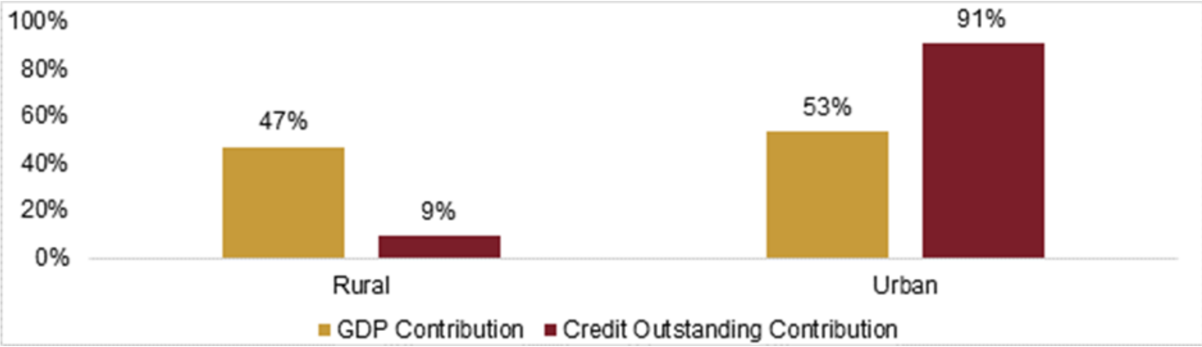
Note: Household count is estimated and assumes five persons per household. Population through 2018 is taken from World Bank and for 2019 is estimated; percentages are as of the end of the fiscal year indicated.

Source: World Bank; Census; CRISIL Research estimates (E)

Rural India accounts for about half of GDP, but only about 10% of total credit

As of March 31, 2020, there were about 640,000 villages in India, inhabited by about 893 million people, comprising about 66% of the country's population. About 47% of India's GDP comes from rural areas. The share of total credit outstanding is about 9% in rural areas and 91% in urban areas. The massive divergence in rural areas' share of India's GDP and banking credit services compared with urban areas is an indicator of the extremely low penetration of large banks in rural areas. The chart below shows the percentage of GDP contribution and credit outstanding in rural and urban areas:

Low penetration of banking credit in rural areas (as of March 31, 2020)

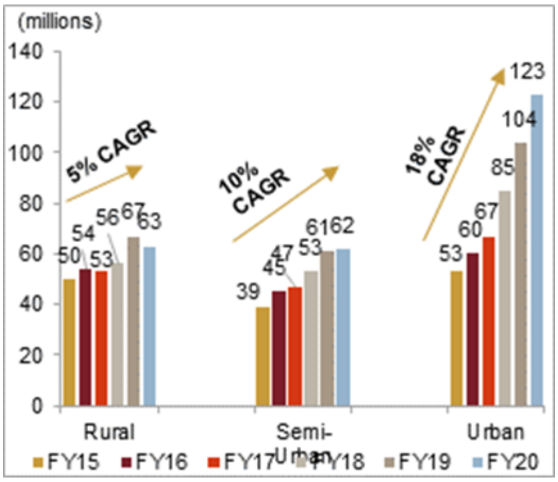


Source: CSO; RBI; CRISIL Research estimates (for GDP contribution in 2017)

Rural areas in India have lower financial inclusion compared with urban areas and, as a result, there is less competition for banking services in rural areas compared with urban areas. This presents small finance banks ("**SFBs**") with significant growth opportunities in rural areas.

Despite the government's sustained efforts to bolster financial inclusion, the number of credit accounts in rural areas only grew at a CAGR of 5%, and the number of deposit accounts only grew at a CAGR of 9%, between the end of fiscal 2015 and the end of fiscal 2020. However, MFIs and SFBs are opening new banking outlets in rural areas and are educating people on how credit can help them grow their business, which might result in faster growth in rural areas in the future given the large and untapped potential market.

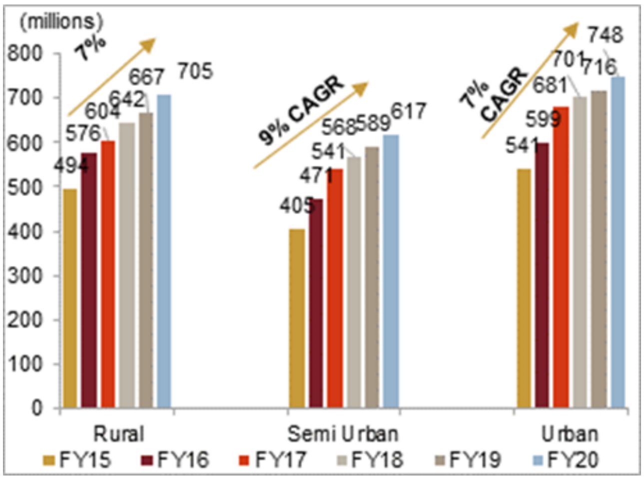
Bank credit accounts in rural, semi-urban and urban areas



Notes: Urban includes data for urban and metropolitan areas; amounts are as of the end of the fiscal year indicated. Data represents only bank credit accounts.

Source: RBI; CRISIL Research

Bank deposit accounts in rural, semi-urban and urban areas



Notes: Urban includes data for urban and metropolitan areas; amounts are as of the end of the fiscal year indicated. Data represents only bank deposit accounts.

Source: RBI; CRISIL Research

Bank retail credit per capita in the east of India is the lowest in the country—nearly five times lower than in the south and west. Low per-capita retail credit as well as deposits in eastern, central, and north-eastern regions compared with other regions implies a low penetration of banks in these areas. This provides an opportunity for all lending and deposit-accepting institutions to expand in these regions and also into certain areas around them. In terms of deposits, the southern region is moderately penetrated compared with the northern and western regions, yet it still leaves significant headroom for growth for industry players.

Large variation in credit availability across states and districts

There is a wide variation in credit both across and within states which indicates latent opportunity for offering loans to unserved or underserved customers. Based on bank credit accounts in rural areas, Bihar, Jharkhand, Odisha and Meghalaya had more than 50% of the total credit accounts in rural areas, whereas Maharashtra had just 12%, in fiscal 2020. However, in terms of value, Maharashtra, Gujarat and Chhattisgarh together had less than 10% of total credit outstanding in rural areas in fiscal 2020.

Maharashtra, Karnataka, Gujarat, West Bengal and Chhattisgarh together had more than 70% of total credit outstanding while Madhya Pradesh, Tamil Nadu and Andhra Pradesh had more than 50% of total credit outstanding that was concentrated in the top five districts in fiscal 2020, which indicates a wide variation in credit availability across districts within the same state.

State-wise rural credit accounts in banks and concentration of the top five districts (FY2020)

States	No. of districts	State contribution in total credit O/S	% of credit outstanding in rural areas	Concentration of credit accounts in top five districts	Concentration of credit outstanding in top five districts	% credit accounts in rural areas
Bihar	38	1%	28%	38%	44%	52%
Uttar Pradesh	75	5%	21%	24%	39%	43%
Andhra Pradesh	13	4%	17%	49%	64%	36%
Rajasthan	33	3%	17%	42%	54%	36%
Madhya Pradesh	52	3%	14%	36%	54%	32%
Karnataka	30	7%	10%	56%	76%	29%
Tamil Nadu	32	9%	10%	38%	63%	29%
Chhattisgarh	28	1%	9%	55%	77%	30%
West Bengal	23	4%	11%	50%	76%	42%
Gujarat	33	6%	6%	53%	73%	18%
Maharashtra	36	23%	2%	68%	88%	12%
Assam	33	1%	26%	37%	50%	45%
Jharkhand	24	1%	21%	53%	67%	50%
Meghalaya	11	0.1%	35%	87%	92%	51%
Odisha	30	1%	21%	48%	62%	53%
Tripura	8	0.1%	31%	80%	86%	40%

Source: RBI, CRISIL Research

Karnataka, Telangana and Haryana registered fastest growth over fiscal years 2015-2020

GDP growth has been varied across states, with Karnataka growing at the fastest rate of a 9.9% CAGR (FY2015 - FY2020), followed by Telangana (9.8%), Haryana (9.1%), Gujarat (8.7%) and Andhra Pradesh (8.6%). In the South, states like Andhra Pradesh, Karnataka and Tamil Nadu have large headroom for growth given their credit penetration and economic growth. Similarly, in the West, states like Maharashtra, Gujarat have showcased good growth in terms of GDP and Gujarat has a relatively lower credit penetration, which provides a large potential to be addressed.

State-wise GDP and GDP growth (FY2020)

States	Real GDP (FY2020) (₹ billion)	YOY growth	Real GDP growth CAGR (FY2015 - FY2020)	Credit penetration
Maharashtra*	20,391	6.0%	6.6%	37%
Tamil Nadu	13,129	8.0%	8.0%	36%
Gujarat*	11,864	9.2%	8.7%	24%
Karnataka	12,010	6.8%	9.9%	31%
Uttar Pradesh	11,873	4.4%	7.3%	21%
West Bengal	7,932	7.3%	6.7%	18%
Rajasthan	7,116	5.0%	6.4%	23%
Andhra Pradesh	6,720	8.2%	8.6%	32%
Delhi	6,344	7.4%	8.2%	32%
Kerala*	5,594	7.5%	6.7%	35%
Haryana	5,722	7.7%	9.1%	26%
Madhya Pradesh	5,618	7.6%	7.9%	23%
Punjab	4,189	5.3%	6.1%	22%
Bihar	4,150	10.5%	8.2%	15%
Odisha	4,024	5.3%	8.3%	14%
Chhattisgarh	2,435	5.3%	5.6%	19%
Assam*	2,340	6.4%	8.1%	18%
Jharkhand	2,400	6.7%	5.2%	15%
Uttarakhand*	1,933	6.9%	7.3%	18%
Himachal Pradesh	1,244	5.6%	6.9%	14%
Jammu and Kashmir*	1,128	6.1%	7.3%	24%
Tripura	405	9.6%	8.5%	13%

States	Real GDP (FY2020) (₹ billion)	YOY growth	Real GDP growth CAGR (FY2015 - FY2020)	Credit penetration
Chandigarh*	312	7.4%	7.2%	55%
Meghalaya	267	8.2%	5.8%	16%

Note: (*) – As of FY2019, credit penetration is calculated as retail loans divided by GDP.

Source: MOSPI, CRISIL Research

EVOLUTION OF SFB INDUSTRY

Despite various measures taken by the government to boost financial penetration in India, a significant percentage of the country's population is still without basic access to financial services.

In 2013, the RBI constituted a committee to further their goal of financial inclusion. The committee recommended differential licensing in the form of payment banks which was chaired by Dr. Nachiket Mor and small finance banks which was chaired by Mrs. Usha Thorat.

On November 27, 2014, the RBI released guidelines for a new class of banking entity, SFBs, to cater to the diverse needs of low-income groups. On September 16, 2015, the RBI awarded SFB licenses to 10 players on account of the government's focus on financial inclusion and inclusive banking.

Going digital is increasing the thrust area for financiers

Asset side

SFBs and NBFCs use mobile/tablet-based applications to automate loan processing in the field which allows sales staff to do a real-time assessment of customers' credit worthiness by performing an accurate financial analysis through access to credit bureau information. This has led to an improvement in productivity. Cashless disbursements have also seen a rise in the industry, however, on the collection front, a majority of portfolios still consist of cash collection which remains a challenge and impacts operating expenses.

Of the various processes in the customer value chain on loan products, CRISIL Research is of the view that digitization and usage of technology have had the biggest impact on customer acquisition and on-boarding, followed by credit assessment. In other processes—documentation, loan disbursements and collections and monitoring—the extent of digitization is comparatively low even as lenders have increased their focus on adoption of technology in loan disbursements and collections during the COVID-19 pandemic. Still, even in these spheres, technology is being progressively tapped by institutions for digital monitoring of portfolios through dashboards and analytics. For example, 58% of disbursements of microfinance loans for NBFC-MFIs in FY2020 were through a cashless mode.

Based on our market assessments, CRISIL Research estimates the average turnaround time ("**TAT**") (Login to Sanction – including digital and traditional channels) for various players (including SFBs and NBFCs) as follows:

- Microfinance: 2-5 days
- Loans against property ("**LAP**"): 6-9 days
- Two-wheeler loans: 40-50 minutes

However, the time from sanction to disbursement takes an additional 3-5 working days in products like microfinance and LAP.

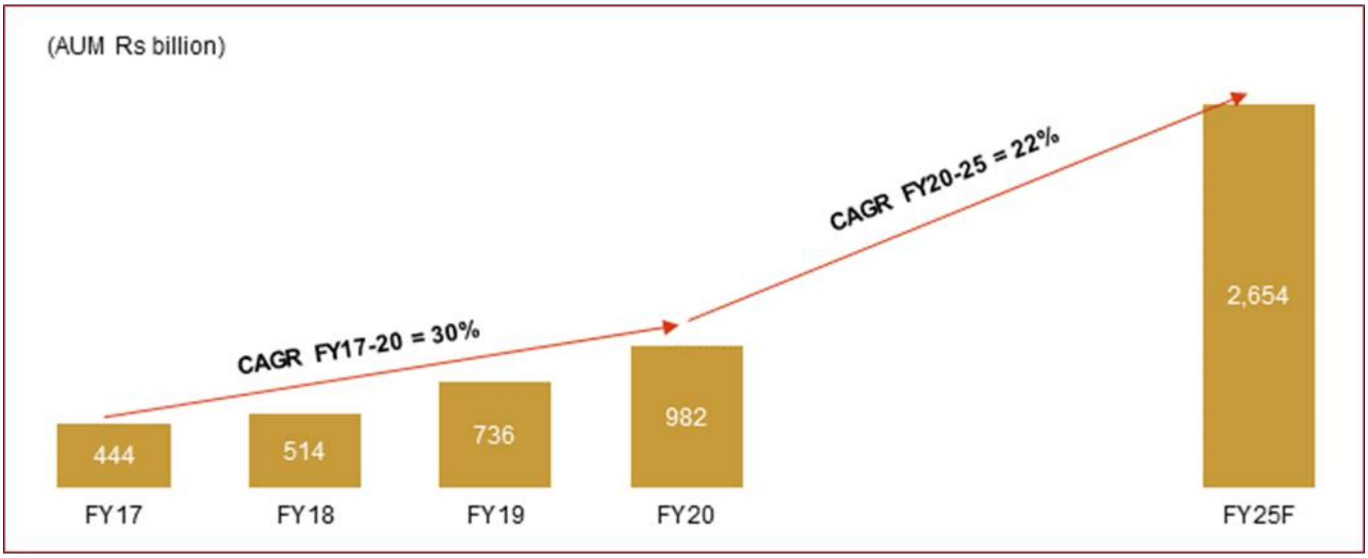
Liability side

Digitization allows SFBs to lower their operational cost by removing their repetitive and time-consuming processes (e.g. account opening) through increased front-end support. Industry players are now using mobile/tablet-based paperless on-boarding rather than conventional means, which has led to a significant reduction in TAT from 1-2 days to one hour. Fincare SFB offers 101 Accounts (online savings accounts), which can be opened in a few minutes anytime and anywhere with access benefits available to digital / self-service customers.

In January 2020, video-KYC was permitted by the RBI for opening savings and fixed deposit accounts. Amid the COVID-19 pandemic, this feature has come as a boon as SFBs have put in place technology to allow customers to self-on-board with no physical contact or banking outlet visit.

Industry growth and outlook

<u>Significant opportunity to support AUM growth over next three years</u>



Notes: AUM considered for other players, the amounts are as of the end of the fiscal indicated; F: Forecast

Source: Company reports, CRISIL Research

SFBs' AUM clocked a 30% CAGR from fiscal 2017 to fiscal 2020. The top three accounted for approximately 61% of the aggregate AUM as of fiscal 2020, up from 55% in fiscal 2017. These three players logged a 35% CAGR during the period. The top six players account for approximately 86% of the market share. CRISIL Research expects the sector's loan portfolio to see a strong 22% CAGR in the near-term as most of the SFBs have completed the transition phase and are likely to benefit from the operating leverage.

New loan origination is expected to remain low as SFBs remain cautious and selective in their disbursals due to the COVID-19 pandemic. However, as the economy revives and business operations normalize, growth is likely to recover from fiscal 2022 onwards, largely supported by:

- **Large market opportunity in the rural segment** – Despite its larger contribution to GDP of 47%, the rural segment's share of credit remains fairly low at about 9-10% of the overall credit outstanding. This provides a large market opportunity for SFBs and other players present in the segment.

- **Presence of informal credit channels –** In remote areas, informal credit channels have a major presence. In other words, there is a large unbanked population. SFBs have an opportunity to tap this market.

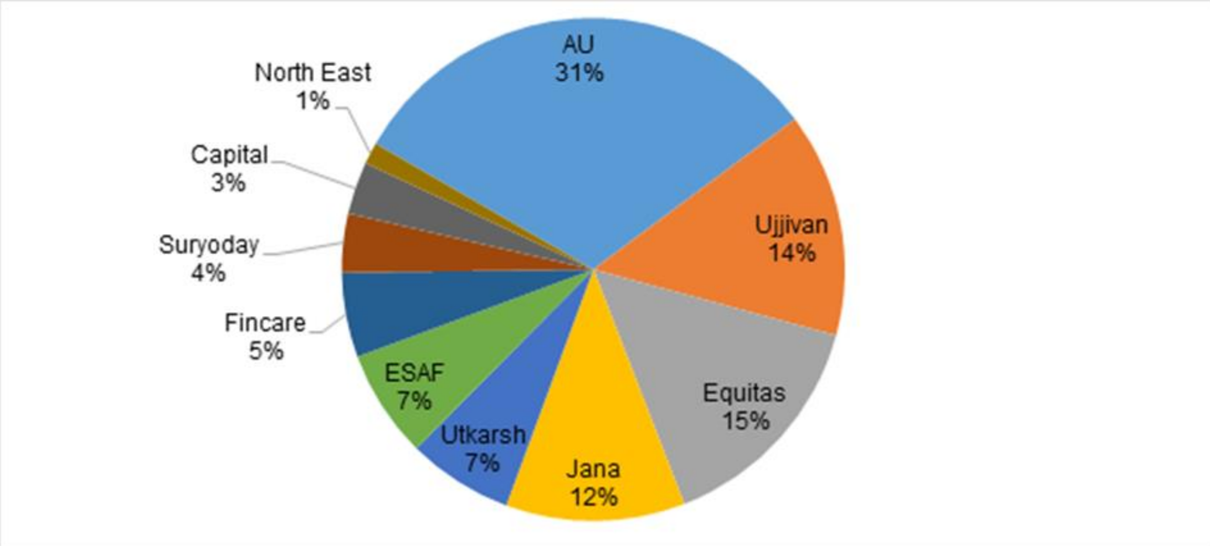
- **Geographic diversification –** With increased focus on diversifying their portfolio and expanding their reach, SFBs are expected to log higher growth as they tap newer geographies.

- **Loan recovery and control on aging NPAs –** SFBs are experienced in collections and monitoring of default risk. This will help them keep asset quality under check.

- **Ability to manage local stakeholders –** With their microfinance experience, SFBs have the ability to manage local stakeholders and maintain operational efficiency.

- **Access to low-cost funds and significant cross-sell opportunity –** SFBs' cost of funds is substantially low since they are allowed to raise CASA deposits. This also helps them lend at more reasonable rates to customers, enhancing their cross-sell opportunities in terms of asset products, insurance, etc.

Top six players accounted for 86% of industry AUM (FY2020)



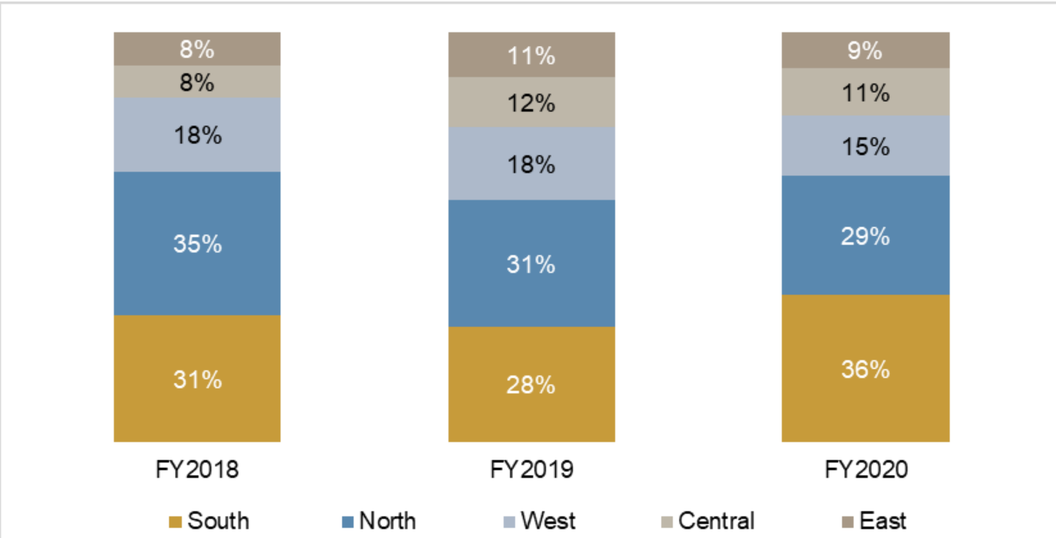
Source: Company reports; CRISIL Research

AUM growth of top SFBs

AUM (₹ billion)	FY2018	FY2019	FY2020	Q2FY2021	CAGR (FY2018 - Q2FY2021)
AU SFB	16,188	24,246	30,893	33,222	33%
Equitas SFB	7,788	11,704	15,367	17,373	38%
Ujjivan SFB	7,560	11,049	14,153	13,638	27%
ESAF SFB	3,191	4,587	6,817	7,291	39%
Utkarsh SFB	3,102	4,666	6,660	6,643	36%
Fincare SFB	2,135	3,528	5,342	5,243	43%
Suryoday SFB	1,755	3,003	3,710	3,658	34%
Total	**41,719**	**62,783**	**82,942**	**87,068**	**34%**

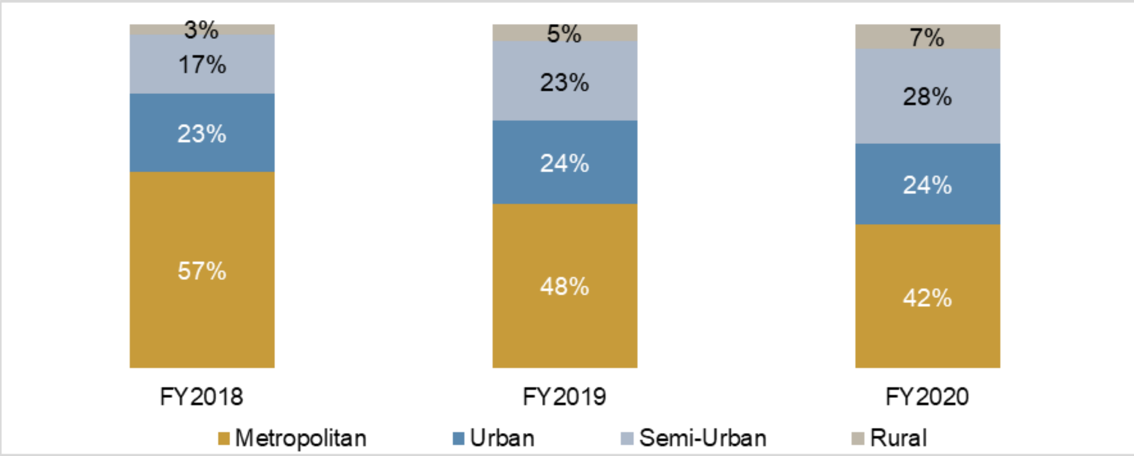
Source: Company, CRISIL Research

Advances across regions for SFBs



Source: RBI, CRISIL Research

Share of urban and semi-urban regions in total advances continue to increase for SFBs



Notes: Rural: population less than 10,000; Semi-urban: population 10,000 to 99,999; Urban: population 100,000 to 999,999; Metropolitan: population 1,000,000 and above.

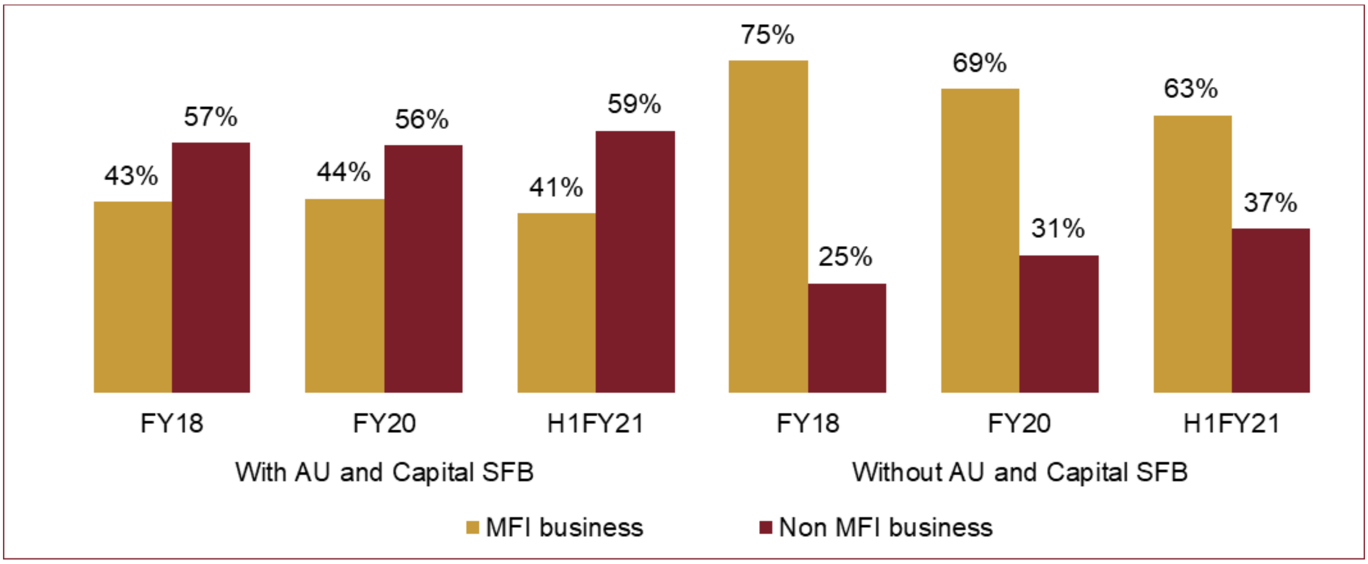
Source: RBI, CRISIL Research

SFBs continue to diversify their portfolio beyond microfinance business

The microfinance segment accounted for 44% (including Capital and AU SFB) of overall business of SFBs in fiscal 2020. SFBs have shifted their focus from microfinance to other products. However, their core customer base is unlikely to have changed much because of regulatory norms. After the conversion of NBFC-MFIs to SFBs, the focus is now on diversifying their product portfolio. As a result, the share of their MFI portfolio in total advances reduced to 63% as of September 2020 from 90-95% as of fiscal 2016.

CRISIL Research expects MFIs that converted to SFBs to further diversify and focus on allied segment loans, such as MSME loans, affordable housing finance, gold loans, CV/non-CV loans and two-wheeler loans, which will reduce the dominance of microfinance in their overall loan portfolio.

Advances mix



Notes: 1) Capital and AU SFB are excluded as they mostly deal with non-MFI business; 2) Portfolio mix data for Suryoday SFB is as of December 2020.

Source: Company reports, CRISIL Research

Growth in network base to curb geographic concentration of loan portfolio

SFBs have seen strong growth in banking outlet expansion in order to meet regulatory requirements. As of fiscal 2020, the top three players accounted for more than 42% of the total number of functioning offices. Expansion of functioning offices has also helped diversification of portfolios and overcoming geographic concentration. As of fiscal 2020, the top 10 states accounted for approximately 85% of the overall SFB portfolio. However, with rapid banking outlet expansion and broad service offerings, the share of these states is expected to decrease.

Top 10 states account for approximately 85% of SFB portfolio

Top 10 States	Share as of end of FY2020
Tamil Nadu	24%
Rajasthan	16%
Maharashtra	8%
Madhya Pradesh	7%
Gujarat	6%
Karnataka	6%
Punjab	5%
Kerala	4%
Bihar	4%
Uttar Pradesh	3%
Total	**83%**

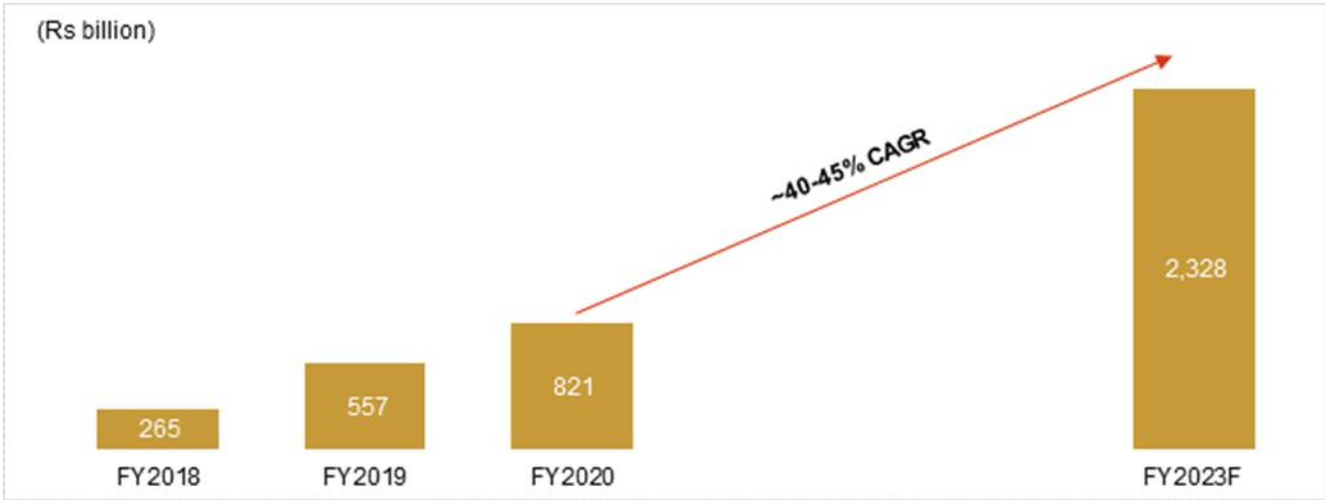
Source: RBI, CRISIL Research

SFB deposits to grow faster than private, public sector banks

Immediately after commencement of their operation, all SFBs focused on increasing their deposit base. Their overall deposit base doubled to around ₹ 557 billion as of fiscal 2019. It further increased by approximately 48% to reach ₹ 835 billion in fiscal 2020. This increase could be attributed to the higher interest rates they offer. Before converting into SFB, most players did not have access to deposits and their deposit as a percentage of AUM was negligible at the time of conversion. However, their deposit as a percentage of AUM has since risen to 87%.

Going forward, CRISIL Research expects SFBs' deposits to grow at a 40-45% CAGR from fiscal 2020 to fiscal 2023 as players focus on popularizing convenient banking habits to cover the last mile and widen financial inclusion by deepening their penetration into untapped geographies.

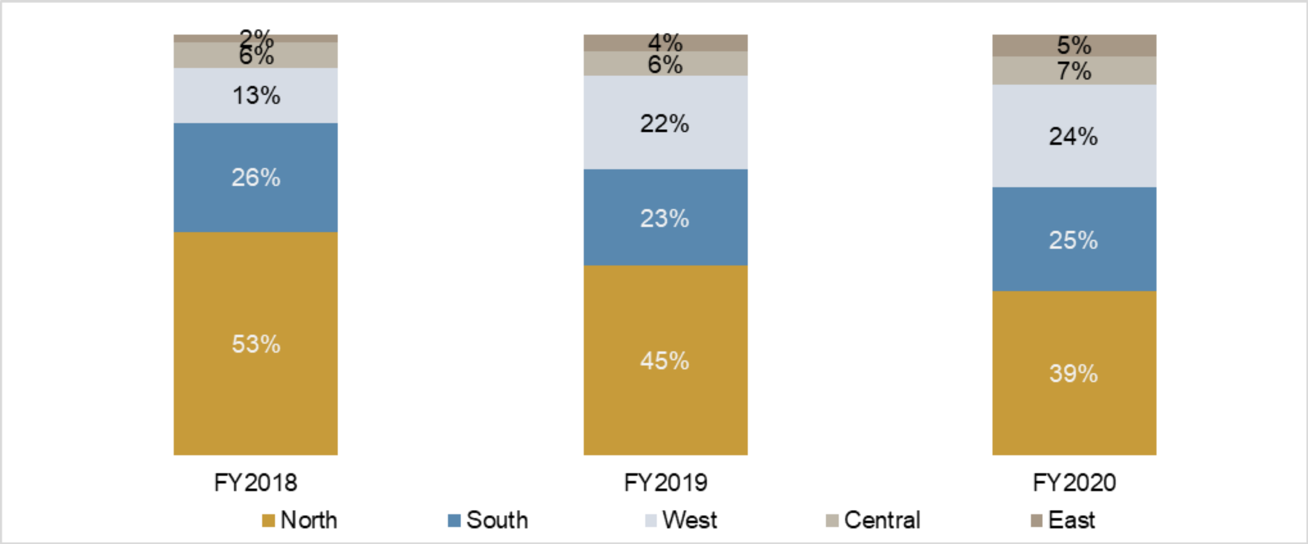
SFB deposits to grow robustly



Notes: Amounts are as of the end of fiscal year indicated; F: Forecast

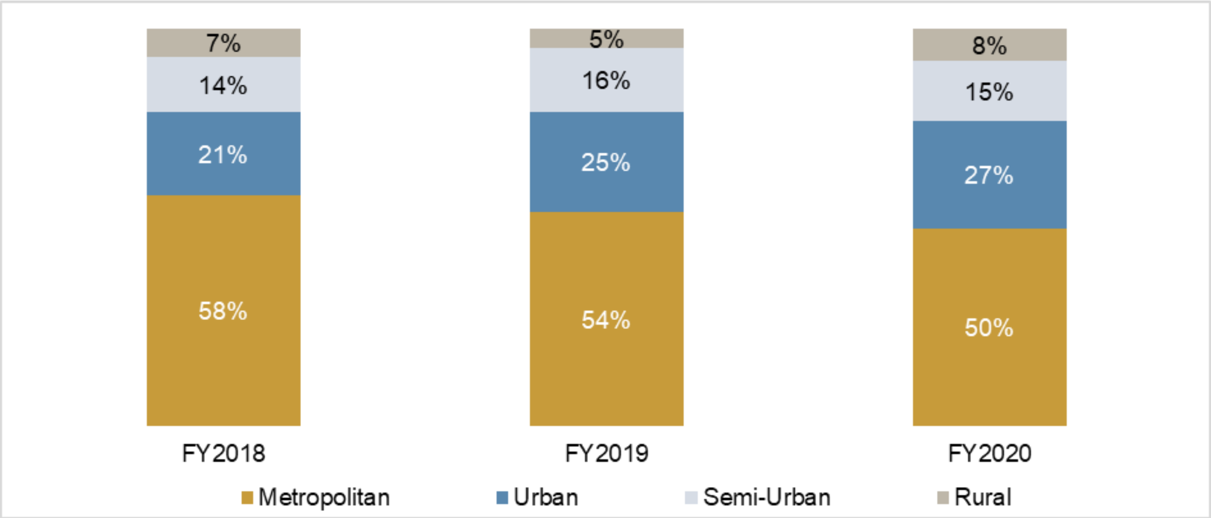
Source: Company reports, CRISIL Research

SFB deposits by region



Source: RBI, CRISIL Research

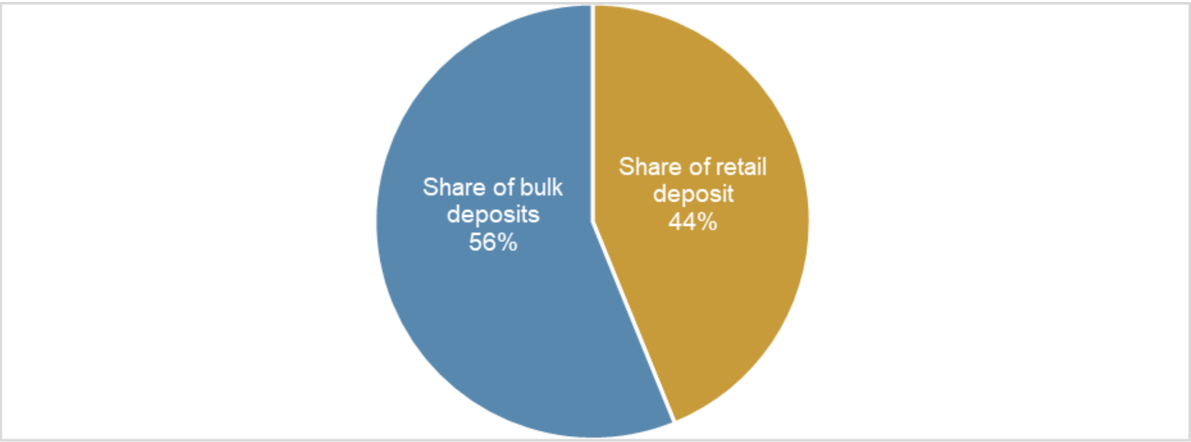
Over 70% of SFB deposits are from metropolitan and urban regions



Notes: Rural: population less than 10,000; Semi-urban: population 10,000 to 99,999; Urban: population 100,000 to 999,999; Metropolitan: population 1,000,000 and above.

Source: RBI, CRISIL Research

Retail deposits as a share of total deposits (FY2020)



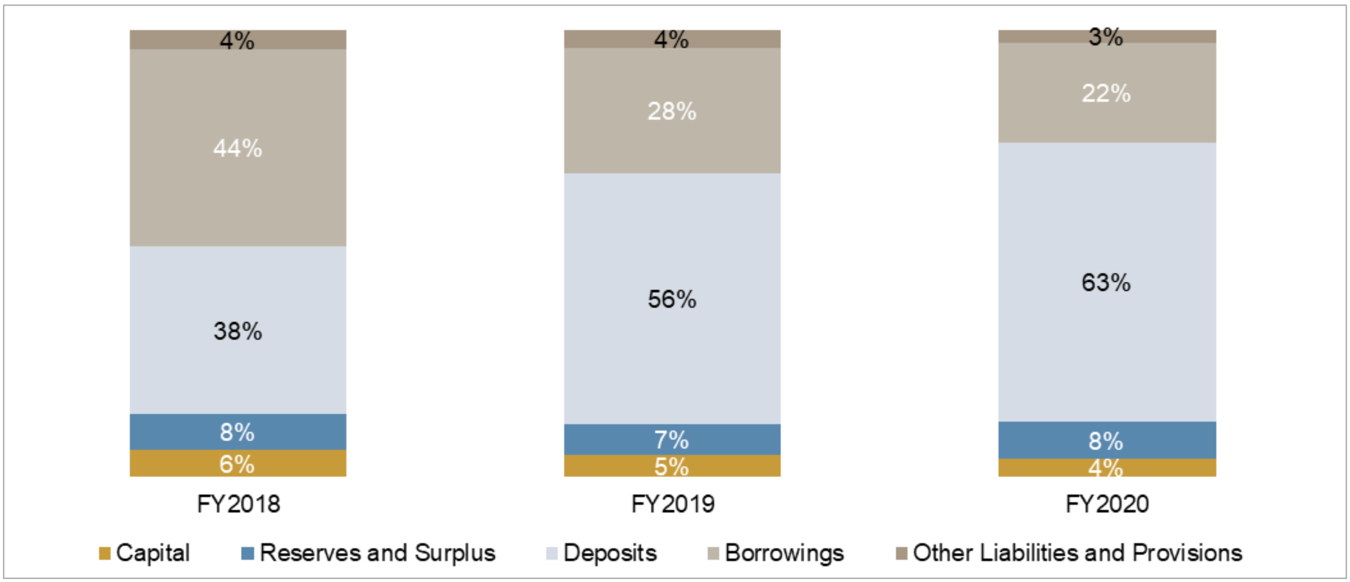
Notes: Retail deposits include CASA and term deposits; Data excludes data for Jana, Capital and North East SFB.

Source: Company reports, CRISIL Research

Resource profile of SFBs

The resource profile of SFBs has transformed over the last two years owing to a decrease in the share of borrowings from 44% as of fiscal 2018 to 22% as of fiscal 2020 and a rise in the share of deposits from 38% to 63% during the period. Their asset-liability management profile remains comfortable owing to conservative liquidity policy, mobilization of deposits and shorter tenure of loans.

Rapid ramp-up in SFB deposits



Notes: Data excludes North East SFB; percentages are as of the end of the fiscal year indicated.

Source: Company reports, CRISIL Research

Profitability of SFBs to decline in fiscal 2021

In fiscal 2020, profitability for SFBs is estimated to have declined on account of increased provisioning in the pandemic-weakened economy. In fiscal 2021, interest income growth is expected to be lower with fewer disbursements and increasing pressure on margins. CRISIL Research also expects lenders to spread their credit cost over several years, as and when the full impact of COVID-19 becomes more apparent, hence the credit cost is expected to remain elevated in the coming two fiscal years. Going forward, we believe that the ability to maintain sound asset quality in lending while managing growth will be key for profitability.

SFBs RoA tree	FY2018	FY2019	FY2020	FY2021P	FY2022P
Interest income (yield)	10.9%	13.9%	14.0%	14.0%	13.9%
Interest expense (cost)	5.2%	6.5%	6.4%	6.5%	6.3%
Net interest income	5.7%	7.4%	7.6%	7.5%	7.6%
Opex	5.3%	6.0%	5.9%	5.7%	5.6%
Other income	2.2%	1.9%	1.9%	1.8%	1.9%
Credit costs	1.7%	1.1%	1.4%	2.5%	2.4%
RoA	0.4%	1.6%	1.5%	0.7%	1.0%

Notes: P: Projected; data for Jana SFB is excluded from the calculations.

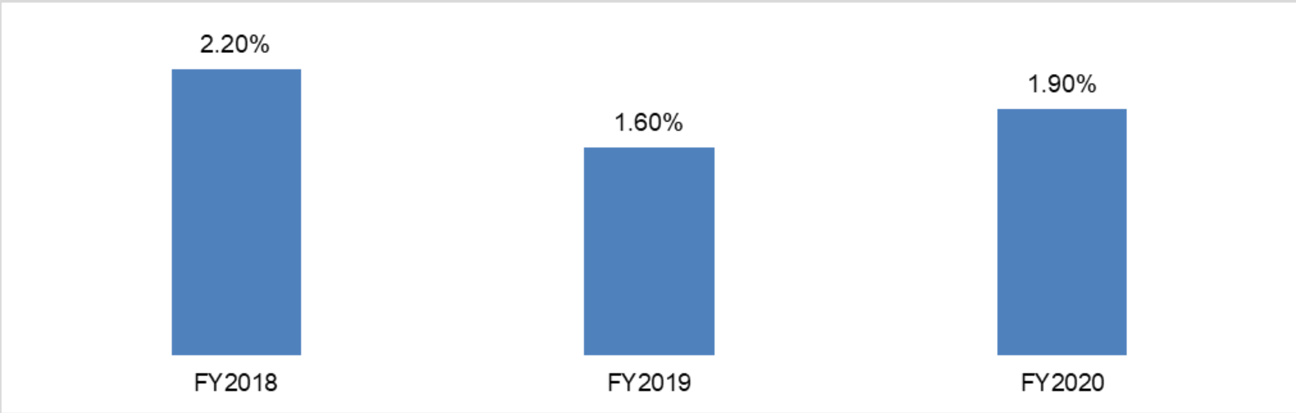
Source: Company reports, CRISIL Research

Asset quality for SFBs could deteriorate due to the pandemic

GNPA of SFBs improved to 1.6% in fiscal 2019 from 2.2% in fiscal 2018. This could be attributed to diversification of product mix into relatively less risky assets, write-offs of legacy loans and a reduction in microfinance loans due to better collection mechanisms and deep understanding of local geographies and customers. In fiscal 2021, SFBs are expected to continue facing severe asset quality issues as near-term collections could see disruptions on account of the COVID-19 pandemic.

Credit cost of SFBs had declined from 1.7% in fiscal 2018 to 1.1% in fiscal 2019, which boosted their profitability. However, in fiscal 2020, the cost increased due to higher provisioning related to the COVID-19 pandemic in January through March. This eroded their profitability in fiscal 2020.

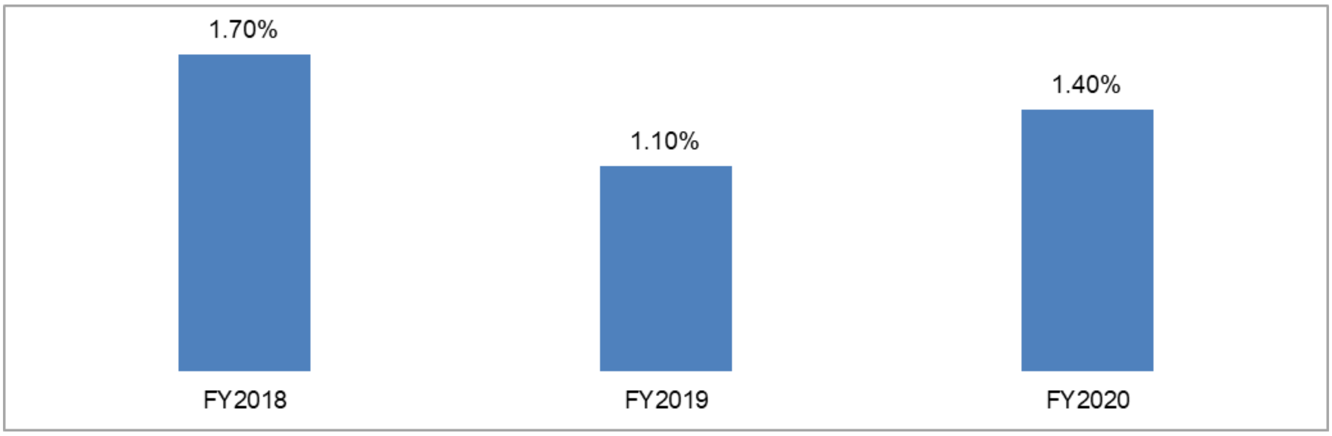
SFB industry GNPA



Note: Data excludes data for Jana SFB

Source: Company reports, CRISIL Research

SFB industry credit costs



Note: Data excludes data for Jana SFB

Source: Company reports, CRISIL Research

Peer Benchmarking

Fincare SFB has the highest advances growth rate over fiscal 2018-2020

Fincare SFB recorded the fastest growth among its peers of a 72% CAGR from fiscal 2018 to fiscal 2020. It is followed by Bandhan bank and Suryoday SFB which both grew at a 50% CAGR over the same period.

Suryoday and Fincare SFB are well-capitalized compared with peers

As of end-fiscal 2020, Suryoday and Fincare SFB had a total capital adequacy ratio of 29.57% and 29.29%, respectively, compared with Capital SFB's 17.47% and Jana SFB's 19.30%, which was the lowest.

Fincare SFB has second-highest banking outlets among all SFBs

Fincare SFB has 711 banking outlets across 19 states as of fiscal 2020 which is the second highest among its peers after Equitas SFB with 854 banking outlets across 15 states.

Jana and Fincare SFB reported faster deposit growth than other SFBs in fiscal 2020

Jana and Fincare SFB's deposits have grown at a fast pace of 130% and 128%, respectively, in fiscal 2020, as compared to other SFBs, led by rising banking outlets. They are followed by Suryoday SFB and ESAF SFB with 79% and 63%, respectively. Fincare SFB's deposit concentration with top 20 depositors (18% as of March 2020) is the second lowest among the players assessed, after ESAF SFB with 11%.

SFBs and other players (end FY2020)

Players	On-book advances (₹ billion)	Advances growth (FY2018-2020)	Deposits (₹ billion)	Deposit growth year-on-year (FY2019-2020)	Share of top 20 depositors	Credit-to-deposit ratio	Disbursements (₹ billion)	Disbursement growth (on year FY2020)
SFBs								
AU SFB	270	42%	261.6	35%	23%	103%	186	16%
Equitas SFB	137	34%	107.9	30%	32%	127%	99	16%
Ujjivan SFB	140	38%	107.8	46%	29%	130%	132	19%
Jana SFB	100	29%	96.5	130%	18%	103%	NA	NM
ESAF SFB	65	44%	70.2	63%	11%	93%	74	37%
Utkarsh SFB	63	42%	52.3	38%	36%	120%	66	44%
Fincare SFB	48	72%	46.5	128%	18%	103%	49	52%
Suryoday SFB	35	50%	28.5	79%	39%	124%	31	8%
Microfinance								
Credit Access	92	37%	NM	NM	NA	NM	104	26%
Spandana	50	27%	NM	NM	NA	NM	80	61%
Satin Creditcare	47	(1)%	NM	NM	NA	NM	80	29%
Arohan	43	46%	NM	NM	NA	NM	50	7%
Universal banks								
Bandhan Bank	666	50%	570.8	32%	16%	127%	NA	NM

Notes: Players are arranged in descending order of AUM. NA – Not available; NM – Not meaningful

Source: Company reports, CRISIL Research

SFBs and other players (end FY2020)

Players	Banking outlets	Number of employees	Capital adequacy ratio (CRAR) (%)	Tier 1 capital (%)	Presence in states and UTs	Balance sheet size (₹ billion)
SFBs						
AU SFB	647	17,112	22.00%	18.40%	12	421
Equitas SFB	854	16,104	23.61%	22.44%	15	193
Ujjivan SFB	575	17,841	28.80%	28.00%	24	184
Jana SFB	585	16,212	19.30%	13.10%	22	141
ESAF SFB	454	3,337	24.03%	20.99%	18	95
Utkarsh SFB	507	8,831	22.19%	19.41%	17	94
Fincare SFB	711	7,363	29.29%	23.46%	19	71
Suryoday SFB	477	4,695	29.57%	28.61%	12	54
Microfinance						
Credit Access	929	10,824	23.60%	22.30%	9	107
Spandana	1,010	8,224	53.00%	NA	18	60
Satin Creditcare	1,140	11,148	47.40%	NA	23	72
Arohan	712	6,272	24.80%	19.93%	17	4
Universal banks						
Bandhan Bank	4,559	39,750	27.43%	25.19%	34	917

Notes: Banking outlets including banking outlets, ultra-small banking outlets and asset centers, as reported by the players; NA – Not available; NM – Not meaningful.

Source: Company reports, CRISIL Research

SFBs players (December 31, 2020)

Players	Advances (₹ billion)	Advances growth \on year (6M / 9MFY2021)	Deposit (₹ billion)	Deposit growth on year (6M / 9MFY2021)	Credit-to-deposit ratio (%)	Disbursements (₹ billion)	Disbursement growth (on year)
AU SFB	303	14%	297	24%	102%	111	(19)%
Equitas SFB	168	23%	159	51%	106%	49	(34)%
Ujjivan SFB	135	(0.2)%	116	9%	117%	41	(58.6)%
ESAF SFB*	73	93%	82	121%	89%	15	(53)%
Utkarsh SFB*	66	28%	60	28%	111%	10	NA
Fincare SFB	52	17%	53	29%	99%	28	(19)%
Suryoday SFB	38	13%	33	34%	113%	12	(50)%

Note: Numbers of Utkarsh and ESAF are based on 6M data.*

NA – Not available; NM – Not meaningful

Source: Company reports, CRISIL Research

SFBs and other players (December 31, 2020)

Players	Banking outlets	Number of employees	Capital adequacy ratio (CRAR) (%)	Tier 1 capital (%)	Presence in states and UTs	Balance sheet size (₹ billion)
SFBs						
AU SFB	728	18,992	22%	18%	17	466
Equitas SFB	861	16,036	22%	21%	17	254
Ujjivan SFB	575	16,733	27%	26%	24	194
ESAF SFB*	454	3,527	24%	21%	18	112
Utkarsh SFB*	508	8,501	25%	22%	17	105
Fincare	747	8,114	26%	21%	19	77
Suryoday SFB	554	4,770	41%	37%	12	64
Microfinance						
Credit Access	1,389	14,704	31%	NA	14	137
Spandana	1,034	8,339	39%	NA	18	78
Satin Creditcare	1,021	9,633	25%	NA	23	NA
Universal banks						
Bandhan Bank	5,197	47,260	26%	21%	34	1,073

*Notes: * Numbers of Utkarsh and ESAF are based on 6M data; NA – Not available; NM – Not meaningful.*

Source: Company reports, CRISIL Research

Fincare SFB stood second in proportion of deposits to loan book and deposits to overall borrowing

ESAF SFB had the highest proportion of deposits to loan book at 107%, followed by Fincare SFB at 100.8%, in fiscal 2020. Fincare SFB also stood second in terms of deposits as a percentage of total borrowing at 78% as of fiscal 2020. In addition, Fincare SFB ranks second in the proportion of retail deposits to total deposits, after ESAF SFB. Approximately 75% of Fincare's deposits are retail, which reflects greater granularity in its deposit base. This can also be observed in the concentration of top-20 accounts in deposits (18% as of March 2020), which is one of the lowest among its peers.

Among its peers, Fincare SFB, Jana SFB, Utkarsh SFB and Suryoday SFB have the highest deposit rates which helps them in increasing their deposit base and reducing dependence on external borrowings.

Deposit details of SFBs and other players (end FY2020)

Players	Proportion of deposit to total loan book (%)	Proportion of deposit in total borrowing (%)	Proportion of retail deposits in total deposits (%)	CASA (% of deposits)	Retail TD (% of deposits)	Bulk TD (% of deposits)	Highest deposit rate (%), tenure (in years)	Concentration of top 20 accounts in total deposits
SFBs								
AU SFB	96.9	71.6	48.7	15.9	32.8	51.3	6.75, 2-3yr	23%
Equitas SFB	78.5	67.7	58.4	21.4	37.0	41.6	7.15, 2-3yr	32%
Ujjivan SFB	76.8	73.1	49.2	14.6	34.6	50.8	6.5, 1-2yr	29%
Jana SFB	96.9	76.9	NA	7.4	NA	NA	7.5, 2-3yr	18%
ESAF SFB	107.3	85.3	95.07	13.66	81.41	4.93	7.0, 1-1.5yr.	11%
Utkarsh SFB	83.3	66.2	48.20	13.50	34.70	51.8	7.50, 1.9yr.	36%
Fincare SFB	100.8	78.0	77.00	11.90	65.10	23.00	7.50, 3-3.5yr	18%
Suryoday SFB	80.7	69.2	54.44	11.45	43.00	45.56	7.50, 5yr	39%
Universal banks								
Bandhan Bank	85.7	77.7	78.4	36.8	41.6	21.6	6.0, 1.5-3 yr.	16%

Notes: 1) NA – Not available. 2) Retail deposits include CASA, retail term deposits and deposits less than ₹ 20 million. Bulk deposits include institutional deposits. 3) CASA ratio is calculated based on overall deposits, excluding certificates of deposits.

Source: Company reports, CRISIL Research

Deposit details of SFBs and other players (December 31, 2020)

Players	Proportion of deposit to total loan book (%)	Proportion of deposit in total borrowing (%)	Proportion of retail deposits in total deposits (%)	CASA (% of deposits)	Retail TD (% of deposits)	Bulk TD (% of deposits)
SFBs						
AU SFB	98%	76%	55%	22%	33%	45%
Equitas SFB	94%	75%	60%	25%	35%	40%
Ujjivan SFB	86%	78%	48%	18%	30%	52%
ESAF SFB*	113%	86%	97%	15%	82%	3%
Utkarsh SFB*	90%	68%	58%	14%	44%	42%
Fincare SFB	101%	83%	91%	20%	71%	9%
Suryoday SFB	88%	69%	68%	13%	55%	32%
Universal banks						
Bandhan Bank	93%	85%	81%	43%	38%	19%

*Note: * Numbers of Utkarsh and ESAF are based on 6M data*

Notes: 1) NA – Not available. 2) Retail deposits include CASA, retail term deposits and deposits less than ₹ 20 million. Bulk deposits include institutional deposits. 3) CASA ratio is calculated based on overall deposits, excluding certificates of deposits.

Source: Company reports, CRISIL Research

In fiscal 2020, Fincare SFB's deposit per employee was ₹ 7 million and business per employee was ₹ 13 million which was in line with most of its SFB peers in the table.

Operational efficiency of SFBs (end FY2020)

Players	Employee growth (FY2019-2020)	Advances per employee (in million)	Deposits per employee (in million)	Business per employee (in million)	Advances per banking outlet (in million)	Deposits per banking outlet (in million)	Business per banking outlet (in million)	AUM per customer (₹)*
SFBs								
AU SFB	36%	16	15	31	417	404	822	1,79,610
Equitas SFB	10%	9	7	15	161	126	287	63,526
Ujjivan SFB	21%	8	6	14	244	187	432	26,958
Jana SFB	-3%	6	6	12	170	165	335	NA
ESAF SFB	54%	20	21	41	144	155	299	16,733
Utkarsh SFB	41%	7	6	13	124	103	227	26,640
Fincare SFB	34%	7	7	13	68	68	136	20,949
Suryoday SFB	17%	8	6	14	74	60	134	26,500
Microfinance								
Credit Access	34%	8	NM	8	99	NM	99	34,007
Spandana	24%	6	NM	6	49	NM	49	26,572
Satin Creditcare	34%	4	NM	4	41	NM	41	20,867
Arohan	32%	7	NM	7	61	NM	61	21,104
Universal banks								
Bandhan Bank	23%	17	14	31	146	125	271	35,744

*Notes: * Customer includes both loan customers as well as deposit customers; NA – Not available; NM – Not meaningful.*

Source: Company reports, CRISIL Research

In fiscal 2020, Fincare SFB had 51% AUM growth which resulted in 80% total income growth, the highest among its peers. Fincare SFB's NII growth of 64% was the second fastest, after Jana SFB. This income growth also resulted in 41% growth in net profits in fiscal 2020.

Financial metrics of SFBs (end FY2020)

Growth (FY2019-2020)	AUM	Total income	Other income	NII	PPOP	PAT	COVID provision (₹ million)	Adjusted PAT* growth (in %)
SFBs								
AU SFB	27%	44%	1%	60%	355%	56%	1,380	92%
Equitas SFB	31%	22%	0%	30%	34%	16%	996	63%
Ujjivan SFB	28%	49%	56%	48%	206%	76%	700	111%
Jana SFB	73%	77%	268%	131%	(78)%	(102)%	NA	NA
ESAF SFB	49%	36%	22%	38%	60%	110%	44	115%
Utkarsh SFB	43%	50%	65%	46%	47%	99%	500	152%
Fincare SFB	51%	80%	109%	64%	137%	41%	850	124%

Growth (FY2019-2020)	AUM	Total income	Other income	NII	PPOP	PAT	COVID provision (₹ million)	Adjusted PAT* growth (in %)
Suryoday SFB	24%	43%	31%	45%	50%	28%	660	104%
Microfinance								
Credit Access	38%	33%	25%	29%	27%	2%	829	28%
Spandana	56%	40%	479%	27%	26%	12.8%	1,290	54%
Satin Creditcare	13%	3%	71%	(6)%	(197)%	(20)%	NA	NA
Arohan	20%	43%	9%	45%	69%	14%	NA	NA
Universal banks								
Bandhan Bank	60%	61%	46%	41%	45%	55%	6,900	90%

*Note: * PAT growth adjusted for COVID provision (PAT + COVID provision)*

NA – Not available

Source: Company reports, CRISIL Research

Product mix

Product mix of all SFBs and banks (end FY2020)

Product mix	MFI	Vehicle loans	Mortgage loans	MSME	Large and mid-corporate loans	Gold loans	Others
SFBs							
AU SFB	-	50%	2%	44%	0	1%	3%
Equitas SFB	24%	24%	0%	41%	10%	0%	1%
Ujjivan SFB	77%	-	11%	10%	-	-	2%
Jana SFB	75%	0%	7%	14%	1%	1%	3%
ESAF SFB	93%	-	-	-	2%	-	5% #
Utkarsh SFB	88%	-	1%	4%	6%	-	2%
Fincare SFB	80%	-	11%	-	-	5%	4%
Suryoday SFB	76%	10%	5%	5%	-	-	4%
Universal banks							
Bandhan Bank	64%	-	26%	4%	5%	1%	-

Note: # Includes all retail loans by ESAF.

Source: Company reports, CRISIL Research

Profitability

Fincare SFB has the highest yield among all players

Fincare has the highest yield on advances at 24.9%.

Suryoday SFB and Fincare have the best cost-to-income ratio among SFBs

Suryoday SFB had the lowest cost-to-income ratio of 47.1%, followed by Fincare (56.0%), in fiscal 2020. Jana SFB and Capital SFB have the highest cost-to-income among SFBs.

Profitability of players in fiscal 2020

Players	Yield on advanced (%)	NIMs (%)	Non-interest income (%)	Cost of borrowing** (%)	Opex (%)	Opex per banking outlet	Cost to income (%)	Credit cost (%)	PAT (in million)	PAT growth (on year)	COVID provision on total assets
SFBs											
AU SFB^	13.7%	5.3%	1.7%	7.4%	3.9%	21.92	56.1%	0.8%	5,960	56.0%	0.33%
Equitas SFB	19.1%	8.5%	1.6%	8.1%	6.7%	13.81	66.3%	1.4%	2,436	15.7%	0.52%
Ujjivan SFB	21.2%	10.2%	2.0%	8.1%	8.2%	22.94	67.4%	1.5%	3,500	75.7%	0.38%
Jana SFB	22.7%	8.6%	3.7%	9.4%	9.9%	19.90	80.6%	2.1%	301	NM	NA
ESAF SFB	22.3%	9.6%	1.6%	8.7%	7.3%	13.22	64.9%	1.6%	1,900	110.4%	0.05%
Utkarsh SFB	19.0%	7.7%	1.0%	9.6%	5.1%	9.40	57.6%	0.6%	1,867	98.9%	0.53%
Fincare SFB	24.9%	11.0%	2.6%	9.5%	7.6%	6.02	56.0%	3.4%	1,435	40.7%	1.19%
Suryoday SFB	22.5%	10.8%	1.9%	8.1%	6.0%	5.70	47.1%	4.3%	1,109	28.1%	1.23%
Microfinance											
Credit Access	20.4%	11.7%	0.3%	9.0%	4.3%	4.17	35.9%	2.6%	3,270	1.9%	0.78%
Spandana	24.5%	14.9%	5.5%	11.9%	4.0%	2.18	19.7%	2.6%	3,518	(89.4)%	2.16%
Satin Creditcare	21.1%	7.3%	4.8%	12.0%	8.9%	5.39	73.4%	3.4%	1,550	(20.1)%	1.16%

Players	Yield on advanced (%)	NIMs (%)	Non-interest income (%)	Cost of borrowing** (%)	Opex (%)	Opex per banking outlet	Cost to income (%)	Credit cost (%)	PAT (in million)	PAT growth (on year)	COVID provision on total assets
Arohan	22.0%	22.7%	3.6%	10.6%	10.8%	3.21	41.1%	7.5%	1,268	14.2%	NA
Universal banks											
Bandhan Bank	14.0%	8.5%	2.1%	7.8%	3.3%	5.32	30.8%	1.9%	30,240	55.0%	0.75%

*Notes: ^ Excludes profit from sale of investment in Aavas Finance Ltd; ** Cost of borrowing is calculated on total borrowings, i.e. the sum of borrowing and deposits; NA – Not available; NM – Not meaningful.*

Source: Company reports, CRISIL Research

<u>Profitability of players (December 31, 2020)</u>

(₹ million)	Yield on advances (%)*	NIMs (%)*	Non-interest income (%)*	Cost of borrowing *$ (%)	Opex (%)*	Opex per banking outlet *	Cost to income (%)	Credit cost (%)*	PAT (9MFY2021)	PAT growth (on year)	Total COVID provision# on closing assets
SFBs											
AU SFB^	17.2%	5.4%	1.6%	7.3%	3.5%	20.15	49.3%	1.6%	5,540	0.4%	0.6%
Equitas SFB	18.9%	9.0%	1.6%	7.5%	6.3%	14.75	59.9%	2.2%	2,714	35.3%	0.6%
Ujjivan SFB	20.1%	9.9%	1.4%	7.7%	6.5%	20.94	58.1%	6.0%	(1,280)	NM	4.4%
ESAF SFB**	30.4%	11.4%	1.1%	9.8%	6.2%	11.01	50.1%	3.1%	1,304	41.1%	0.4%
Utkarsh SFB**	7.9%	3.1%	0.4%	3.3%	1.8%	3.22	52.4%	2.6%	779	(32.5)%	1.4%
Fincare SFB	23.6%	10.2%	1.1%	9.4%	6.2%	5.97	55.4%	2.5%	1,060	(21.9)%	2.3%
Suryoday SFB	20.3%	8.6%	1.6%	8.8%	5.6%	5.57	55.4%	3.2%	549	(56.7)%	2.2%
Microfinance											
Credit Access	22.8%	11.8%	0.3%	13.3%	4.9%	4.06	40.4%	6.0%	739	(75.7)%	NA
Spandana	22.7%	14.3%	0.3%	10.1%	4.6%	3.03	31.7%	8.0%	2,688	179.4%	4.5%
Satin Creditcare	NA	NA	NA	NA	NA	3.47	45.2%	NA	(560)	NM	NA
Universal banks											
Bandhan Bank	16.2%	8.1%	1.8%	6.6%	2.8%	5.14	28.1%	3.2%	21,024	(16.1)%	2.6%

*Notes: * Numbers are annualized and denominators are the average of the current and previous as on 6M/9M data; ** Numbers of Utkarsh and ESAF are based on 6M data; ^ Excludes profit from sale of investment in Aavas Finance Ltd; $ Cost of borrowing is calculated on total borrowings, i.e. the sum of borrowing and deposits; # Total COVID provision on closing assets is calculated as the sum of COVID provisions made in FY2020 and 9MFY2021, divided by total assets as of December 31, 2020; NA – Not available; NM – Not meaningful.*

Source: Company reports, CRISIL Research

Fincare has the best adjusted RoA and RoE among SFBs

Fincare had the highest adjusted return on assets ("**RoA**") among SFBs, at 3.7%, followed by Suryoday SFB (3.5%) and Utkarsh SFB (2.9%) in fiscal 2020.

Fincare had the best adjusted return on equity ("**RoE**") among SFBs, at 26.4%, while Utkarsh and ESAF SFB have the next best adjusted return on equity at 25.0% and 19.5%, respectively. Among its peers, Bandhan Bank has the highest adjusted RoE of 26.8%, followed by Fincare SFB.

<u>Profitability of players</u>

	FY2019			FY2020			FY2020*	
	RoE (%)	RoA (%)		RoE	RoA		RoE (%)	RoA (%)
SFBs								
AU SFB^	14.0%	1.6%		15.8%	1.6%		18.6%	1.9%
Equitas SFB	9.8%	1.4%		9.8%	1.4%		12.7%	1.8%
Ujjivan SFB	11.5%	1.7%		14.0%	2.2%		16.1%	2.5%
Jana SFB	(177.0)%	(20.3)%		3.5%	0.3%		NA	NA
ESAF SFB	14.6%	1.5%		19.2%	2.3%		19.5%	2.3%
Utkarsh SFB	15.8%	1.7%		20.8%	2.4%		25.0%	2.9%
Fincare SFB	20.3%	3.2%		18.3%	2.5%		26.4%	3.7%
Suryoday SFB	12.2%	2.9%		11.4%	2.4%		16.5%	3.5%
Microfinance								
Credit Access	13.6%	4.4%		13.0%	3.6%		15.5%	4.3%
Spandana	16.5%	6.3%		15.6%	6.5%		19.8%	8.2%
Satin Creditcare	16.9%	2.9%		24.0%	2.2%		33.6%	3.1%
Arohan	15.9%	2.9%		28.5%	6.0%		NA	NA
Universal banks								

	FY2019			FY2020			FY2020*	
	RoE (%)	RoA (%)		RoE	RoA		RoE (%)	RoA (%)
Bandhan Bank	19.0%	3.9%		22.9%	4.1%		26.8%	4.8%

*Notes: * Adjusted for COVID provision (PAT + COVID provision adjusted for tax); ^ Excludes profit from sale of investment in Aavas Finance Ltd; NA – Not available.*

Source: Company reports, CRISIL Research

Fincare had a superior return ratio as compared to its peers during its initial two years of operation

	1st full year of	Banking outlet network growth			AUM growth			RoE (%)				Deposit growth	
Players	operation	2nd year	3rd year		2nd year	3rd year		1st year	2nd year	3rd year		2nd year	3rd year
AU SFB	FY18	48%	16%		50%	27%		12.8%	14.0%	15.8%		145%	35%
Equitas SFB	FY18	0%	118%		50%	31%		1.6%	9.8%	9.8%		61%	14%
Ujjivan SFB	FY18	2%	21%		46%	28%		0.4%	11.5%	14.0%		96%	46%
Jana SFB	FY19	165%	N/A		73%	N/A		(177.0)%	3.5%	N/A		130%	N/A
ESAF SFB	FY18	253%	7%		44%	49%		7.9%	14.6%	19.2%		71%	63%
Utkarsh SFB	FY18	19%	5%		50%	43%		(15.3)%	15.8%	20.8%		73%	(12)%
Fincare SFB	FY19	25%	N/A		51%	N/A		20.3%	18.3%	N/A		128%	N/A
Suryoday SFB	FY18	58%	25%		71%	24%		1.9%	12.2%	11.4%		113%	79%

Note: N/A – Not applicable

Source: Company reports, CRISIL Research

	CASA share				Credit to Deposit				Share of retail deposits		
Year of operation	1st year	2nd year	3rd year		1st year	2nd year	3rd year		1st year	2nd year	3rd year
AU SFB	32%	21%	16%		138%	129%	133%		47%	45%	49%
Equitas SFB	35%	28%	21%		194%	150%	130%		64%	58%	58%
Ujjivan SFB	4%	11%	14%		148%	103%	N/A		27%	43%	49%
Jana SFB	-	7%	N/A		125%	105%	93%		-	-	N/A
ESAF SFB	10%	14%	14%		141%	123%	187%		96%	92%	95%
Utkarsh SFB	5%	10%	21%		135%	99%	N/A		13%	31%	48%
Fincare SFB	11%	12%	N/A		210%	170%	124%		56%	51%	N/A
Suryoday SFB	10%	11%	12%		138%	129%	133%		39%	61%	66%

Note: N/A – Not applicable

Source: Company reports, CRISIL Research

Nine-month profitability comparison of players

	Nine months ended December 31, 2020			Nine months ended December 31, 2020*	
Players	RoE (%)	RoA (%)		RoE (%)	RoA (%)
SFBs					
AU SFB^	15.3%	1.7%		18.2%	2.1%
Equitas SFB	12.1%	1.8%		14.0%	2.1%
Ujjivan SFB	(5.5)%	(0.9)%		19.6%	3.3%
ESAF SFB**	26.7%	3.0%		33.4%	3.8%
Utkarsh SFB**	15.2%	1.7%		29.2%	3.3%
Fincare SFB	14.8%	2.0%		24.3%	3.2%
Suryoday SFB	6.5%	1.3%		13.1%	2.7%
Microfinance					
Credit Access	3.1%	0.9%		NA	NA
Spandana	13.7%	5.3%		21.9%	8.5%
Universal banks					
Bandhan Bank	17.5%	2.9%		30.3%	5.1%

*Notes: Numbers are annualized; **Numbers of Utkarsh and ESAF are based on six-month data;*

**Adjusted for Covid provision (PAT + Covid provision adjusted for tax); NA: Covid provision not available;*

^Excludes profit from sale of investment in Aavas Finance Ltd

Source: Company reports, CRISIL Research

Quarterly profitability trend of players

RoE (%)*	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	No. of quarters with RoE > 18%
AU SFB^	15.3%	14.7%	20.0%	19.6%	10.7%	15.8%	16.5%	14.0%	2
Equitas SFB	NA	NA	8.5%	14.9%	6.3%	8.3%	14.4%	14.3%	0
Ujjivan SFB	11.5%	20.2%	18.9%	14.0%	13.9%	6.8%	11.6%	(34.7)%	2

RoE (%)*	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	No. of quarters with RoE > 18%
Fincare	22.8%	22.6%	20.6%	30.1%	3.3%	17.2%	21.0%	6.1%	5
Microfinance									
Spandana	15.1%	19.5%	28.6%	21.1%	13.0%	22.3%	26.4%	24.5%	6
Satin Creditcare	20.0%	13.5%	16.5%	13.8%	3.5%	3.5%	3.5%	(22.8)%	1
Universal banks									
Bandhan Bank	24.1%	24.3%	28.3%	20.0%	13.7%	14.1%	22.5%	14.6%	5

*Note: *ROE is annualized for quarterly numbers; ^Excludes profit from sale of investment in Aavas Finance Ltd.*

Source: Company reports, CRISIL Research

Utkarsh, Fincare and Ujjivan have the best asset quality

Utkarsh SFB has the best asset quality among SFBs with a GNPA of 0.7% and NNPA of 0.18%. It is followed by Fincare and Ujjivan SFB. Among the MFI players, Spandana Spoorty has the best asset quality with a GNPA of 0.4% and NNPA of 0.07%.

Fincare has the highest provision coverage ratio among SFBs in FY2020

As of FY2020, Fincare SFB has the highest provision coverage ratio ("**PCR**") among SFBs, at 91.1%. SFB Industry is adequately covered in terms of liquidity with Jana SFB having the highest LCR, at 744%, and Fincare SFB having the third-best liquidity coverage ratio, at 221%.

Asset quality and liquidity ratios for players

	FY2019					FY2020			
Players	PCR (%)	LCR (%)	GNPA (%)	NNPA (%)		PCR (%)	LCR (%)	GNPA (%)	NNPA (%)
SFBs									
AU SFB	37.4%	103%	2.0%	1.3%		52.5%	133%	1.7%	0.8%
Equitas SFB	43.4%	117.5%	2.5%	1.46%		45.2%	133%	2.72%	1.67%
Ujjivan SFB	72.0%	186.7%	0.9%	0.3%		80.0%	261%	1.0%	0.2%
Jana SFB	47.7%	NA	8.1%	4.4%		56.2%	744%	2.7%	1.3%
ESAF SFB	78.5%	628.4%	1.6%	0.8%		79.9	176%	1.5%	0.6%
Utkarsh SFB	91.3%	528.7%	1.4%	0.1%		75.2%	220%	0.7%	0.2%
Fincare SFB	94.4%	266.2%	1.3%	0.4%		91.1%	221%	0.9%	0.4%
Suryoday SFB	57.9%	135.5%	1.8%	0.8%		84.7%	153%	2.8%	0.6%
Microfinance									
Credit Access	NA	NA	0.6%	0.0%		NA	NA	1.6%	0.4%
Spandana Spoorty	NA	NA	NA	0.02%		NA	NA	0.4%	0.1%
Satin Creditcare	77.0%	NA	4.0%	2.3%		103.0%	NA	3.3%	-0.1%
Arohan	NA	NA	0.7%	0.0%		NA	NA	2.3%	0.0%
Universal banks									
Bandhan Bank	72.14%	150%	2.0%	0.6%		60.7%	160%	1.5%	0.58%

Notes: * *Data in the absence of the Supreme Court's interim order; NA – Not available.*

Source: Company reports, CRISIL Research

	9MFY2020					9MFY2021 *				
Players	PCR (%)	LCR (%)	GNPA (%)	NNPA (%)		PCR (%)	GNPA (%)	NNPA (%)		Total COVID provision on AUM^
SFBs										
AU SFB	76.0%	133.0%	1.0%	0.2%		NA	3 3%	1 3%		0.8%
Equitas SFB	59.9%	196.0%	3.0%	1.7%		NA	4.2%	1.7%		0.9%
Ujjivan SFB	95.0%	179.0%	1.0%	0.1%		59.0%	4.8%	2.1%		6.2%
ESAF SFB**	93.0%	232%	1.3%	0.2%		NA	1.5%	0.3%		0.7%
Utkarsh SFB**	102.0%	272.1%	0.6%	NA		NA	NA	NA		2.2%
Fincare SFB	90.3%	NA	1.3%	0.5%		NA	3.2%	1.7%		3.2%
Suryoday SFB	90%	265%	2.3%	0.4%		NA	9.3%	5.4%		3.8%
Microfinance										
Credit Access	NA	NA	0.9%	0.8%		NA	6.1%	NA		0.7%#
Spandana Spoorty	NA	NA	2.7%	1.0%		NA	NA	NA		4.5%
Satin Creditcare	60.0%	NA	1.5%	-4.2%		NA	9.6%	3.9%		5.6%
Universal banks										
Bandhan Bank	NA	131.1%	1.1%	0.3%		NA	7.1%	2.4%		3.4%

*Notes: * Data in the absence of the Supreme Court's interim order; ** Data for ESAF and Utkarsh is for 6MFY2021; ^ Total COVID provision made through December 31, 2020 (COVID provisions for ESAF and Utkarsh made through September 30, 2020); # Total COVID provision data for FY2020; NA – Not available.*

Source: Company reports, CRISIL Research

SFBs have better management depth as compared to NBFC-MFIs, as their average management team size is 18 people as compared to 15 for NBFC-MFIs. In addition, the average management experience of SFBs is 23 years which is marginally better than NBFC-MFI players. Fincare's average management experience is 26 years, which is higher than the industry average.

Microfinance's monthly collection continues to improve

	Book under moratorium	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20
Industry	50-60%	<10%	<45%	45-65%	65-70%	70-80%	80-85%	85-90%	90-93%	90-93%

Notes: 1) Collection efficiency numbers are estimated; 2) Monthly collection efficiency = {Current + Overdue collections (excluding prepayments)} / Scheduled billing assuming no moratorium.

Source: CRISIL Research

Management team experience (FY2020)

AUM	Team size	Average experience (years)
SFBs		
AU SFB	25	19
Equitas SFB	15	22
Ujjivan SFB	11	25
Jana SFB	16	24
ESAF SFB	26	20
Utkarsh SFB	16	26
Fincare SFB	18	26
Suryoday SFB	16	24
Average	**18**	**23**
Microfinance		
Credit Access	15	19
Satin Creditcare	14	23
Arohan	16	19
Average	**15**	**21**

Source: Company reports, CRISIL Research

Geographical concentration of loan portfolio

State mix of AUM (FY2020)

AUM	Share of top state	Share of top three states	Share of top five states
SFBs			
AU SFB	43%	70%	89%
Equitas SFB	54%	78%	86%
Ujjivan SFB	16%	45%	62%
Jana SFB	20%	51%	65%
ESAF SFB	57%	86%	93%
Utkarsh SFB	43%	78%	89%
Fincare SFB	NA	NA	NA
Suryoday SFB	33%	77%	92%
Microfinance			
Credit Access	40%	84%	NA
Spandana	17%	47%	69%
Satin Creditcare	23%	49%	64%

Note: NA – Not available

Source: Company reports, CRISIL Research

State mix of deposits (FY2020)

Deposits	Share of top state	Share of top three states	Share of top five states
SFBs			
AU SFB	36%	71%	85%
Equitas SFB	28%	54%	69%
Jana SFB	13%	37%	56%
ESAF SFB	92%	96%	99%
Utkarsh SFB	23%	57%	81%
Fincare SFB	20%	51%	65%
Suryoday SFB	60%	84%	90%

Source: Company reports, CRISIL Research

List of formulas

S no	Parameters	Formula
1	RoA	Profit after tax / average of total assets on book
2	RoE	Profit after tax / average net worth
3	NIM	(Interest income – interest paid) / average of total assets on book
4	Yield on advances	Interest earned on loans and advances / average of total advances on book
5	Cost to income	Operating expenses / (net interest income + other income)
6	Cost of funds	Interest paid / (average of deposits and borrowings)
7	Non-interest income	(Total income – interest income) / average of total assets on book
8	Credit cost	Provisions / average of total assets on book
9	Credit-to-deposit ratio	Advances / deposits

ANALYSIS OF VARIOUS SEGMENTS

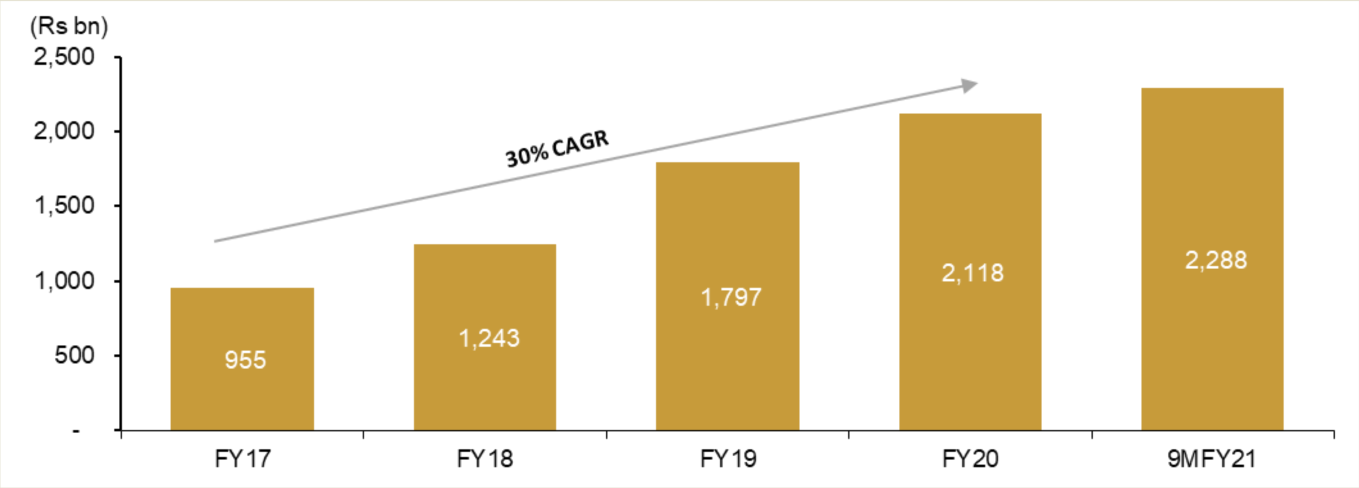
I. Microfinance

Industry GLP surged at 30% CAGR since fiscal 2017; growth in fiscal 2021 impacted by the COVID-19 pandemic

The microfinance industry has recorded healthy growth in the past few years. The industry's gross loan portfolio ("**GLP**") increased at a CAGR of 30% since fiscal 2017 to reach approximately ₹ 2.1 trillion in fiscal 2020.

In fiscal 2021, the industry has been adversely impacted due to the onset of the COVID-19 pandemic. While disbursements came to a standstill in the first quarter of the year, they have picked up subsequently.

GLP clocked 30% CAGR between fiscal years 2017 and 2020



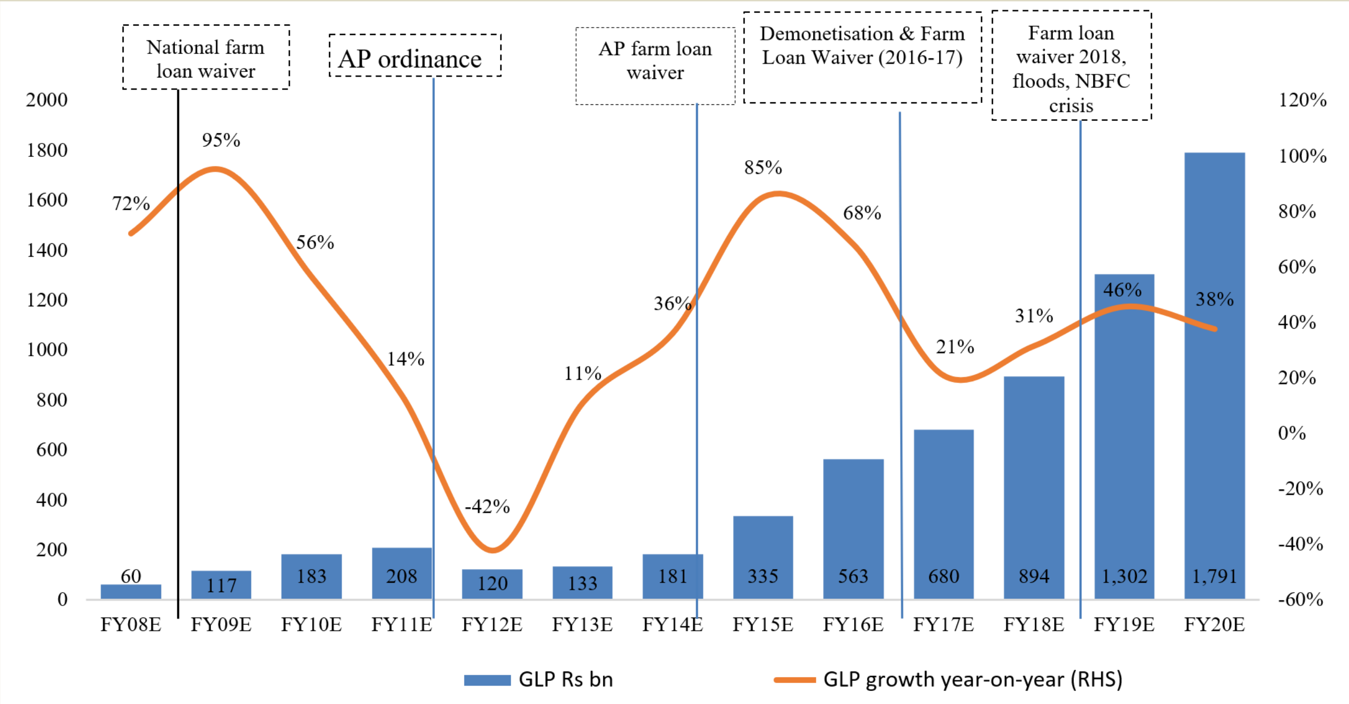
Notes: Data includes data for bank lending through joint liability groups, SFBs, NBFC-MFIs, other NBFCs and non-profit MFIs. It excludes data for bank lending through SHG. The amounts are as of the end of fiscal year.

Source: Equifax, Company reports, Industry and CRISIL Research

Industry resilient despite major setbacks and changing landscape

The industry's growth has been despite various headwinds in the past decade, including national farm loan waivers (2008), the Andhra Pradesh crisis (2010), Andhra Pradesh farm loan waiver (2014), demonetization (2016), and farm loan waiver across some more states (2017 and 2018). Furthermore, collections of loan disbursements since January 2017 have been healthy. The liquidity crisis in 2018, however, has had a ripple effect on microfinance lending as smaller NBFC-MFIs with capital constraints and lenders relying on NBFCs for funding have slowed down their disbursements. In the current scenario of the COVID-19 pandemic, NBFC-MFIs may face a twin blow of asset quality and liquidity stress in the current fiscal year. Nevertheless, CRISIL Research expects the industry to rebound and grow at healthy pace over the next few years, given the low penetration of credit among the target population.

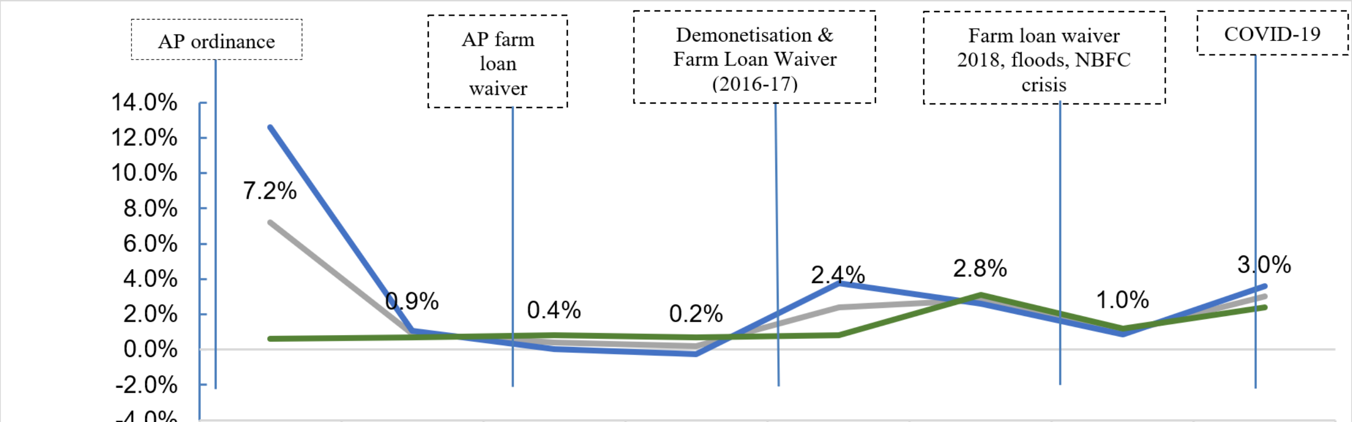
MFI industry has shown resilience over the past decade



Note: Data includes values for NBFCs, NBFC-MFIs, non-profit MFIs, SFBs and the Bharat Financial Inclusion.

Source: MFIN, Bharat Microfinance, CRISIL Research

Credit costs for microfinance industry across various events

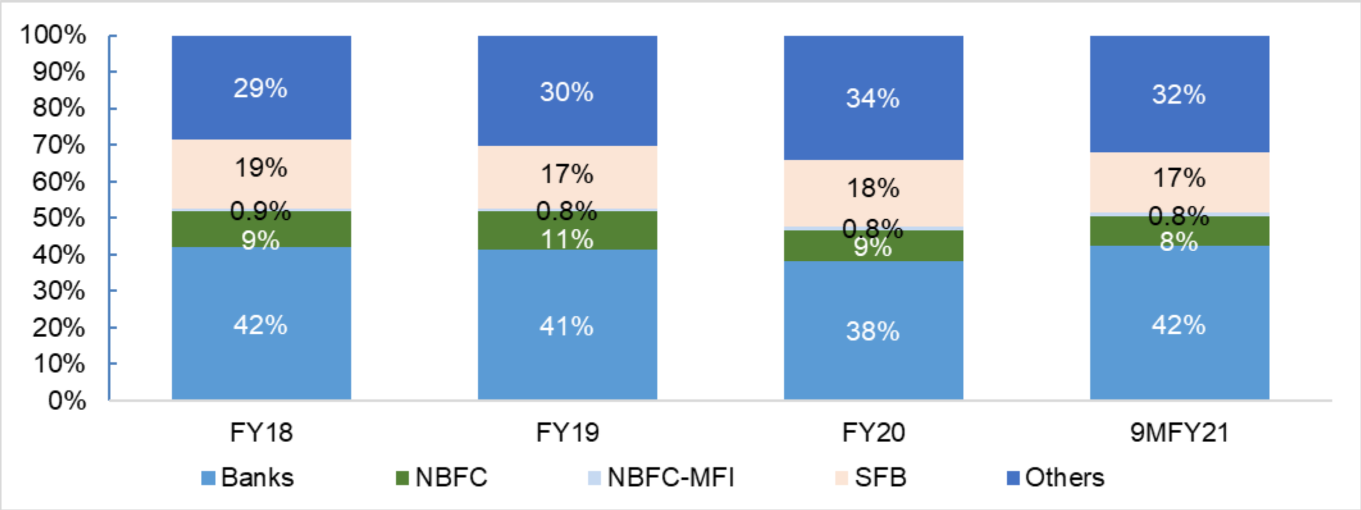


	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
Overall	7.2%	0.9%	0.4%	0.2%	2.4%	2.8%	1.0%	3.0%
MFIs	12.6%	1.1%	0.0%	-0.3%	3.8%	2.6%	0.9%	3.6%
SFBs	0.6%	0.7%	0.8%	0.7%	0.8%	3.1%	1.2%	2.4%

Notes: Data includes data for 12 MFIs (includes NBFC-MFIs) and seven SFBs which constitute 60% of Industry. Jana SFB has been excluded from analysis.

Source: Company Reports, CRISIL Research

SFBs account for 17% of the total gross loan portfolio (December 2020)



Notes: Data includes bank lending through joint liability groups, SFBs, NBFC-MFIs, other NBFCs and non-profit MFIs. It excludes data for bank lending through SHG.

Source: Equifax, CRISIL Research

Impact of COVID-19 pandemic

The extended nationwide lockdown to contain the spread of COVID-19 has affected the income-generation ability and the savings of borrowers accessing MFIs, who typically have weaker credit profiles compared with other borrowers. About 50-60% of microloans were under moratorium as of August 2020. Also, because of the nationwide lockdown and several state-imposed lockdowns thereafter, normal operations of MFIs—loan origination and collections—were a challenge, especially during the first few months after the lockdowns. This had an adverse impact on MFIs as their operations are field-intensive and involve a large amount of personal interaction, such as home visits and physical collection of cash.

Disbursements have slowly resumed since the second quarter of fiscal 2021. While overall collection efficiencies have improved on a quarter-on-quarter basis, the repayment behavior at the bottom-of-pyramid segment continues to be erratic.

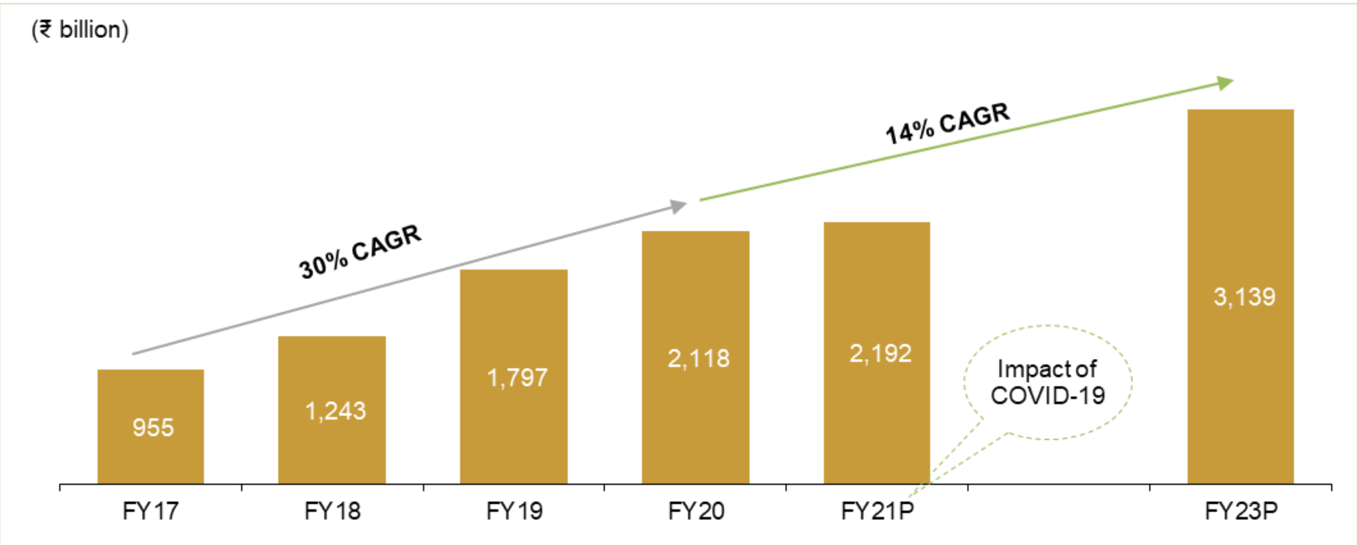
We expect industry growth to be adversely impacted in fiscal 2021 but to gradually pick up thereafter. Credit costs are also likely to increase as the industry battles increased delinquencies.

Rising penetration to support healthy growth of the industry over next three fiscal years

As of the end of March 2020, the microfinance industry had grown at a CAGR of 30% since fiscal 2017. In fiscal 2020, the industry grew by 18% year-on-year to reach ₹ 2.1 trillion as of March 2020.

In light of the COVID-19 pandemic, the microfinance sector is expected to feel the heat in the current fiscal 2021. CRISIL research expects the overall portfolio size to grow marginally and reach ₹ 2.2 trillion by March 2021.

Industry to grow at 14% CAGR over fiscal 2020-2023



Notes: P: Projected; Graph includes data for bank lending through joint liability groups, self-help groups, SFBs, NBFC-MFIs, other NBFCs and non-profit MFIs.

Source: Equifax, Company reports, CRISIL Research

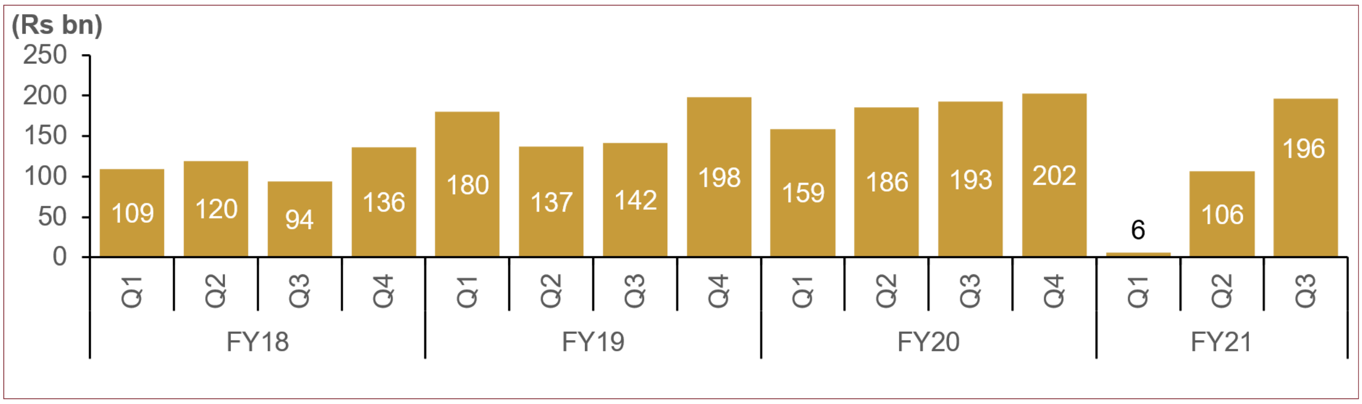
Between fiscal years 2020 and 2023, CRISIL Research expects the MFI loan portfolio to clock a 14% CAGR. While considerably lower compared with the past three fiscal years, growth is expected to be driven by continuous expansion in the client base of MFIs and increased penetration in rural areas.

Growth in the MFI business is expected to come from increasing presence in newer states, expanding the client base and gradual increasing of ticket size. The availability of borrower credit-related data from credit information companies ensures that MFIs have access to more data on borrowers, helping them make informed lending decisions.

Disbursements to pick-up in second half of fiscal 2021 but remain much lower than previous fiscal year

Disbursements are expected to pick up in the latter half of fiscal 2021, especially in the festive season and in the last quarter. But even then, monthly disbursements are expected to remain lower than pre-COVID-19 levels. For example, disbursements in the third quarter of fiscal 2021 are estimated to be at 60-70% of pre-COVID-19 levels for the industry as a whole.

Disbursements to pick up in second half of fiscal 2021, but monthly disbursements to remain much lower than pre-COVID-19 levels



Note: NBFC-MFI data

Source: MFIN, CRISIL Research

Though disbursements are expected to halve this year, thus impacting the growth rate for fiscal 2021, the impact should be restricted on account of the provided moratorium (in the form of increased tenure) which should lower the quantum of repayments during the year.

Players tapping newer states and districts to widen client base

In the last few years, many MFIs have opened banking outlets in untapped districts, thus increasing their penetration. This has led to a rise in clientele and number of active loan accounts. In states where the presence of MFIs and banks is strong, CRISIL Research has witnessed an increase in ticket size as well.

Going forward, CRISIL Research expects penetration to deepen, which will drive further growth.

Average ticket size to expand, but at slower pace

The average ticket size of MFIs has risen in fiscal 2020 to ₹ 30,021 from ₹ 23,196 in fiscal 2018, translating into a 14% CAGR. Ticket size increased in highly penetrated states where MFIs have been present for a long period and creditworthiness of the client base is relatively well-established.

Going forward, CRISIL Research expects MFI ticket size growth to be higher in newer under-penetrated states, but ticket size growth in other states with high penetration is expected to be lower. Further, growth should be faster in rural areas, where ticket sizes are relatively low. Consequently, the increase in average ticket size at the industry level is projected to be much lower than in the past.

Rural segment to drive MFI business

CRISIL Research expects the rural segment to drive MFIs' business due to burgeoning demand. With rural areas having fewer banking outlets than urban areas, the rural market in India is still under-penetrated, thereby opening up a significant opportunity for savings and loan products.

CRISIL Research believes that establishing a good rapport with rural customers leads to longer and more loyal customer relationships, which can be further leveraged to cross-sell other products.

With the government's focus on financial inclusion, and financial institutions increasingly opening up banking outlets in unbanked areas, CRISIL Research has seen that demand for loans is higher in rural areas. In fiscal 2020, rural regions accounted for 77% of overall disbursements. Additionally, in terms of GLP, rural regions accounted for 74% of the overall portfolio of NBFC-MFIs, other NBFCs, and non-profit MFIs in FY2020.

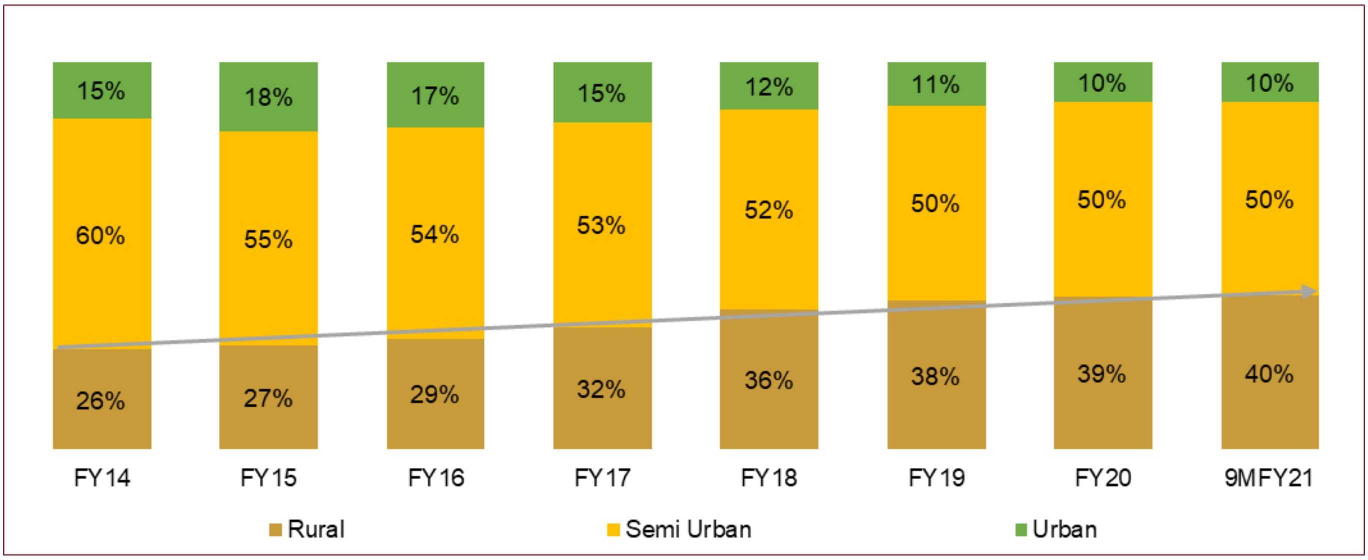
Disbursement and number of borrowers in rural areas

Region	Disbursement for fiscal 2020 (₹ billion)	Share as % of disbursement value	Portfolio outstanding as of end March 2020 (₹ million)	Share as % of GLP as of March 2020	Share of borrowers as of March 2020
Rural	819	77%	620	74%	75%
Urban	245	23%	219	26%	25%

Notes: Data includes data for 116 MFI players; Amounts have been rounded to the nearest million.

Source: Sa-Dhan, CRISIL Research

Rural regions continue to gain market share



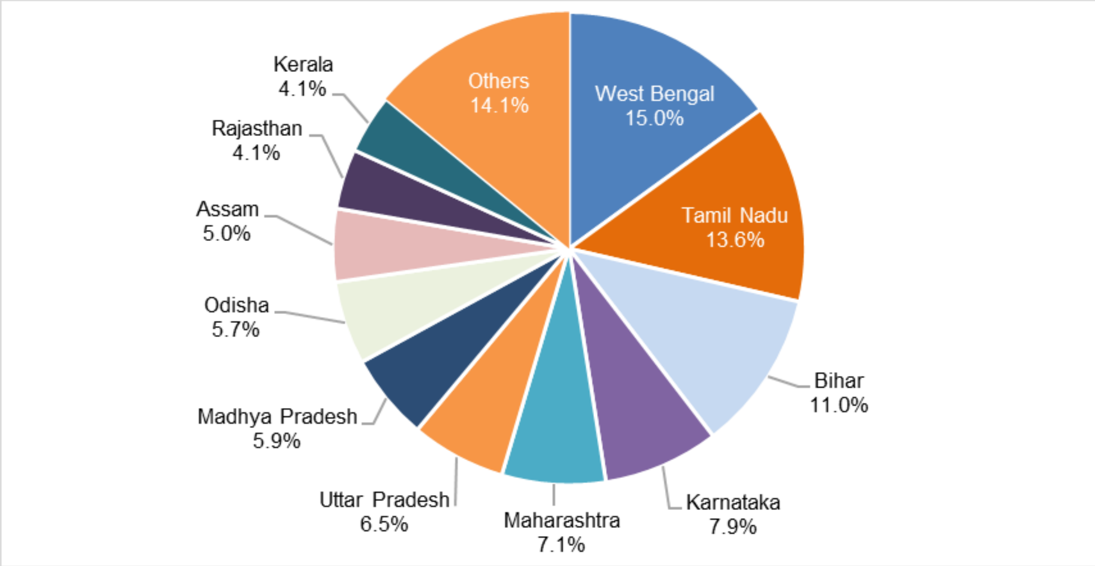
Source: Equifax, CRISIL Research

The rural economy has been resilient in the last year, amid the COVID-19 pandemic. India has witnessed above normal, timely and largely well-distributed monsoon, benefitting the agriculture industry and rural India. As a result, CRISIL expects that agriculture GDP to grow at 2.5% in fiscal 2021. The government, through budget 2021 also signaled that it is committed to their cause towards rural India.

State-wise analysis

Top 10 states contribute about 82% of MFI loans

State-wise distribution of MFI loans portfolio outstanding (December 2020)



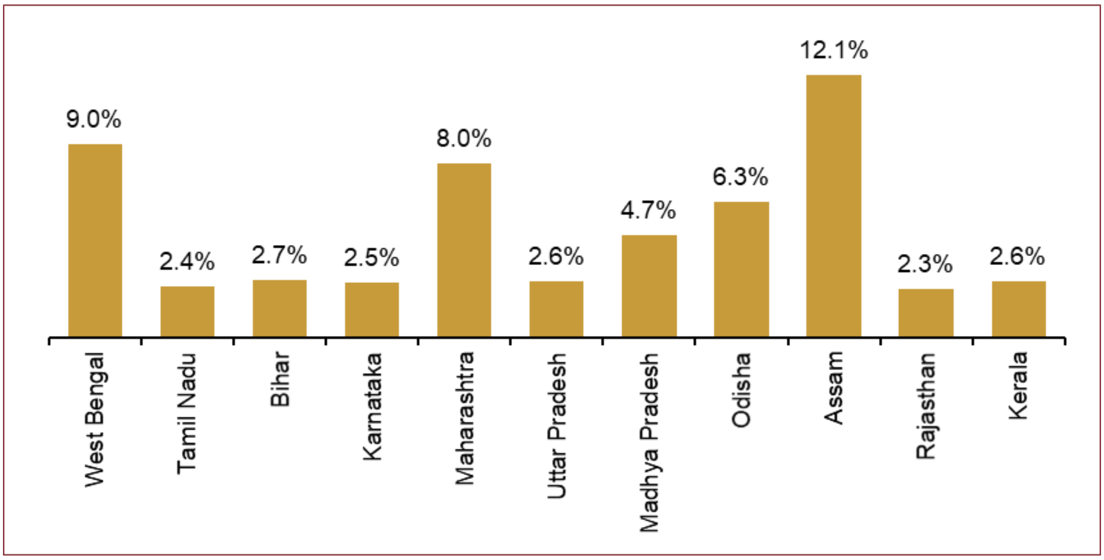
Source: Equifax, CRISIL Research

State-wise distribution of MFI loan disbursement

States	FY2019 (₹ billion)	FY2020 (₹ billion)	Growth (year-on-year)
Karnataka	218	206	(5)%
Tamil Nadu	99	132	32%
Bihar	114	110	(3)%
Uttar Pradesh	90	84	(7)%
Maharashtra	81	82	1%
West Bengal	95	75	(21)%
Odisha	94	68	(27)%
Madhya Pradesh	59	68	16%
Rajasthan	45	41	(8)%
Kerala	32	28	(12)%
Assam	33	26	(19)%
Jharkhand	29	26	(11)%
Gujarat	21	24	19%
Chhattisgarh	22	24	8%
Punjab	21	23	13%
Haryana	18	14	(22)%
Others	27	32	16%

Source: Sa-Dhan, CRISIL Research

State-wise asset quality (December 2020)



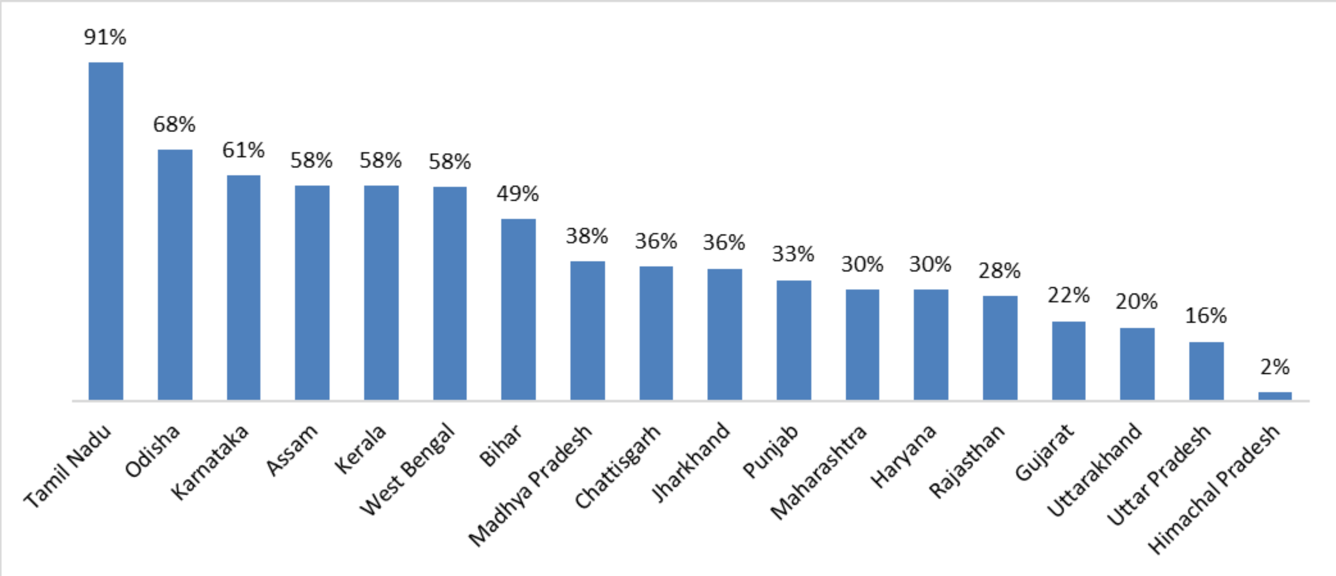
Note: PAR 90+ excludes beyond 180 days

Source: Equifax, CRISIL Research

Microfinance credit penetration highest in Tripura and Tamil Nadu

As of September 2020, microfinance penetration was highest in the states of Tripura (51%) and Tamil Nadu (50%), followed by Assam (35%) and Karnataka (35%). Jammu and Kashmir, followed by Himachal Pradesh, Andhra Pradesh and Arunachal Pradesh, exhibit the lowest microfinance penetration in India.

State-wise microfinance credit penetration in India (December 2020)



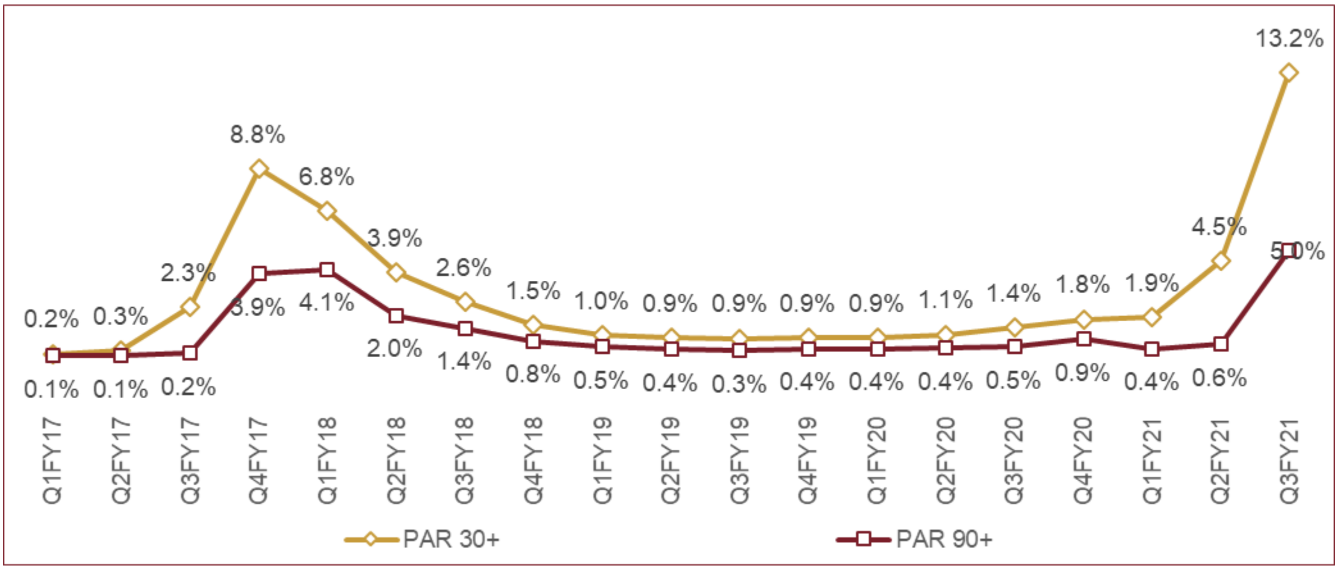
Note: Credit penetration is calculated as number of unique borrowers divided by number of households.

Source: Equifax, CRISIL Research

Asset quality

In fiscal 2021, the asset quality of the industry deteriorated quite sharply, reflecting the adverse impact of the COVID-19 pandemic on the industry. The PAR>30 and PAR>90 for the industry shot up to 13.2% and 5.0%, respectively, as of December 2020. While portfolio quality has deteriorated across the board for rural, semi-urban and urban areas in fiscal 2021, closer analysis of long-term cycles indicates that asset quality tends to be much better in rural areas as compared to urban and semi-urban areas.

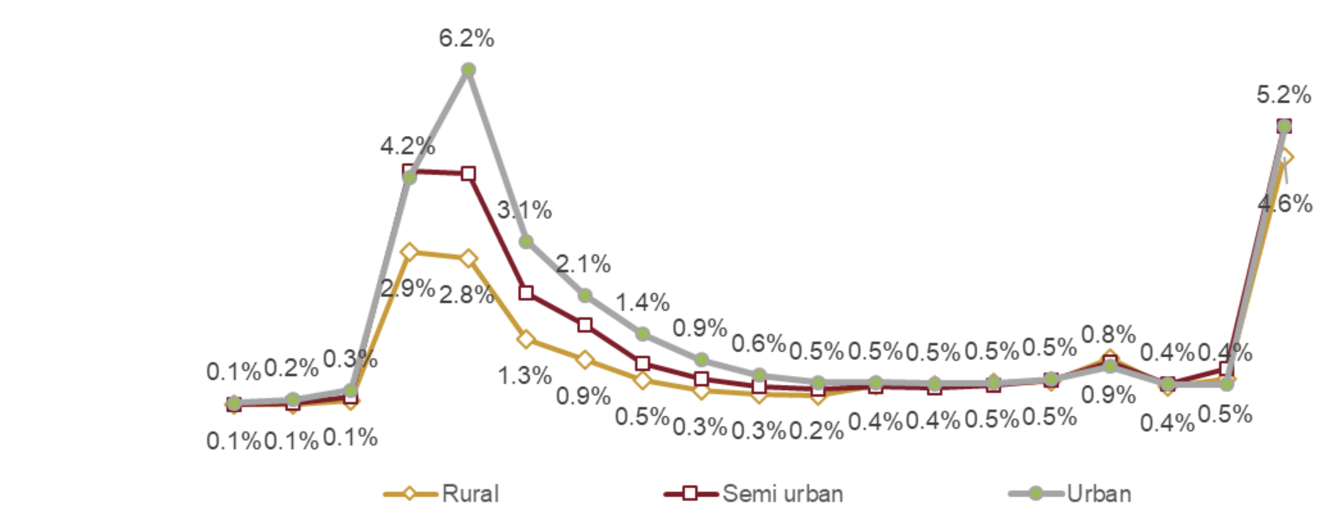
Asset quality trend over the years



Note: PAR>30 and PAR>90 both exclude beyond 180 days.

Source: Equifax, CRISIL Research

Asset quality of rural region is better than urban and semi-urban regions



	Q1FY 17	Q2FY 17	Q3FY 17	Q4FY 17	Q1FY 18	Q2FY 18	Q3FY 18	Q4FY 18	Q1FY 19	Q2FY 19	Q3FY 19	Q4FY 19	Q1FY 20	Q2FY 20	Q3FY 20	Q4FY 20	Q1FY 21	Q2FY 21	Q3FY 21
Rural	0.1%	0.1%	0.1%	2.9%	2.8%	1.3%	0.9%	0.5%	0.3%	0.3%	0.2%	0.4%	0.4%	0.5%	0.5%	0.9%	0.4%	0.5%	4.6%
Semi urban	0.1%	0.1%	0.2%	4.4%	4.3%	2.1%	1.5%	0.8%	0.5%	0.4%	0.3%	0.4%	0.4%	0.4%	0.5%	0.8%	0.4%	0.7%	5.2%
Urban	0.1%	0.2%	0.3%	4.2%	6.2%	3.1%	2.1%	1.4%	0.9%	0.6%	0.5%	0.5%	0.5%	0.5%	0.5%	0.8%	0.4%	0.4%	5.2%

Note: PAR>90 excludes beyond 180 days.

Source: Equifax, CRISIL Research

In fiscal 2021, CRISIL Research expects MFI asset quality to deteriorate on account of strains on MFI borrowers' earning capabilities. Players are expected to closely monitor the book post moratorium; part of the credit costs will be provided in fiscal 2021 and the remaining costs will be provided in fiscal 2022.

MFI collection efficiency expected to improve further

Collections of microfinance institutions (MFIs), which had plunged to near zero in April 2020 because of the nationwide lockdowns due to the COVID-19 pandemic, rebounded to 70-75% in July and August 2020, with restrictions being lifted gradually. In November and December 2020, collection efficiency for the industry as a whole rebounded further to 90-93%, as per CRISIL Research estimates. This is despite MFI borrowers having relatively weaker credit profiles and field-intensive operations that involve a large amount of personal interaction, such as home visits and physical collection of cash.

While the bounce back has been faster than that envisaged earlier, improving MFI collection efficiency to the pre-pandemic levels of 98-99% will be an important monitorable from an asset quality perspective. To create a buffer for potential pandemic related credit costs, MFIs are expected to focus on raising additional equity capital over the near to medium term. Borrowers in rural areas and those involved in essential sectors of animal husbandry and agriculture have started paying their instalments. Lower numbers of COVID-19 infections in rural areas as well as a good harvest time also played a positive impact on rural repayments.

Microfinance's monthly collection continues to improve

Book under moratorium	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20
50-60%	<10%	<45%	45-65%	65-70%	70-80%	80-85%	85-90%	90-93%	90-93%

Notes: 1) Collection Efficiency numbers are estimated 2) Monthly Collection efficiency = {Current + Overdue collections (excluding prepayments)} / Scheduled billing assuming no moratorium.

Source: CRISIL Research

Due to anticipated challenges from the COVID-19 pandemic, many MFIs and SFBs have made special COVID provisions in addition to their standard provisioning in the last quarter of fiscal 2020 and the first quarter of fiscal 2021. The aggregate special provision accounts for 2.5-3% of the March 2020 loan book. That is significantly lower than the credit losses seen during demonetization, which were in the 3-13% range.

Profitability set to see moderation in the medium term

In fiscal 2021, because of the COVID-19 pandemic, the impact on the profitability of NBFC-MFIs should be in the range of moderate to severe, depending on the length of time taken to control the pandemic. CRISIL Research expects interest income to be moderate in fiscal 2021. Other Income is also expected to be lower due to lower disbursements and lower securitization. The credit losses are expected to be accounted for over a period of 2-3 years (fiscal 2020 to fiscal 2022). Players are expected to closely monitor the book post moratorium; part of the credit costs will be provided in fiscal 2021 while the remaining part will be provided in fiscal 2022, given the adequacy of profits to absorb losses.

Thus, as a result of the outbreak of the COVID-19 pandemic, SFBs, with their lower cost of borrowing and regulated environment are expected to be in a better position to sail through the storm in comparison to NBFC-MFIs and so gain some market share. However, expected risk aversion to the segment due to external shock should continue to drive slower growth for all players.

Increasing credit cost amid COVID-19 pandemic to weigh on profitability of microfinance industry

RoA tree	FY2018	FY2019	FY2020	FY2021P	FY2022P
Interest income	17.7%	18.9%	18.2%	16.7%	17.6%
Interest expense	8.6%	8.4%	7.7%	7.5%	7.7%
Net interest income	9.1%	10.5%	10.5%	9.2%	9.9%
Opex	5.3%	5.5%	5.4%	5.3%	5.2%
Other income	1.2%	2.2%	2.6%	1.6%	2.1%
Credit cost	1.5%	1.0%	2.6%	2.5%	4.3%
Tax	1.2%	2.1%	1.5%	0.8%	0.6%
RoA	2.3%	4.1%	3.6%	2.3%	1.9%

Notes: P: Projected; 1) Figures include data of NBFC-MFIs with market share of approximately 65% in total NBFC-MFI portfolio, 2) Numbers are based on Ind-AS.

Source: CRISIL Research

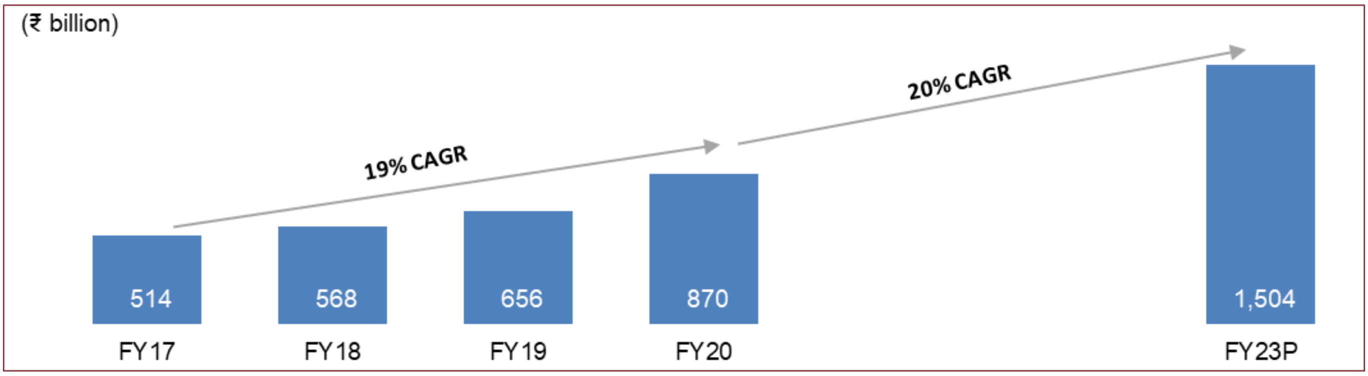
II. Loans against property (ticket size less than ₹ 1.5 million)

Growth to be healthy over the next three years

Loans outstanding in LAP have grown at a robust rate of a 28% CAGR from fiscal 2017 to fiscal 2020. Growth has been led by an increase in product awareness coupled with an increase in financiers' willingness to lend. Moreover, rising property prices, an increase in formalization in the economy, rise in loan-to-value ratios, and greater penetration beyond top 10 cities have also supported strong LAP growth.

With high competition, all-time low yields, asset quality concerns and current liquidity issues, CRISIL Research believes the LAP market outstanding to grow approximately at a 20% CAGR over the next three years and reach ₹ 1.5 trillion by FY2023.

LAP to grow at 20% CAGR over fiscal 2020-2023



Source: Industry, CRISIL Research

Key factors contributing to high competitiveness of SFBs in LAP will be:

- **Quick turnaround time, lower interest rate**: With access to deposits, SFBs will be able to offer loans at lower interest rates compared with some HFCs/NBFCs. Increasing customer awareness will help sustain strong growth.
- **Rising penetration of formal channels:** An increasing number of banking outlets and rising focus on geographic diversification will increase penetration and the availability of formal lending channels in other than top cities, taking market share from other lenders.
- **Greater transparency in the system:** Demonetization, GST, and the government's strong push for digitization have led to higher transparency in the system. This will enlarge the loan amount eligibility of borrowers.

Key risks and monitorable

Slippages in the restructured portfolio to determine NPA in fiscal 2022

Slippage of approximately 10% of the restructured portfolio would increase GNPA levels by 150-200 bps by fiscal 2022. Therefore, slippages ratio would be a key monitorable in the next fiscal year. The ratio might change based on the pickup in economic activities and, in turn, demand. If demand does not return, the ratio might be higher in fiscal 2022.

Increased provisioning and credit costs to impact profitability

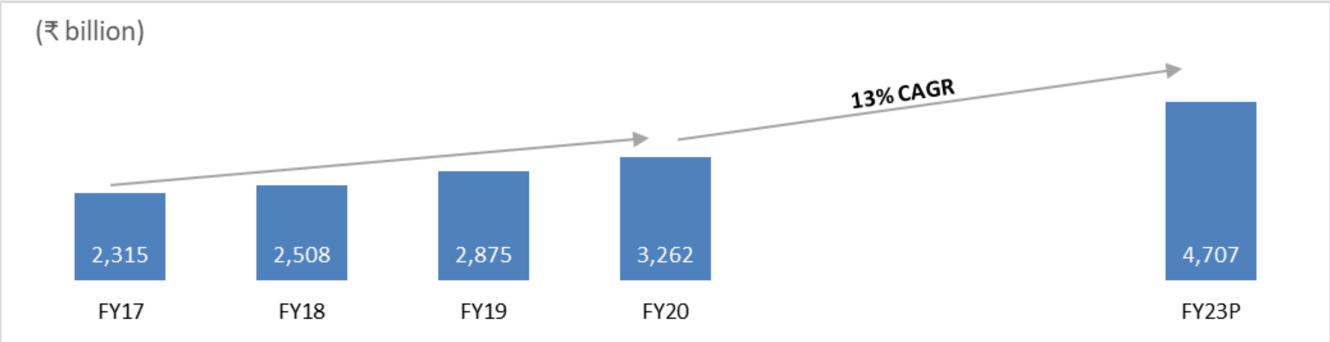
In the past, LAP yields were on the decline on account of fierce competition and aggressive lending in the segment. Competition led to a sharp decline in net interest margin of the LAP portfolio. In fiscal 2021, players restructuring their books will have to make additional provisions which will push up their credit cost by approximately 80-100 bps. This, in turn, will squeeze the return on assets of LAP in fiscal 2021.

III. Gold loans

Growth in gold loan AUM to regain momentum and perform better than other asset classes

In fiscal 2020, the gold loan industry AUM grew approximately 13.4% year-on-year to reach ₹ 3.2 trillion on account of an increased focus of players on diversifying their regional presence, strong growth in non-southern regions and a rise in gold prices by approximately 19% in fiscal 2020 along with a short lead time in disbursing gold loans.

Growth in gold loan AUMs of organized lenders



Note: (P) - Projected

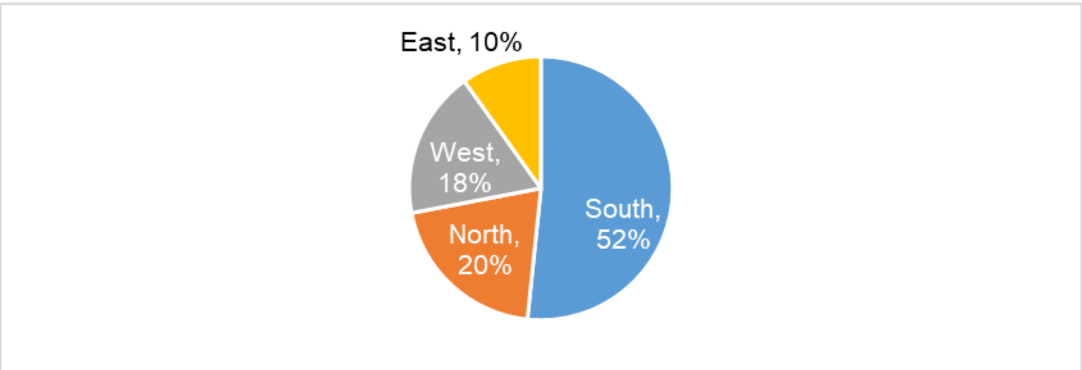
Source: CRISIL Research

SFBs to witness strong growth due to following reasons:

- **Large customer base**: With experience in the MFI industry over the years, SFBs have access to a large customer segment, including both agriculture and non-agriculture. A large set of such loans would classify under PSL which would qualify those customers to get subsidies. This would help SFBs cater to customers by providing gold loans at competitive interest rates as compared to gold loan NBFCs.

- **Greater accessibility:** SFBs will be able to better penetrate in the gold loan segment due to their experience of serving non-**bankable** and underbanked customers in tier III and tier IV cities. This will not only help SFBs capture market share in the organized market but will also increase the share of organized financiers in the industry by catering to untapped customers in remote regions.

South accounts for major share of NBFC AUMs (March 2020)



Note: Aggregate includes region-wise AUM split of Muthoot Finance and Manappuram Finance.

Source: CRISIL Research

Asset Quality

Gold loan NBFCs NPA to remain range bound

In fiscal 2020, GNPA for gold financiers stood at 1.0%, largely led by NBFCs and SFCs with 3.0% and 3.7%, respectively. Players are continuously focusing on de-risking their business models from volatility in gold prices by tightening their interest collections (regular interest collections versus a bullet system in the past), which will improve asset quality.

IV. Housing Loans (up to ₹ 2.5 million)

Housing finance (loans up to ₹ 2.5 million) sector witnessing encouraging trends; market to bounce back more strongly in longer term

Housing loans (up to ₹ 2.5 million) logged a CAGR of approximately 12% from fiscal 2015 to fiscal 2020. This was largely because of the government's increased focus on the housing loans (up to ₹ 2.5 million) segment. In fiscal 2019, however, the growth slowed down considerably to 10% year-on-year due to liquidity constraints in NBFCs and HFCs. The growth further weakened to approximately 6% year-on-year in fiscal 2020 due to the economic slowdown.

We expect overall housing loans outstanding (up to ₹ 2.5 million) to grow at approximately 6-7% year-on-year in FY2021. In the longer term, CRISIL Research expects the segment to bounce back sharply and grow at approximately a 9-10% CAGR from fiscal 2020 to fiscal 2023 on account of the following:

Expected recovery in economic activity over the medium term;

Ease of access to finance and a rise in finance penetration; and

Favorable government and regulatory support promoting the housing loans (up to ₹ 2.5 million) industry.

Key factors contributing to high competitiveness of SFBs in housing loans (up to ₹ 2.5 million) will be:

- **Clear understanding of target market:** Given the target borrower's profile, players need to have a clear and deeper understanding of micro markets and to develop a strong local network. The strong network helps players to source business from niche customer categories through references from their existing customers. It is observed that successful players in the segment generally focus on a few geographies where they have a good understanding and scale up gradually to better manage costs and asset quality.

- **Collection efficiency:** Given that players in the segment typically cater to the lower income customer segment, many of whom may not be financially literate, a strong focus and understanding of SFBs on collections and monitoring risk of default at a customer level will help them keep asset quality under check.

V. Two-Wheeler Loans

Two-wheeler sales to decline in fiscal 2021 expected to pick up in long term

The two-wheeler industry recorded a 2% CAGR from fiscal 2015 to fiscal 2020. Two-wheeler sales clocked a 7% CAGR from fiscal 2015 to fiscal 2019, which was pulled down by a decline in sales in fiscal 2020. Two-wheeler domestic sales volumes are expected to decline by 18% in fiscal 2021.

In the long term, CRISIL Research expects two-wheeler industry disbursements to grow at a 3-5% CAGR from fiscal 2020 to fiscal 2023. Below are the key factors to support the two-wheeler disbursements over the long term:

- Improving rural demand and income driven by the economic recovery, as well as infrastructural projects initiated by the central and state governments;

- Increasing penetration from credit bureaus enabling greater transparency in offering financing, thus improving financiers' ability to offer higher LTVs;

- Flexible financing schemes offered by financiers to customer segments;

- Stable monsoons enabled rural income to grow at a stable pace over the fiscal years 2020 to 2023; and

- Increasing urbanization over the fiscal years 2020 to 2023, coupled with a rise in discretionary income availability to the population.

VI. Institutional financing

The institutional finance book of SFBs[1] was estimated at approximately ₹ 41 billion in fiscal 2020, which represents tepid growth of approximately 2% compared to fiscal 2019. In contrast, most non-banks reported a decline in their institutional book. The decline in the overall book was primarily driven by shrinking real estate loan books.

The default of IL&FS in September 2018 led SFBs to take a cautious approach to some segments, including wholesale finance. The COVID-19 pandemic will further increase the market risk aversion to this segment as projects are likely to be delayed on account of nation-wide lockdowns and labor migration. Thus, debt funding for this segment will continue to be a challenge. SFBs' institutional finance book is expected to shrink by approximately 10-12% in fiscal 2021 given a sharp decline in real estate demand. Overall industry growth is expected to remain at a healthy 8-10% from fiscal 2020 to fiscal 2023.

[1] SFBs include AU SFB, Equitas SFB, Ujjivan SFB, Jana SFB, ESAF SFB, Utkarsh SFB, Fincare SFB and Suryoday SFB

OUR BUSINESS

The following discussion of our financial condition and results of operations should be read in conjunction with our Restated Financial Statements beginning on page 324. The restated Financial Statements have been derived from audited financial statements prepared in accordance with Indian GAAP as applicable to banks in India and restated in accordance with the SEBI ICDR Regulations. References herein to "we", "our" and "us" are to our Bank, formerly known as Disha Microfin Limited.

The discussion below may contain forward-looking statements and reflects our current views with respect to future events and financial performance. Actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, such as those set forth under "Risk Factors" on page 20 and those set forth elsewhere in this document.

*Unless otherwise indicated, industry and market data used in this section has been derived from the report "Analysis of small finance banks and various retail loan products" issued in March 2021 (the "**CRISIL Report**") prepared and released by CRISIL and commissioned by us in connection with the Offer. Neither we, nor the Managers, nor any other person connected with the Offer has independently verified this information. Unless otherwise indicated, all financial, operational, industry and other related information derived from the CRISIL Report and included herein with respect to any particular year refers to such information for the relevant calendar year.*

Where indicated, some financial and operating ratios for the nine months ended December 31, 2020 are annualized to enable better comparison with the fiscal years 2018, 2019 and 2020. Annualized ratios are calculated by multiplying the underlying nine-month data by the number of days in the year divided by the number of days in the period (365 / 275).

Overview

We are a "digital-first" SFB with a focus on unbanked and under-banked customers, especially in rural and semi-urban areas. According to CRISIL, among comparable SFB peers in India, we had the highest growth rate in advances over FY2018 to FY2020. We follow a business model focused on financial inclusion and aim to provide individuals and businesses with affordable financial products and services that meet their needs. Our business objective is to enhance access to savings, credit and other financial products for unbanked and underbanked individuals, MSMEs and unorganized entities, especially in rural areas, by leveraging technology and last-mile distribution. In FY2020, we had the best adjusted ROA and ROE (adjusted for COVID-19 provisions) among SFBs and, for the nine months ended December 31, 2020 and FY2020, we were one of India's most profitable SFBs, based on ROE and ROA *(Source: CRISIL Report)*. Our Gross Loan Portfolio ("**GLP**") grew from ₹ 21,543.77 million to ₹ 55,475.84 million, registering a CAGR of 41.05%, from March 31, 2018 to December 31, 2020. This growth was driven primarily by growth in borrowers from 1.02 million as of March 31, 2018 to 2.19 million as of December 31, 2020, a CAGR of 31.82%. Our ROE was 18.41% for FY2020 and 14.27% (annualized) for the nine months ended December 31, 2020. We had a total of 2.7 million customers (comprising borrowers and depositors) as of December 31, 2020.

We follow a business model focused on financial inclusion and aim to provide individuals and businesses with affordable financial products and services that meet their needs. Our business objective is to enhance access to savings, credit and other financial products for unbanked and underbanked individuals, MSMEs and unorganized entities, especially in rural areas, by leveraging technology and last-mile distribution. As of December 31, 2020, 92% of our customers were located in rural areas, and 40% were new to credit. We believe that our business model is profitable, sustainable and socially beneficial.

We have a deep understanding of unbanked and under-banked customers, especially rural customers, with over 14 years of experience in providing microloans. Our Bank operated as an NBFC-ND under the name 'Disha Microfin Limited' since 2010 and was registered as an NBFC-MFI in 2013. In 2016, upon receipt of the RBI In-Principle Approval, our Bank acquired the micro-finance operations of FFSPL (which started microfinance operations in 2007) and later changed its name to Fincare Small Finance Bank. While we are still committed to serving the credit needs of microfinance borrowers, our transition to an SFB in 2017 provided us with the opportunity to serve a broader customer base through new product segments. We have leveraged our understanding of unbanked and underbanked customers to offer new secured loan products, which we offer primarily in semi-urban areas. While we continue to have a strong organizational set up for microloans, we have invested in and built dedicated teams, requisite internal systems, processes and technology to drive our secured loan products.

Our "digital first" approach supports our extensive physical network and focuses on technology-led operations across all aspects of our banking operations. We have a dedicated team responsible for conceptualizing, developing and implementing digital solutions to ensure higher level of customer connect and facilitate greater convenience, better service and faster turnaround time. As a result of our digital focus, we benefit from reduced costs, greater customer satisfaction and improved employee productivity. For FY2020, we onboarded over 99.35% of our new customers (borrowers and depositors) using employee-assisted digital processes (including 99.97% for asset accounts and 99.70% for liability accounts), and all of our loan disbursement for microloans, loans against property and affordable housing loans were cashless. We consider "digital" to be a key pillar of our success, which is reflected in our wide array of digital solutions (101 and the Fincare Connect App), customer self-service (internet banking, mobile banking and customer communication channels including a WhatsApp banking bot), solutions for frontline staff (SmartBank, m-Care, m-Serve and LAP D.Lite), instant KYC programs and other digital initiatives. We have won numerous awards for our digital offerings, including "Celent's Model Bank 2019 Award for Financial Inclusion" for LAP D.Lite, a software application that we developed in order to streamline the process for loans against property. For information in relation to the awards won by our Bank, see "*History and Certain Corporate Information - Awards, accreditations and recognitions received by our Bank*" on page 183

Our asset products cater to low-income mass retail individuals as well as to micro and small enterprises. Our asset products include microloans, loans against property, loans against gold, two-wheeler loans, affordable housing loans and institutional finance, which we tailor to suit the particular needs of our diverse customer segments. With our increased focus on secured lending, the share of our non-microloans increased from 16% of GLP as of March 31, 2018 to 21% of GLP as of December 31, 2020. For a break-up of our GLP based on loan type, please see "*Selected Statistical Information – Loan Porfolio – Gross Loan Portfolio*" on page 224.

Our suite of deposit products comprises term deposits, recurring deposits, current accounts and savings accounts. As of December 31, 2020, we had 2.68 million deposit accounts (including 0.25 million 101 accounts), covering both existing microloan customers and new customer segments (especially from urban areas). Our total deposits were ₹ 7,270.98 million, ₹ 20,432.12 million, ₹ 46,539.33 million and ₹ 52,766.45 million, as of March 31, 2018, 2019 and 2020 and December 31, 2020, respectively, representing a CAGR of 105.59% from March 31, 2018 to December 31, 2020. We had the second-highest deposit growth among SFBs in India in FY2020 *(Source: CRISIL Report)*. We believe that our focus on growing this business has helped us to quickly build a significant base of deposits, particularly retail term and wholesale term deposits (85% of wholesale deposits are non-callable as of December 31, 2020). Having initially focused on retail and wholesale term deposits, we are now focused on strengthening our CASA franchise and further increasing retail term deposits. Through these efforts, from March 31, 2018 to December 31, 2020, our credit-to-deposit ratio improved from 224.12% to 97.75%, our deposit-to-liability ratio (deposits over total liabilities) improved from 31.97% to 69.22%, our CASA ratio improved from 5.06% to 19.82%, our retail deposits as a percentage of total deposits improved from 25.86% to 91.11%, and our cost of funds improved from 9.95% to 8.86% (annualized).

In addition to deposits, we also use other sources of funding, including refinance assistance from specialist refinance institutions, IBPCs, interbank borrowings, Tier II debt instruments, securitizations and direct assignments. We have maintained a comfortable liquidity profile, with our Liquidity Coverage Ratio for the quarter ended December 31, 2020 being 244.83%, well above the regulatory requirement of 90%. Going forward, we aim to further increase our deposit base by focusing on CASA and retail deposits, which we will use to further expand our credit operations and other fee products, such as insurance, debit cards and lockers.

We have an extensive network of 528 banking outlets, 219 business correspondent outlets and 108 ATMs (of which 85 are cash recyclers) spread across 16 states and three union territories, covering 192 districts and 38,809 villages and which reached 2.7 million customers, as of December 31, 2020. We have created a network of banking outlets in urban and Tier 1 cities to focus on deposits mobilization, while maintaining our strong network in rural and semi-urban locations to drive our loan products. Our network is particularly strong in south and west India, where, according to CRISIL, states such as Karnataka and Gujarat have seen high real GDP growth. Our network includes banking outlets that are operated by us and those that are operated by business correspondents, with whom we enter into contractual arrangements to operate the banking outlets. All our banking outlets, including those of our business correspondents, work with digital tools. We tailor the type, size, location and product offerings of our banking outlets to suit the needs of our customers, with the aim of reaching them in a cost-effective manner. In this sense, banking outlets operated by us are of different types, including full service, basic banking and microbanking outlets, which cater to different customer segments.

We have a strong management team, with our senior management having experience in the banking/microfinance industry in India and having served with us for an average of five years. Our MD & CEO and CFO both have experience in the financial services industry and have worked with the Fincare group for nine years and 12 years, respectively. We have 8,114 employees as of December 31, 2020. Further, our Board comprises qualified and experienced personnel, with extensive knowledge and understanding of the microfinance and banking sectors. Of our directors, five are independent directors, and we have implemented a corporate governance policy that is independent of management to ensure sound corporate governance practices.

Our Bank and Promoter are backed by marquee investors, including True North Fund V LLP, Wagner Limited, Tata Opportunities Fund, LeapFrog Investments, SIDBI, Kotak Mahindra Life Insurance and Edelweiss Tokio Life Insurance.

We have a high-quality asset portfolio, which we attribute, among other things, to our target customer demographics, quality origination and credit assessment, technology and efficient collections. Amongst SFBs, we have one of the lowest GNPA Ratios for FY2020 *(Source: CRISIL Report)*. In FY2020, we had a GNPA Ratio (i.e., the ratio of our Gross NPA to Gross Advances) of 0.92% and an NNPA Ratio of 0.41%. Further, we have a strong capital position, healthy balance sheet and prudent provisioning policy, with a provision coverage ratio ("**PCR**") of 74.82%, Tier 1 Capital Ratio of 25.22% and Tier II Capital Ratio of 4.68%, in each case as of December 31, 2020. We are in compliance with and meet the regulatory minimum thresholds prescribed by the RBI for all three ratios. As of December 31, 2020, our net worth was ₹ 10,085.91 million.

Our term loans from banks are rated A (stable outlook) by ICRA and CARE A (stable outlook) by CARE Ratings, our unsecured sub-ordinated debt is CARE A (stable outlook) by CARE Ratings and IND A- (stable outlook) by India Ratings, our fixed deposit program is rated MA+ (stable) by ICRA and our certificates of deposit are rated CRISIL A1+ by CRISIL Ratings.

In addition, we are also committed to integrating an ESG framework into our core business operations. For details, see "- *Environmental, Social and Ethical Governance*" on page 164.

The following table sets forth certain key financial measures for us as of/for the periods indicated:

Particulars	As of / for the				
	Financial Year ended March 31, 2018	Financial Year ended March 31, 2019	Financial Year ended March 31, 2020	Nine months ended December 31, 2020 (Non-annualized)	Nine months ended December 31, 2020 (Annualized)
	(₹ in millions)				
Net Interest Income	1,676.47	3,300.36	5,868.96	5,207.26	-
Profit After Tax............	(975.50)[1]	1,019.80	1,434.49	1,039.27	-
GLP...............................	21,543.77	35,302.04	53,418.25	55,475.84	-
Disbursements..............	20,667.60	32,210.23	49,497.11	27,822.90	-
ROE	(24.76)% [1]	22.00%	18.41%	10.75%	14.27%
ROA..............................	(5.68)% [1]	3.40%	2.52%	1.38%	1.83%
PCR...............................	23.55%	94.42%	91.14%	74.82%	-
Cost to Income Ratio (%)[2]	87.15%	74.00%	58.19%	57.73%	-
Retail deposits %[3]........	25.86%	57.89%	76.90%	91.11%	-
Average shareholders' equity[4]	3,939.83	4,634.70	7,791.07	9,667.11	-
GNPA (%)[5].................	1.05%	1.29%	0.92%	3.46%	-
NNPA (%)[6].................	0.72%	0.34%	0.41%	1.88%	-
COVID-19 related provisions (as on)	-	-	851.80	950.80	-
Total provisions held / Gross Advances[7]...................	0.69%	1.40%	2.71%	4.09%	-
Total Deposits...............	7,270.98	20,432.12	46,539.33	52,766.45	-
Profit after tax[8]	(975.50)	1,019.80	1,434.49	1,039.27	-
Profit after tax / Gross Advances.......................	(5.97%)	3.65%	2.96%	1.98%	2.63%

(1) *For explanations of why our Profit After Tax, ROE and ROA were negative in FY2018, see "Management's Discussion and Analysis of Fnancial Condition and Results of Operations" and "Selected Statistical Information" on pages 288 and 214, respectively.*

(2) *Cost to Income Ratio is calculated as the ratio of our Operating Expense to the sum of our Net Interest Income and Other Income.*

(3) *Retail deposits includes CASA and Retail Term Deposits.*

(4) *Average shareholder's equity referred to in the above table is defined as the average of monthly end balances of capital, reserves and surplus, and employee stock options outstanding.*

(5) *Calculated as Gross NPA over Gross Advances.*

(6) *Calculated as Net NPAs over Net Advances.*

(7) *Total provisions includes provisions towards standard assets, NPA provisions and COVID-19 related provisions.*

(8) *Profit after tax represents our restated profit for the period from continuing operations.*

Competitive Strengths

Customer-centric approach driven by digital banking and automation

We follow a customer-centric business model, focused on financial inclusion. We aim to provide individuals and businesses with affordable financial products and services that meet their needs. We are a "digital-first" bank and have been an early adopter of scalable digital solutions in order to improve customer experience and/or operational efficiencies.

We use a combination of proprietary and third-party digital solutions, with the aim of developing in-house digital solutions that are core to our business and buying those that are commoditized or non-core to our business. We have a board committee dedicated to IT strategy, which drives the innovation and implementation of technology. We have put in place an experienced and committed digital team of 84 members, comprising product managers, designers, engineers and developers, which is responsible for conceptualizing, developing and implementing digital solutions. We have implemented automation across a number of areas including: (i) business intelligence and analytics, (ii) compliance, (iii) credit quality monitoring, (iv) document management, (v) internal and external process and service requests, (vi) human resource management, including payroll, leave, performance management and training, (vii) sales and marketing activities, (viii) tablet based customer onboarding, account opening and account servicing and (ix) payments.

We deploy a wide variety of digital solutions for our frontline-staff, including solutions for customer onboarding, savings account and term deposit opening, funds transfer, bill payment, service requests, account changes, loan origination (such as SmartBank, m-Care and LAP D.Lite for microloans, loans against property, affordable housing and two-wheeler loans and our Gold Loan Application), collections (m-serve for microloans) and cross-selling. We also offer customer service through multiple digital channels, including internet banking, our mobile banking application, WhatsApp messenger service and our payments applications, such as BillPay, NEFT, RTGS, IMPS, NACH, netbanking, UPI and debit cards. Where required, we provide our digital solutions through employee assisted modes, specifically in areas with low tech-literacy or adoption.

We keenly believe in the benefits of digitization, both on the front-end with customers as well as throughout our broader operations. Our approach entails the use of technology at every possible step of the loan or deposit process, spanning the underwriting process, analytics-based decision-making, real-time integration with credit bureaus, GPS tagging, mobile-based fraud risk management and others. Digitization improves the customer experience through accessibility, paperless processes, self-service options and faster turnaround time. Operationally, digitization benefits us through improved processes, increased productivity, reduced costs, improved collections through data-driven early warning systems, and better cross-selling opportunities. For FY2020, we onboarded over 99.35% (including 99.97% for asset accounts and 99.70% for liability accounts) of our new customers (borrowers and depositors) using employee-assisted digital processes, and all of our loan disbursements for microloans, LAP and AHL were cashless.

Our financial inclusion focused business model, enabled by digitization, has driven our growth and profitability in prior periods and created clear differentiation with peers.

Strong commitment to financial inclusion with extensive rural franchise and expanding urban presence

Financial inclusion is at the core of our business and our objective is to enhance access to products such as savings accounts, microloans, loans against gold, insurance and investment products for unbanked and underbanked individuals, MSMEs and unorganized entities through high-tech, low-cost operations. As a majority of our customers are individuals from low-income groups and lack financial sophistication, we have designed our products in a manner such that they are simple to understand, which contributes to their popularity with customers. Further, we have a deep rural franchise and experience of over 14 years in microfinance. As of December 31, 2020, we covered 38,809 villages, with 1,986,375 base-of-pyramid households and 1,909,951 rural savings accounts. Through this extensive rural network, as of December 31, 2020, 92% of our customers were in rural areas.

In rural areas, our key competitive differentiator is that we provide loan products covering the full lifecycle of rural customers, delivered using digital tools. In this regard, we have continuously expanded our product suite to meet additional financial needs of our customers, through products such as rural loans against property, loans against gold, two-wheeler loans, and savings products. These products are tailor-made to address the needs of our customer base. The below table sets forth the growth in certain key KPIs, which we believe reflect our commitment to financial inclusion:

KPI	As of / for the			
	Financial Year ended March 31, 2018	Financial Year ended March 31, 2019	Financial Year ended March 31, 2020	Nine months ended December 31, 2020
Number of new to credit borrowers	50%	38%	47%	40%
Total borrowers (million)	1.02	1.62	2.29	2.19
Total borrower accounts of microloans disbursed (ticket size below ₹ 50,000)	666,454	884,562	1,366,857	665,761
Number of recurring deposit accounts of microloan customers	-	-	44,490	89,004
Number of savings accounts of microloan customers (million)	0.02	0.76	1.95	1.91
Disbursements of microloans (₹ million)	17,438	25,779	40,219	21,009
Number of lives insured (million)	1.33	1.77	2.56	1.28
Number of Basic Savings Bank Accounts	-	660	1,647	1,790

Our long track record of serving rural customers, especially microloans borrowers, has allowed us to understand their financial requirements and goals. We target a variety of initiatives specifically at rural micro lending, including loan disbursals and monthly loan collections through our joint-liability, group-based lending model and doorstep financial literacy camps. Moreover, our deep penetration in rural areas helps inspire customer confidence in our operations, as evidenced by the fact that 40% of our borrowers used us as their first lender, and we are the sole lender for 42.30% of our microloan borrowers (each based on credit bureau data as of December 31, 2020). In addition, as of December 31, 2020, 43.05% of our borrowers are repeat borrowers who have renewed their loans with us.

We target rural and microloan customers because we believe that we not only run a socially responsible business promoting financial inclusion, but also that such borrowers tend to have lower credit penetration, less competition, less migration (leading to longer, more loyal customer relationships), better credit behaviors and, in turn, lower delinquency rates. We believe that our track record of originating and servicing these loans, together with our extensive network of banking outlets and business correspondents that cater to these customers, positions us favorably to compete in these segments and continue to grow our business. Further, in urban areas, our expansion has been led by the growth in our secured loan portfolio and deposits.

Our track record of originating and credit underwriting in these segments, together with our joint liability group-based lending model, has led to low GNPA and NNPA Ratios and high collection efficiencies. For details of our GNPA and NNPA Ratios and collection efficiencies, see "*Selected Statistical Information*" on page 214.

Multi-channel, low-cost distribution network with diversified geographic presence

We reach our customers through a diversified, extensive multi-channel network combining traditional brick-and-mortar banking outlets and digital banking. We believe this allows us to offer "last mile, doorstep connectivity" to our customers while maintaining low operating costs. As of December 31, 2020, we had a pan-India network of 528 banking outlets, 219 business correspondent outlets and 108 ATMs of which 85 were cash recyclers, spread across 16 states and three union territories, covering 192 districts, which together covered over 38,809 villages and reached 2.7 million customers. Our banking outlets are either operated by us or by business correspondents appointed by us, which provides us with a low-cost means of extending our distribution reach. In the past, we have opened our business correspondent outlets to provide inroads in a particular area; over time, we expand our presence through our own banking outlets. Through our efforts to optimize the mix of our banking outlets, we had one of the lowest operating expenses per banking outlet in India in FY2019 and FY2020 among SFBs, at ₹ 5.20 million and ₹ 6.02 million, respectively, and the second-highest number of total banking outlets and business correspondent outlets among SFBs at the end of FY2020 *(Source: CRISIL Report)*.

We take a calibrated approach to expanding our distribution network, using different formats of banking outlets to consciously target different customer and geographical segments in order to optimize our cost base, providing the right level of products and services for each area. We also expand to new areas that are generally contiguous to our existing geographical footprint in order to leverage our existing knowledge of the area and the customers. For our brick-and-mortar banking outlets, we use a mix of outlet types to target different customer segments across urban, semi-urban and rural markets. For liability products, we primarily target urban and metro mass retail and affluent customers. For asset products, we primarily target low-income micro borrowers in rural areas and micro and small enterprise borrowers in semi-urban and urban areas. All our banking outlet staff are equipped with tablets that allow our staff to offer doorstep banking and hence open accounts and service customers directly at their doorstep. For further details of our brick-and-mortar banking outlets and business correspondents, see " – *Delivery Channels*" on page 151.

Our extensive distribution network provides us with meaningful geographic diversification in our deposit and loan portfolio. As of December 31, 2020, our top three states in terms of GLP were Tamil Nadu, Gujarat and Karnataka, accounting for 26%, 21% and 16% of GLP, respectively (their combined share decreased from 72% to 63% from FY2018 to December 31, 2020), with the remainder of our portfolio spread across the rest of the geographies where we operate. Tamil Nadu, Gujarat and Karnataka have experienced strong GDP growth in recent years (up to FY2020), and they also have low credit penetration, providing strong growth potential *(Source: CRISIL Report)*. As of March 2020, the share of our top state in terms of GLP was 26% and share of our top three states was 66%. In addition to our geographic diversification, our extensive distribution network and our understanding of customer segments and their credit requirements across their life cycles provides significant cross-selling opportunities and has helped us to diversify to non-microloans, which increased from 16% of GLP as of March 31, 2018 to 21% of GLP as of December 31, 2020.

Fast-growing stable deposit base with a growing CASA franchise

In FY2018, we commenced small finance bank operations, which provided us with access to a low-cost deposit base and also allowed us to expand the scope of our lending operations. Our deposit products include term deposits, recurring deposits and CASA. As of December 31, 2020, we had 2.68 million deposit accounts (including 0.25 million 101 accounts), representing a CAGR of 401% since March 31, 2018, covering both existing microloan customers and new-to-bank customers, especially in urban areas. As of December 31, 2020, we had 2.32 million deposit customers, representing a CAGR of 358% since March 31, 2018.

Our total deposits as of March 31, 2018, 2019 and 2020 and December 31, 2020 were ₹ 7,270.98 million, ₹ 20,432.12 million, ₹ 46,539.33 million and ₹ 52,766.45 million, respectively. In FY2020, we had the second-highest deposit growth among our SFB peers, ratio of deposits to loan book, ratio of deposits to overall borrowings and ratio of retail deposits to total deposits *(Source: CRISIL Report)*. Our total retail deposits (including retail term deposits and CASA) as of March 31, 2018, 2019 and 2020 and December 31, 2020 were ₹ 1,880.32 million, ₹ 11,828.96 million, ₹ 35,789.27 million and ₹ 48,076.94 million, respectively. Our CASA as of March 31, 2018, 2019 and 2020 and December 31, 2020 were ₹ 367.59 million, ₹ 2,237.27 million, ₹ 5,550.60 million and ₹ 10,459.00 million, respectively. Our wholesale deposits have consistently declined and represented 74.14% and 8.89% of our total deposits as of March 31, 2018 and December 31, 2020, respectively, and our retail deposits represented 25.86% and 91.11% of our total deposits as of March 31, 2018 and December 31, 2020, respectively. Through our efforts, our credit-to-deposit ratio improved from 224.12% to 97.75%, our deposit-to-liability ratio improved from 31.97% to 69.22% and our CASA ratio improved from 5.06% to 19.82%, in each case from March 31, 2018 to December 31, 2020. In addition, our CASA CAGR was 237.89% compared to a total deposits CAGR of 105.59% from March 31, 2018 to December 31, 2020.

We have implemented a number of strategic initiatives in order to grow our deposit base. We have increased our distribution channels, through the expansion of our brick-and-mortar banking outlets operated by us and our business correspondents, as well as through the launch of digital distribution channels such as Fincare 101 focusing on retail deposit customers. We offer doorstep delivery, as well as dedicated teams to serve our deposit customers. The expansion of our deposit base has contributed to the increase in our GLP (as we utilize our deposit base for our lending operations), for both microloans (our traditional focus) and for other categories of loans such as loans against gold, loans against property, institutional finance, two-wheeler loans and affordable housing loans. We have built a sticky and granular deposit base since 97% of our term deposits have a tenor greater than six months and 60% of our term deposits have a ticket size of less than ₹ 10 million. We expect that the continued expansion of our deposit base will allow us to further expand our lending operations, thereby contributing to the growth of our business. Further, we have expanded our deposit base while also ensuring strong diversification, as demonstrated by our top 20 depositors accounting for 18.05% of our deposits as of March 2020, which is the second-lowest among our peers according to CRISIL.

Further, our conversion to a small finance bank has also provided us with access to other forms of borrowings such as refinancing assistance from specialist refinance institutions, IBPCs, interbank borrowings, Tier II debt instruments and assignments. This has also improved our leverage and reduced our cost of funds, as we no longer rely exclusively on bank borrowings to fund our lending operations. Our leverage and cost of funds improved from 6.38 times to 5.50 times and 9.95% to 8.86% (annualized), respectively, in both cases from March 31, 2018 to December 31, 2020. We believe our high credit ratings reflect the strength of our business. For further details on our credit ratings, please see " – *Credit Ratings*" on page 158.

Stable and experienced professional leadership team with strong corporate governance

Our Board comprises qualified and experienced personnel, who have extensive knowledge and understanding of the banking and finance industry. Of our directors, five are independent directors, and we have implemented a corporate governance policy that is independent of management to ensure sound corporate governance practices and robust oversight.

Our MD & CEO and CFO both have experience in the financial services industry and have worked with the Fincare group for nine years and 12 years, respectively. We also have a strong and experienced management team comprising a 20-member leadership team in addition to an executive management team at the next level comprising over 30 members. Our management team brings a diverse mix of backgrounds, including professionals from the financial services industry, entrepreneurs who have spent time at a number of organizations, those with experience in start-ups, large domestic and international banks and NBFCs, as well as in the insurance industry and management consulting. The diversity of our management team means that it is experienced in formulating and executing a broad array of strategies, dealing with a wide spectrum of product and customer segments and successfully navigating a wide range of risks inherent in the financial services industry. Our senior management have experience in the banking/microfinance industry in India and have served with us for an average of five years.

We believe that our management team has extensive knowledge and understanding of the microfinance and banking sectors and the desired expertise and vision to organically scale up the business.

Further, we have instituted an ESOP Plan for the benefit of employees of our Bank. For further details, see "*Capital Structure – ESOP 2018*" on page 84. We believe that the plan aligns the interests of our senior management with the interest of our Bank incentivizes them to stay with us for the long term.

Robust risk management policies, leading to healthy asset quality

We follow robust risk management policies, which have resulted in healthy asset quality and low credit costs, as evidenced by our low GNPA and NNPA Ratios. We recognize risk management as an integral part of our business and management practices. We have formulated our risk management policy taking into account, among others, the practices and principles governing risk management prescribed by the RBI. The key principles that govern our risk management practices are as follows:

- our Board, supported by senior leadership, takes the lead in establishing a strong risk management culture. The Board establishes, approves and periodically reviews our risk governance framework. The risk management committee of our Board oversees the effective implementation of policies, processes and systems;
- we assess, measure and review risks holistically across our operations, including credit, market, liquidity, operational, regulatory, legal, cyber and information security and reputational risks;
- we put in place approval processes for all new products, activities, processes and systems that assesses underlying risks;
- we have a strong control environment that utilizes policies, processes and systems and appropriate internal controls and risk management and/or transfer strategies; and
- our public disclosures are transparent and allow stakeholders to assess our approach to risk management.

We have certain key risk mitigation policies in place for various types of risk:

- Operational risk: we cap our portfolio exposure at state and district levels, have a strong valuation framework for LAG, have audit checks and tight controls and conduct field monitoring of our banking outlets;
- Credit risk: we conduct customer diligence, have a stringent customer onboarding process encompassing layers of checks done by center managers and first level supervisors and we formulate rating scores for retail customers;
- Internal audits: we have a comprehensive internal audit mechanism covering credit, business, branches, process, information security and concurrent audit; and
- IT risks: we have a robust IT system for monitoring risk.

For further details on our risk management practices, please see " – *Risk Management*" on page 160.

Our effective credit risk management is reflected in our portfolio quality indicators such as high repayment rates and low rates of GNPAs and NNPAs across business and economic cycles. In FY2020, we had the highest provision coverage ratio among our peers, according to CRISIL. As of December 31, 2020, our Gross NPA Ratio was 3.46%, while our Net NPA Ratio 1.88%. Moreover, through our growth, we have maintained a healthy credit quality, with GNPA Ratios of 1.05%, 1.29%, 0.92% and 3.46% as of March 31, 2018, 2019 and 2020 and December 31, 2020, respectively. In addition, our Net NPAs to Net advances were 0.72%, 0.34%, 0.41% and 1.88% as of March 31, 2018, 2019 and 2020 and December 31, 2020, respectively. We also had the second-highest capital adequacy ratio among SFBs in FY2020, according to CRISIL. For details, see "*Selected Statistical Information*" on page 214.

Strong track record of financial and operational performance

According to CRISIL, we had the highest growth rate in advances amongst comparable SFB peers in India between FY2018 and FY2020. Further, in FY2020, we had the best adjusted ROA and ROE (adjusted for COVID-19 provisions) among SFBs and, for the nine months ended December 31, 2020, we were also one of India's most profitable SFBs, based on ROE and ROA *(Source: CRISIL Report)*. On the asset side, our GLP grew from ₹ 21,543.77 million to ₹ 55,475.84 million, a CAGR of 41.05%, and our disbursements grew from ₹ 20,668 million to ₹ 49,497 million, a CAGR of 54.8%, in each case from FY2018 to FY2020. On the liabilities side, our deposits grew from ₹ 7,270.98 million as of March 31, 2018 to ₹ 52,766.45 million as of December 31, 2020. Our growth across our assets and deposits portfolio has largely been driven by growth in our customer base, which increased from 1.06 million to 2.7 million from March 31, 2018 to December 31, 2020.

Further, our average yield increased from 18.75% to 19.43% and our cost of funds decreased from 9.95% to 9.67% from FY2018 to FY2020. Our NIM remained relatively flat from 10.97% to 10.98% over the same period due to higher growth in our average interest-bearing liabilities (291%) compared to growth in average interest-earning assets (250%) during the same period. In the nine months ended December 31, 2020, our average yield declined to 17.82% (annualized) and our cost of funds declined to 8.86% (annualized). We also had the second-lowest cost-to-income ratio among our peers in FY2020, according to CRISIL, which is a result of our focus on lowering costs through automation and digital processes.

The table below sets certain key financial measures for the periods mentioned:

Measure	FY2018	FY2019	FY2020	For the nine months ended December 31, 2020 (Non-annualized)	For the nine months ended December 31, 2020 (Annualized)
					(₹ in millions)
Total Income	3,504.98	6,748.82	12,157.20	9,983.06	-
Profit after tax(1)	(975.50)	1,019.80	1,434.49	1,039.27	-
Net Interest Margin (%)(2)	10.97%	12.21%	10.98%	7.44%	9.87%
Yield on average interest-earning assets (%)(1) (3)	18.75%	20.69%	19.43%	13.42%	17.82%
Return on Assets (%)	(5.68)%	3.40%	2.52%	1.38%	1.83%
Return on Equity (%)	(24.76)%	22.00%	18.41%	10.75%	14.27%
Cost to Income Ratio (%)(4)	87.15%	74.00%	58.19%	57.73%	-
CRAR (%)	23.30%	23.63%	29.28%	29.90%	-
Cost of Funds (%)(5)	9.95%	9.87%	9.67%	6.68%	8.86%
GNPA (%)(6)	1.05%	1.29%	0.92%	3.46%	-
NNPA (%)(7)	0.72%	0.34%	0.41%	1.88%	-
PAR-30(8)	1,062.55	1,176.68	1,426.28	4,761.87	-
PAR-30 (microloans)(9)	950.46	1,008.27	1,053.54	3,424.91	-
Provision Coverage Ratio (%)	23.55%	94.42%	91.14%	74.82%	-
Average shareholdhers' equity(10)	3,939.83	4,634.70	7,791.07	9,667.11	-
Profit after tax(11)...........	(975.50)	1,019.80	1,434.49	1,039.27	-
Profit after tax / Gross Advances	(5.97)%	3.65%	2.96%	1.98%	2.63%

Measure	FY2018	FY2019	FY2020	For the nine months ended December 31, 2020 (Non-annualized)	For the nine months ended December 31, 2020 (Annualized)
					(₹ in millions)
Provisions and write-offs / Average Gross Loan Portfolio (%)	9.32%	1.42%	3.11%	2.08%	-

(1) Profit after tax represents our restated profit for the period from continuing operations.

(2) Net Interest Margin represents net interest income over average interest-earning assets for the relevant period.

(3) Yield on interest-earning assets is interest earned divided by total average interest-earning assets.

(4) Cost to Income Ratio is calculated as the ratio of our Operating Expense to the sum of our Net Interest Income and Other Income.

(5) Cost of funds is calculated as total interest expended divided by the average monthly end balance of interest-bearing liabilities (includes cost of deposits).

(6) Calculated as Gross NPA over Gross Advances.

(7) Calculated as Net NPAs over Net Advances.

(8) PAR-30 represents the amount of our Gross Loan Portfolio that is greater than 30 Days Past Due (DPD).

(9) PAR-30 (microloans) represents the amount of our Gross Loan Portfolio of microloans that is greater than 30 Days Past Due (DPD).

(10) Average shareholder's equity is the aggregate of the average month end balances of capital, reserves and surplus and employee stock options outstanding at the end of the period.

(11) Profit after tax represents our restated profit for the period from continuing operations.

Our Strategy

Scale up lending portfolio with a focus on secured lending

With our legacy in microfinance, microloans continue to form the significant majority of our lending portfolio, accounting for 84.3%, 80.4%, 80.2% and 79.5% of our GLP as of March 31, 2018, 2019 and 2020 and December 31, 2020, respectively. Since commencing banking operations, we have diversified our lending products to include loans against property, loans against gold, two-wheeler loans, affordable housing loans and institutional finance. While we will continue to pursue opportunities to grow our microloan portfolio, our focus is now also on scaling up our other lending products. Secured products would allow us to build a more diversified lending portfolio.

Our loans against property, loans against gold, two-wheeler loans, institutional finance loans and affordable housing loans are all secured loans, as compared to microloans, which are traditionally unsecured. From March 31, 2018 to December 31, 2020, our secured loans as a percentage of Gross Loan Portfolio increased from 14.76% to 20.48%. We intend to scale up our mix of these products by introducing them at banking outlets that have not historically offered them, through improved productivity at our existing banking outlets as well as through the addition of new banking outlets. In assessing potential new product segments, we use data analytics and continuous customer engagement with the goal of identifying our customers' unmet credit needs so that we can tailor our offerings accordingly. For details, see—*Our Strategy—Increase use of technology and data analytics*" on page 141.

We also intend to focus on cross-selling our capabilities to existing and new customers going forward, with the objective of expanding our business. A significant portion of our asset customers opt to open savings accounts with us for new disbursements, which provides us with opportunities to cross-sell deposit products to them. Further, we intend to cross-sell additional loans such as microloans, two-wheeler loans, loans against gold and loans against property to our existing borrowers who have demonstrated good repayment histories and require higher ticket loans. Further, we may also offer loans in other categories such as supply chain financing and commercial vehicle loans to borrowers falling within this category.

In addition to the above, we also intend to broaden our sale of fee-based products. Our strategy to source additional retail deposits aligns naturally with our plan to sell more fee-based products, as our target customer segment for retail deposits, namely the urban mass retail segment, tends to be more likely to purchase insurance and other fee-based products. Additionally, we intend to increasingly use data analytics to help identify cross-selling opportunities. We also intend to pursue partnerships with fintech and financial services companies to build new liabilities and third-party product distribution models, such as wealth management, insurance, trading and robo-advisory products.

Continue to grow deposits base with a focus on CASA and retail term deposits

We are focused on diversifying our liability profile, particularly through building a stronger CASA and retail term deposit franchise. We are focused on CASA and retail term deposits as they are, typically, lower cost funding sources than bulk deposits and other, non-deposit-based, sources of funding, such as refinancing, interbank borrowings, securitizations and the issuance of debt securities. Moreover, CASA and retail term deposits tend to be more likely than wholesale deposits to stay with us over a longer period and with less sensitivity to interest rate changes; therefore, they represent a more stable funding source. If we are successful in improving our mix of CASA and retail term deposits, we expect that our cost of funds will decrease, allowing us to be more competitive by lowering lending rates while maintaining our NIM.

As of December 31, 2020, our CASA were ₹ 10,459.00 million, retail term deposits were ₹ 37,617.93 million, retail share of term deposits was 88.92% and our CASA as a percentage of total deposits were 19.82%. Our retail term deposits grew from ₹ 1,512.72 million to ₹ 30,238.67 million from FY2018 to FY2020. We intend to take a multi-pronged approach to source more CASA and retail term deposits, in part through an emphasis on mobile banking to encourage customer loyalty and crossover into these products. To this end, we aim to introduce short-term loyalty programmes, such as providing cash back offers to customers who use their debit cards more often, to encourage customers to maintain higher balances and also use their accounts for purposes such as recurring bill payments. We have, through our Fincare 101 platform, expanded our deposit base by offering digital solutions focused on millennial customers in urban and metropolitan areas. We also aim to introduce new products, such as cash management services for small businesses. Further, we will also look to pursue partnerships with various service providers to become one of the preferred banks in their ecosystem. We also intend to undertake focused marketing initiatives to build a trustworthy brand with target customer segments.

Increase use of technology and data analytics

While we have a robust digital platform today, we intend to continue investing in digital offerings that are scalable, improve the customer experience and improve our profitability. Our digital strategy has many facets, including further scaling up cashless banking, deepening automation and analytics capabilities and incentivizing the use of digital channels. For cashless banking, in FY2020 we achieved over 99.35% digital account opening (including 99.97% for asset accounts and 99.70% for liability accounts) for our new customers, with all new disbursals for microloans, LAP and AHL being made directly into the savings accounts of these customers. Moreover, we have successfully instituted cashless repayments for loans against property and loans against gold. Our microloans, affordable housing loans and two-wheeler loans are disbursed digitally, and we have implemented cashless repayment channels for our affordable housing loans and two-wheeler loans.

We are pursuing a number of initiatives to deepen our automation and analytics capabilities. We intend to use data analytics to help identify potential new product segments that may be popular amongst our target customer segments, and to promote cross-selling opportunities. We also intend to use data analytics to provide early warning signals for customers at risk of non-renewal in order to improve customer retention, and to use predictive analytics based on GST payments and client income to further enable loan sanctioning to first time SME borrowers. We also intend to introduce new algorithms for automated underwriting decisions and alternate-data-based underwriting. Further, we are pursuing automation of areas that can have the greatest impact on our customers or our costs, such as low value customer interactions and back-end processes.

To incentivize the use of digital channels, we are exploring incentive and reward programs to promote online and self-service transactions. The incentives may be in the form of loyalty programs, free or reduced fees for usage of digital channels instead of cash or banking outlets, or other forms. We also intend to look for further opportunities to expand our digital product suite, including lending, investment and insurance products, either on our own or through partners, in order to serve our customers better.

Improve banking outlet efficiency, productivity and reach

Our goal is to build a scalable and inclusive distribution network, combining digital channels with low-cost and efficient physical channels, to drive a competitive advantage. In recent years, we have expanded our banking outlet network by adding additional outlets operated by us and also by generally growing our network of business correspondents (which does not require capital expenditure by us). The expansion of our network of business correspondents into new markets allows us to subsequently expand our banking outlets operated by us in those areas while ensuring a consistent customer experience through the use of digital tools at the outlets operated either by us or by the business correspondents.

Many of the banking outlets are still maturing and have the potential for greater productivity. According to CRISIL, we had one of the lowest business per banking outlet, deposit per banking outlet and advances per banking outlet ratios amongst comparable peers, which we believe provides us with the potential to scale up our operations and improve the productivity and efficiency of our banking outlets *(Source: CRISIL Report)*. We intend to enhance the utilization of our existing banking outlets, in order to add loans and deposits without having to make significant further investments in these outlets. To do this, we intend to optimize the size, number of centers and geographical coverage of our micro banking outlets, establish well-defined geographical limits of operations, implement productivity and other automation tools, roll out loan products to banking outlets that do not currently offer them, and train and empower staff engaged in customer-facing roles to improve sales and service understanding.

With a view to enhancing productivity of our banking outlets, we aim to increase the contribution of liabilities from urban and semi-urban centers to target the urban poor, providing them remittance and payment services in addition to deposit accounts. On the assets side, we intend to source additional customers for our microloans, two-wheeler loans and loans against property, largely in geographies where we currently do not operate, through our business correspondent partners.

In addition to increasing banking outlet utilization, we intend to further expand our network of banking outlets, focusing particularly on our existing geographies and those adjacent to them, whether rural or semi-urban, though also selectively expanding in key markets to source deposits. We expect that these efforts will improve our ability to extend microloans and to source deposits, especially retail deposits from individuals and TASC (trusts, associations, societies and clubs) segments. In addition, the additional full-service banking outlets would help us to sell fee-based products.

Enhance our brand presence and customer trust

We seek to leverage and enhance our brand to build our presence in the banking sector and enhance customer trust and recognition. We seek to build our brand by maintaining official social media pages on popular sites, regularly posting on those platforms about updates and new initiatives, leveraging our brand ambassador Chess Grandmaster GM Viswanathan Anand for online and offline marketing campaigns, conducting customer events, conducting marketing through TV, radio and print ads, and marketing through brand associations and event sponsorships.

Recent Developments and the COVID-19 Pandemic

We made additional COVID-19 related provisions amounting to ₹ 851.80 million and ₹ 950.80 million as on March 31, 2020 and December 31, 2020, respectively. As a percentage of our Gross Loan Portfolio for those periods, these additional provisions were 1.59% and 1.71%, respectively.

In accordance with RBI guidelines relating to the COVID-19 regulatory package dated March 27, 2020 and April 17, 2020, we granted a moratorium of three months on the payment of all instalments and / or interest, as applicable, falling due between March 1, 2020 and May 31, 2020, to all eligible borrowers. In line with the additional regulatory package guidelines dated May 23, 2020, we granted a second phase of three months moratorium on instalments and / or interest, as applicable, falling due between June 1, 2020 and August 31, 2020.

Our management believes that providing moratorium to borrowers on a mass scale based on RBI directives is by itself unlikely to result in a significant increase in credit risk for such borrowers. The full extent of impact of the pandemic on our operations and financial metrics (including impact on provision for our loan portfolio) will depend on future developments, including the second wave that has significantly increased the number of cases in India, governmental and regulatory measures and ourresponses thereto, which are uncertain at this time.

The Supreme Court, in a writ petition through its interim order dated September 3, 2020, directed that accounts that were not declared as NPA as of August 31, 2020 must not be declared as NPA until further orders. Based on this interim order, we did not classify eligible account as NPA. However, we have made a contingency provision for such borrower accounts not classified as non-performing and have included this provision in our above-mentioned COVID-19 related provisions.

The Supreme Court vacated its earlier order on NPA accounts on March 23, 2021. The RBI subsequently released a circular on April 7, 2021 that provided instructions to all lending institutions on asset classification for borrower accounts. We accordingly classified our borrower accounts as per the IRAC norms with effect from September 1, 2020 and utilized the above COVID-19 related provision towards provision on these accounts as required. Accordingly, as of December 31, 2020, we held an aggregate COVID-19 related provision of ₹ 950.80 million (included in our general provision for standard assets).

The following table sets forth, as of the dates indicated, our product wise monthly collection efficiency. Collection efficiency is calculated as the aggregate of our collections for the period (including overdue and excluding prepayments) divided by the total billings (had there been no Moratorium) in such period and is expressed as a percentage:

Particulars	Mar 2020	Apr 2020	May 2020	Jun 2020	Jul 2020	Aug 2020	Sep 2020	Oct 2020	Nov 2020	Dec 2020	Jan 2021	Feb 2021	Mar 2021
Microloans	99.54%	1.48%	17.65%	58.78%	75.90%	81.78%	88.95%	91.42%	92.91%	93.32%	93.51%	93.89%	93.92%
LAG	96.12%	94.73%	92.00%	92.42%	92.32%	95.27%	77.54%	78.15%	64.85%	44.53%	60.49%	43.43%	45.20%
LAP	83.87%	30.97%	46.24%	63.03%	65.45%	68.14%	85.93%	87.15%	86.17%	90.08%	89.36%	88.37%	90.33%
Institutional Finance	96.73%	93.19%	91.51%	98.22%	97.46%	97.68%	98.38%	98.50%	93.38%	93.42%	93.39%	92.91%	91.38%
Affordable housing loans	100.00%	63.38%	63.36%	77.24%	81.84%	83.62%	93.54%	95.54%	95.55%	96.46%	97.38%	97.73%	97.98%

Zero EMI Payment Customer percentage for Microloans as on March 31, 2021 stands at 1.31%. It is computed as the number of customers who have not paid any single EMI during the past twelve months or lesser period (as applicable) over the total number of customers outstanding as on March 31, 2021.

Our Banking Operations

We focus on serving the underbanked and underserved markets in India. We are regulated by the Reserve Bank of India as a scheduled bank and have a license to carry on small finance bank business in India. This permits us to provide banking services across all of India and across various customer segments. We currently offer a variety of asset and liability products and services designed for both micro-banking and general banking, as well as other products and services in order to generate non-interest income.

We also offer other products and services such as debit cards, internet and mobile banking, WhatsApp banking, online bill payment services, Insurance (Life, Health and General) products, Lockers and UPI, AEPS and BBPS. These other products and services help to generate non-interest income and cater to the additional needs of our customers, such as protecting against risk and providing avenues for investing.

Our banking operations are spread across 16 states and three union territories in central, southern, western and northern India, with 528 banking outlets, 219 business correspondent outlets and 108 ATMs, of which 85 were cash recyclers, serving a total of 2.7 million customers as of December 31, 2020.

Set forth below are details of our key products:

Loans

The following table sets forth, as of the dates indicated, our product wise average ticket size of loans disbursed:

Amount in ₹

Product wise average ticket size(1)	FY2018	FY2019	FY2020	Nine months ended December 31, 2020
Microloans	26,165.36	29,143.54	29,424.46	31,555.74
LAG	65,739.21	68,839.80	82,788.56	115,682.93
LAP	498,838.30	530,300.84	542,663.86	446,179.29
Institutional Finance	63,793,103.45	75,900,000.00	81,892,857.14	150,000,000.00
Two-wheeler loans	-	53,579.26	57,005.30	-
Affordable housing loans	-	-	623,946.05	729,737.14

(1) Average ticket size represents total disbursements in a particular period divided by the number of loans disbursed in that particular period.

Our loans consist primarily of microloans, which make up the bulk of our retail loan portfolio. Most of our loans are unsecured (although the size of our secured loan portfolio has been growing in the last financial year) and are extended to individuals and entities in India's priority sectors (for details on the priority sector lending requirements see "*Key Regulation and Policies*" on page 165). In addition to microloans, we also provide financial assistance to borrowers to augment their household income through loans against property ("**LAP**"). Further, we also offer loans against gold ("**LAG**"), two-wheeler loans, affordable housing loans and term loans to institutions and various corporate entities.

The following table sets forth a breakdown of our GLP by various categories, including as a percentage of total GLP, as of the dates indicated:

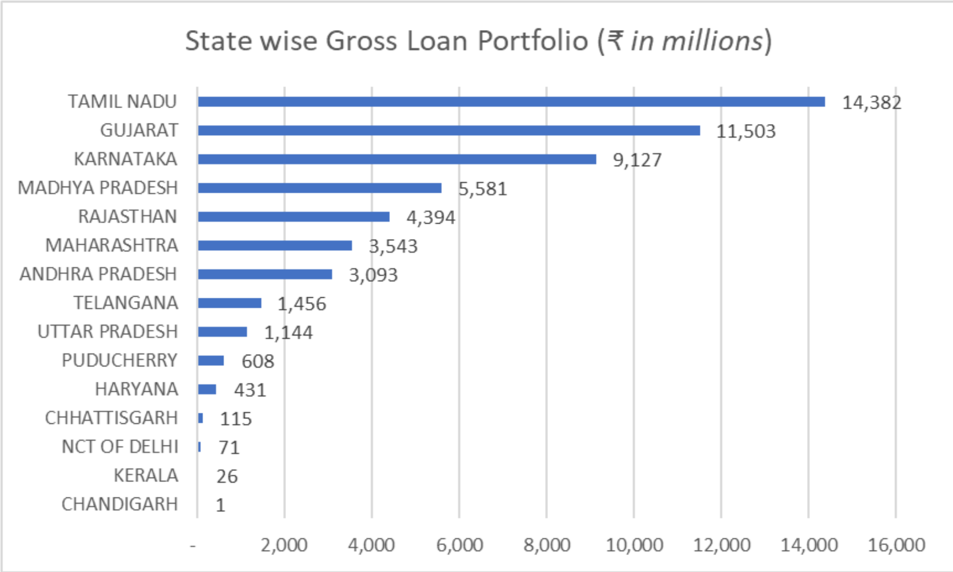
₹ in millions

Asset products and outstanding portfolio	FY2018		FY2019		FY2020		Nine months ended December 31, 2020	
	Amount	%	Amount	%	Amount	%	Amount	%
Microloans	18,168.87	84.33%	28,394.64	80.43%	42,852.74	80.22%	44,092.47	79.48%
LAP	1,251.75	5.81%	3,240.80	9.18%	5,320.88	9.96%	5,861.02	10.56%
LAG	201.42	0.93%	888.76	2.52%	1,838.32	3.44%	3,188.84	5.75%
Institutional Finance	1,600.76	7.43%	2,567.24	7.27%	2,553.32	4.78%	1,302.58	2.35%
Two-wheeler loans	-	-	8.55	0.02%	104.65	0.20%	76.04	0.14%
Affordable housing loans	-	-	-	-	203.40	0.38%	452.19	0.82%
Other(1)	320.97	1.49%	202.05	0.57%	544.94	1.02%	502.71	0.91%
Total	**21,543.77**	**100.00%**	**35,302.04**	**100.00%**	**53,418.25**	**100.00%**	**55,475.84**	**100.00%**

(1) Other comprises overdraft against property, loans to staff, rural loans against property and other loans.

For further details on our asset portfolio see "*Selected Statistical Information*" on page 214.

The following chart shows the geographic distribution of our GLP as on December 31, 2020 across the various Indian states where we operate:



Microloans

In keeping with our history as a microfinance lender, we extend microloans exclusively to women from low-income rural and semi-urban households, based on the traditional microfinance model of group-based lending. Our microloans provide women with the opportunity to scale-up businesses (which are often home-based or community businesses) and invest in income-generating activities by having convenient access to funds. A small proportion of our microloans are also used to pay for education or for medical emergencies.

Pursuant to the group model, all of our microloans are provided to individuals who form a group. The groups typically have between five and twenty members. This model has been refined for over 35 years by microfinance institutions in India and internationally. The model is based on the idea that the under-privileged have skills that are under-utilized and if they are given access to credit, they will be able to identify new opportunities and grow existing income-generating activities, and the group dynamic will result in lower default rates. The general requirement for forming a group is that the women must be from the same area and know each other but not be related to one another. Family members or relatives should not be part of the same group. The groups are self-selected, and each member is eligible to obtain loans individually. As a result, other group members will typically encourage the borrower member to make timely payments. We believe that the formation of a group serves as protection against defaults; our lending model increases credit discipline through mutual support within the group in order to ensure that individual members are prudent in conducting their financial affairs and prompt in repaying their loans, without the need for us to take any formal collateral. We place special emphasis on enhancing customer awareness and building group affinity within the borrower group, in order to keep levels of loan defaults as low as possible. Our microloans are unsecured, and we also provide credit insurance cover to our customers and their co-borrowers (typically the husband of the borrower).

While the loans themselves are only extended to women, borrowers may use the proceeds for business activities that are run by the woman's family, including the husband. We believe that women are a positive influence on loan repayment in their household because they are generally more risk-aware, cooperate better in groups and are generally more accessible than their working husbands and can meet regularly at group meetings to administer the repayment of their loans. We also believe that providing women with access to capital in this manner increases their decision-making stature in the household. We believe that, as decision-makers, women can help not only to ensure the timely repayment of loans but also to help direct disposable income to the more basic household needs, such as education, health, nutrition, sanitation and home repairs. The most common occupations among our customers are agriculture, petty trade, animal husbandry and agri-allied activities as of December 31, 2020.

Our microloan customers have a range of occupations, including agriculture, animal husbandry, trading, service provider, manufacturing and others.

The loan amounts for our microloans range from ₹ 5,000 to ₹ 55,000, with tenures of up to two years and ₹ 5,000 to ₹ 15,000 for top-up loans (mid-term loans). We use a paperless, tablet-based loan sourcing system called m-Care for loan origination, underwriting and disbursal of microloans. This improves both cost efficiency and turnaround time for application processing, allowing us to make faster credit decisions for our customers. Collections for our microloans occur on a monthly installment basis. For processing payments, we use a collections application called 'm-Serve', which provides data entry of loan collections and triggers SMS updates to customers when payments are due.

For FY2018, FY2019, FY2020 and the nine months ended December 31, 2020, our disbursements of microloans were ₹ 17,438 million, ₹ 25,779 million, ₹ 40,219 million and ₹ 21,009 million, respectively. For the same periods, our yield on microloans was 19.43%, 21.09%, 23.60% and 22.63% (annualized), respectively. Our GNPA% for microloans for the same periods was 1.04%, 1.34%, 0.72% and 3.33%, respectively.

The following table sets forth a breakdown of our microloan portfolio by use of proceeds of the loan, including as a percentage of on-book advances of our microloans, as of the dates indicated:

Purpose for which the loans are availed	March 31, 2019		March 31, 2020		December 31, 2020	
	(₹ in millions)					
Agriculture....................	6,089.52	29%	13,488.65	36%	17,361.29	42%
Agri-allied.....................	2,681.74	13%	4,761.68	13%	7,459.82	18%
Animal husbandry.........	4,960.62	24%	9,106.68	24%	7,383.57	18%
Small business	5,616.82	27%	9,509.35	25%	7,781.07	19%
Others	1,744.54	8%	992.71	3%	958.02	2%
Total Gross Loan Portfolio (Microloans)	**21,093.24**	**100%**	**37,859.09**	**100%**	**40,943.77**	**100%**

We operate out of 443 outlets in ten states and two union territories across India as of December 31, 2020 for our microloans business. We service over 2.1 million customers in our microfinance business, of which 40% are new to credit. The following chart shows a breakdown of our assets under management by state in India for our microlending business:

State	March 31, 2018		March 31, 2019		March 31, 2020		December 31, 2020	
	(₹ in millions)							
Andhra Pradesh............	121.41	0.67%	287.52	1.01%	1,565.38	3.65%	2,174.55	4.93%
Chhattisgarh	-	-	-	-	129.51	0.30%	114.57	0.26%
Gujarat	2,799.67	15.41%	5,968.06	21.02%	8,320.19	19.42%	8,417.82	19.09%
Haryana........................	-	-	-	-	369.36	0.86%	383.39	0.87%
Karnataka	3,984.05	21.93%	4,907.06	17.28%	6,839.71	15.96%	6,664.10	15.11%
Madhya Pradesh...........	3,073.91	16.92%	4,140.77	14.58%	5,479.30	12.79%	5,531.88	12.55%
Maharashtra..................	1,224.99	6.74%	1,456.90	5.13%	2,946.32	6.88%	3,214.75	7.29%
Puducherry	66.29	0.36%	254.50	0.90%	394.01	0.92%	358.36	0.81%
Rajasthan......................	1,462.83	8.05%	2,545.24	8.96%	3,979.72	9.29%	3,951.46	8.96%
Tamil Nadu	5,435.71	29.92%	8,831.97	31.10%	11,081.36	25.86%	10,892.49	24.70%
Telangana.....................	-	-	2.64	0.01%	907.23	2.12%	1,329.58	3.02%
Uttar Pradesh................	-	-	-	-	840.65	1.96%	1,059.53	2.40%
Total Gross Loan Portfolio (microloans)..................	**18,168.87**	**100.00%**	**28,394.64**	**100.00%**	**42,852.74**	**100.00%**	**44,092.47**	**100.00%**

Microloan processes

Set forth below is a summary of our operational processes for micro-lending:

Group formation

In order to select clients and promote the formation of borrower groups, our field relationship team conducts an initial survey of customers in a particular area. After a visit and discussions with the potential customers, our loan relationship officer facilitates formation of groups of interested women from the locality in question. The group typically consists of five to 20 members for a fresh loan. However, when a new center is formed, a minimum of nine members are required.

Center / service point

After formation of a group, members select a common place where the group meets to conduct meetings and microcredit activities. In rural areas, borrowers must reside within a permissible limit of one kilometer from the center. The loan relationship officer will commence operations by conducting a village survey in order to understand the area that we will be operating in.

Loan application

Application and credit appraisal of potential customers is done via our award winning loan origination application called m-Care. The loan relationship officer enrolls customers in m-Care using eKYC and assists in submitting a loan application form. The officer is empowered to sanction loans to customers after assessing credit risk based on physical verification of the primary KYC documentation, place of business, and the filled-in forms. The sanctioned loan amount is disbursed to the savings account of the customer maintained with the linked banking outlet and the customer usually withdraws the amount from the savings account after due biometric authentication using handheld devices.

Savings account opening

Savings accounts are opened as part of the disbursement process. These are opened instantly through m-Care or other tab based applications. The central processing center checks the completeness of the application along with KYC documents and opens the account. Customers are given pre-generated kits, which include debit cards, and the account resides with the most convenient banking outlet for the customer.

Loan recovery

On a daily basis, the loan officer downloads a list of customers from whom repayment is to be collected during the day. Collection of payments due happens at a venue in the close vicinity of the customer. Group meetings are held at agreed locations, repayment is done in cash and recorded using the m-serve app, and an automated SMS is sent to the customer, confirming the payment. A handwritten acknowledgement is handed over to the customer and manually entered in both the loan passbook and repayment card of the customer. The collected amount is credited into the loan account of the customer directly. Each loan relationship officer handles four to five such groups daily.

Other retail loans

Our retail loan portfolio also includes other secured loan products targeted primarily at individuals and small businesses for meeting their personal and business requirements, including loans against property, loans against gold, two-wheeler loans and affordable housing loans. Loans against gold are sourced through our banking outlets, while other retail loans are sourced through field teams.

The following table sets forth a breakdown of our portfolio of other retail loans (other than microloans) by product type and as a percentage of total gross other retail loans as of the dates indicated:

	As of							
	March 31, 2018		**March 31, 2019**		**March 31, 2020**		**December 31, 2020**	
	(₹ in millions)							
Loans against property...	1,251.75	37.09%	3,240.80	46.92%	5,320.88	50.36%	5,861.02	51.49%
Loans against gold	201.42	5.97%	888.76	12.87%	1,838.32	17.40%	3,188.84	28.01%
Institutional finance	1,600.76	47.43%	2,567.24	37.17%	2,553.32	24.17%	1,302.58	11.44%
Two-wheeler loans	-	-	8.55	0.12%	104.65	0.99%	76.04	0.67%
Affordable housing loans	-	-	-	-	203.40	1.93%	452.19	3.97%
Others[(1)]	320.97	9.51%	202.05	2.93%	544.94	5.16%	502.71	4.42%
Total Gross Other Retail Loans.............................	**3,374.90**	**100.00%**	**6,907.40**	**100.00%**	**10,565.51**	**100.00%**	**11,383.36**	**100%**

(1) Others comprises overdraft against property, loans to staff, rural loans against property and other loans.

Loans against property

Since launching LAP in 2013, we have extended LAP to our customers to support their funding requirements for business expansion, acquisitions of assets and debt consolidation, among other things. Our target customers are those engaged in agri-allied activities, small traders, small manufacturers and family members of existing microloan customers, among others. The typical size of these loans ranges from ₹ 150,000 to ₹ 5 million, and they are exclusively secured against self-occupied residential and commercial property. The maximum loan tenure and loan-to-value ratio are determined by the age and profile of the borrower and our assessment of their debt servicing capability. For our portfolio, loan tenure is up to 120 months and average loan-to-value ratio ranges from 40% to 60% of the market value of the property. The applicable Rate of Interest is decided based on the loan amount and customer's bureau track record, among other criteria. We also offer overdraft against property ("**ODAP**") loans through our bundled Flexi LAP offering where the borrower is extended an overdraft limit and they can withdraw money from their account through cheques or other withdrawal processes up to the overdraft limit. The interest on the ODAP portion of the borrowing is calculated on daily closing balances. These ODAP loans are based on our MCLR and carry a 1% premium on the accompanying Term Loan portion of the borrowing. The tenure for the Overdraft portion is 12 months and is renewable for an additional 12 months. We also offer credit insurance to LAP borrowers and co-borrowers.

We offer LAP in six states and one Union Territory, through 163 banking outlets. We have a total of 11,913 customers as of December 31, 2020. The top three states where we provide loans against property are Tamil Nadu, Gujarat and Karnataka. For FY2018, FY2019, FY2020 and the nine months ended December 31, 2020, our disbursements were ₹ 899 million, ₹ 2,399 million, ₹ 2,914 million and ₹ 1,254 million. As of March 31, 2018, 2019 and 2020 and December 31, 2020, our NPAs for these loans were 2.86%, 1.99%, 3.13% and 4.68%, respectively.

The entire loan origination and underwriting process is carried out on D'Lite, our award-winning tablet-based solution which we operationalized in 2017. We provide a tablet to our frontline field sales and credit teams to enable instant and paperless processing of loan applications. The solution is integrated with Aadhaar-based e-KYC as well as with multiple credit bureaus in order to assess the repayment history of borrowers, and it also incorporates algorithm-based scoring and underwriting based on past bureau history and other demographic and business details of the applicant.

Loans against gold

Since April 2017, we offer loans secured against gold (including gold ornaments and jewelry) to support our customers' requirements for immediate and short-term credit. Our target customers for these loans are self-employed individuals, small businessmen, traders and micro-enterprises in semi-urban and near-urban areas. We also cross-sell gold loans to our microloan customers. The ticket size of these loans ranges from ₹ 10,000 to ₹ 4,000,000. We take possession of the gold collateral for the period of the loan and have robust business practices in place regarding processing and storage. As gold is a volatile commodity and experiences price movements, we maintain a margin between market price and loan amount. We also maintain indemnity insurance which covers loss or theft of gold. Loans against gold enable us to diversify our secured loans mix and also leverage our banking outlet network. The loan tenure and loan-to-value ratio are determined by the profile of the borrower and the collateral, with tenure ranging from three to nine months and average loan-to-value ratio ranging from 30% to 75% of the market value of the collateral. Interest rates range between 10.99% and 24.99% and are based on LTV, loan range and tenure. Interest is payable either in equal monthly installments or with a bullet repayment at maturity.

We offer these loans in twelve states and three union territories, through 245 outlets, with over 20,870 customers as of the nine months ended December 31, 2020. The top three states where we provide loans against gold are Tamil Nadu, Gujarat and Karnataka. For FY2018, FY2019, FY2020 and the nine months ended December 31, 2020, our disbursements of loans against gold were ₹ 414 million, ₹ 1,649 million, ₹ 3,372 million and ₹ 4,979 million. As of March 31, 2018, 2019 and 2020 and December 31, 2020 our NPAs for these loans were 0.0%, 0.4%, 0.04% and 0.81%, respectively.

Two-wheeler loans

In October 2018, we piloted two-wheeler loans by offering them to our employees for the purchase of used two-wheeler vehicles and, in January 2019, we extended this to existing customers or their guarantors with a clean track record of repayment on existing loans. These loans are provided for purchasing a two-wheeler for personal use, where the two-wheeler serves as collateral for the loan. The maximum size of these loans is ₹ 75,000. Tenure ranges from 24 to 36 months. We offer fixed interest rates linked to MCLR, the customer segment and associated risks. Customers make repayments monthly. As of December 31, 2020, we offer these loans in Gujarat, Rajasthan, Madhya Pradesh, Tamil Nadu, Andhra Pradesh and Puducherry Union Territory, through 121 outlets, and we may expand our two-wheeler loan offering in the near future. For FY2019, FY2020 and the nine months ended December 31, 2020, our GLP was ₹ 8.55 million, ₹ 104.65 million and ₹ 76.04 million, respectively.

Affordable housing loans

We launched affordable housing loans ("**AHL**") as a product in April 2019 in order to encourage house ownership to potential customers in select geographies. These loans cater to salaried and self-employed borrowers and are provided for the purchase, self-construction, improvement of and extension of residential property. Additionally, these loans are designed to provide easier access to low-cost housing to income groups spanning the economically weaker sections in accordance with the Pradhan Mantri Awas Yojna guidelines. These loans are secured against the residential property and have a tenure ranging from three to 20 years. The maximum loan-to-value ratio for such housing loans ranges from 80% to 85% of the property value as per the regulatory guidelines. The size of these loans ranges from ₹ 1.5 million to ₹ 5 million, at rates of interest ranging from 9.99% to 18.0%. As of December 31, 2020, we had presence in 531 outlets spread across five states and one union territory. For FY2020 and the nine months ended December 31, 2020, our AHL disbursements were ₹ 210 million and ₹ 277 million, respectively, and our AHL Gross Loan Portfolio was ₹ 203 million and ₹ 452 million, respectively.

Institutional finance

In August 2017, we began to offer wholesale loans to institutional customers operating in geographies or sectors where there is no overlap with our existing business, for the purpose of onward lending to their own customers. Our target clients for these wholesale loans are NBFCs, primarily those engaged in microfinance, vehicle finance, and other asset finance. For these loans, the typical size of our exposure to a single borrower is capped at ₹ 200 million. All these loans are secured against the borrower's receivables. For certain loans, we also procure cash collaterals in the form of first loan default guarantee cover and/or personal and/or corporate guarantees. The pricing for these loans is linked to the most recent three month daily average yield of a 10-year government security, plus a spread ranging from 3% to 10%. Tenors for institutional finance loans range from five months to three years, with monthly repayments. These loans have enabled us to increase our exposure to the market for collateralized corporate loans, to cross-sell our loan offerings to our existing customers and to diversify our loan portfolio across sectors and geographies.

As of December 31, 2020, the top three states where we provide institutional finance loans are Tamil Nadu, Maharashtra, and Rajasthan. Our GLP for institutional finance loans amounted to ₹ 1,601 million, ₹ 2,567 million, ₹ 2,553 million and ₹ 1,303 million as of March 31, 2018, 2019, 2020 and December 31, 2020, respectively. For FY2018, FY2019, FY2020 and the nine months ended December 31, 2020, our disbursements of institutional finance loans were ₹ 1,850.00 million, ₹ 2,277.00 million, ₹ 2,293.00 million and ₹ 300.00 million, respectively. Our GNPA% for these loans was 0.00% for FY2018 through FY2020 and 9.33% for the nine months ended December 31, 2020.

Loan Appraisal Process

We utilize a variety of credit appraisal processes, including analyzing credit applications with details of the financial, qualitative and quantitative measures of the credit-worthiness of customers. The credit appraisal processes that we use are based on the customer's ability and intention to pay, but differ depending on the type of loan.

Microloans

Application, enrollment and onboarding, along with a customer Credit Bureau check is automated using technology and mobility solutions. A visit by a bank staff to the customer's residence is a mandatory part of the onboarding process, and is done initially by a loan relationship officer and then by a supervisor, once the customer has been approved for a loan. During the financial year ended FY2017, we rolled out m-Care, our tablet-based loan origination system, across all of our locations where we offer microloans. Our loan origination system is centralized and is linked real-time with UIDAI and various credit bureaus, which has helped us reduce turnaround time to loan disbursement to approximately four to five days. We also initiated cashless disbursement of microloans to savings accounts of customers, issued debit cards and, in FY2019, completed the process of migrating data relating to microloans to our core banking system. Our appraisal criteria for microloans are primarily qualitative, and include factors such as customer profile, source of income, age, current enterprise, income, cashflows, surplus income and credit bureau report on past performance.

Other retail loans

Our loan sourcing and fulfillment process for other retail loans is run using a combination of our digital tablet-based banking solution managed through our central processing center and paper based processes. This digital system is supported by our dedicated field collections team, which helps us maintain healthy credit quality in our portfolio. We have standard loan application and appraisal formats covering both qualitative as well as quantitative parameters.

Institutional finance loans

A prospective borrower must meet our defined eligibility and underwriting criteria in order to be eligible for our institutional finance loans. We review prospective borrowers by procuring various kinds of static data from them, analyzing the data, preparing a detailed credit assessment memo and by conducting due diligence visits to their existing banks. Our credit and risk teams also visit the applying entity's head/corporate office as well as their customer touchpoints before finally presenting the detailed credit proposal to our management credit committee for its review, discussion and approval.

Loan Pricing

We set interest rates for our loans across different products and variants based on our pricing policy approved by our Board. We review rates from time to time, depending on prevailing market conditions and our operating and funding costs at that time. Risk premium is also a vital component of pricing a loan facility as it factors various risks such as business risk, financial risk and liquidity risk. In setting the interest rates for loans, we take into consideration various factors including market rates and central bank rates, interest rates charged by our competitors, the credit rating of our customers (where applicable), and our overall market share and penetration in the market. The final rates charged to the customers are then decided based on the individual credit assessment, repayment history, collateral offered and risk profile. All our loans are denominated in Indian Rupees and are compliant with the RBI Marginal Cost of Funds-based Lending Rate, which requires pre-set benchmark rates for loans based on a borrower's creditworthiness and other factors. We offer fixed rates of interest on microloans, LAP, LAG and two-wheeler loans. Institutional Finance and AHL are linked to an external benchmark of the latest three months average of 10-year Government Security yields. Our overdraft product for LAP customers is on a floating rate basis while our housing loans are partially on a fixed rate basis and partially on a floating rate basis.

Principal and interest are payable in monthly instalments for all products except loans against gold, which are repaid in a bullet payment at the end of the loan tenure.

Accounts and Deposits

Current and savings accounts

We offer a wide array of regular and digital accounts. These accounts range from basic, no-minimum-balance savings accounts to higher interest bearing "premium" savings accounts that typically carry higher balances. Minimum balances in these accounts can range from zero to ₹ 100,000 or more. Interest rates have historically been up to 6.5% p.a. for balances up to ₹ 100,000, 6.25% p.a. for balances between ₹ 100,000 and ₹ 500,000 and 7% p.a. for balances above ₹ 500,000, though in some cases we offer lower rates as published on our website. For all these accounts, interest is paid on a quarterly basis, as applicable. We offer these accounts to general retail customers, high-net-worth individuals and mid-and affluent segments, as well as rural and microfinance customers. In February 2018 we launched Fincare 101, our digital savings account targeted at high-earning-not-rich-yet ("**HENRY**") and digitally-savvy mass retail customers who prefer digital or branchless banking. We offer these accounts in two variants, 101 First Account with no minimum balance and pay-as-you-go, and 101 Priority Account with a minimum balance of ₹ 25,000. Fincare 101 Priority Account offers digital customers free, unlimited usage across frequently used services. These products come with high interest rates, monthly interest pay out and other facilities that are commensurate with the average monthly balance required for the account. We also offer savings accounts designed exclusively for institutions. Our diversity of savings account options allows us to cater to a wide range of customers, from low-income customers to high-net-worth individuals.

Our current account options provide customers with the ability to manage their transactions with higher daily transaction limits and access to funds at a wide network of banking outlets, ATMs and via online banking, mobile applications and SMS banking channels. We do not pay interest on our current accounts. The current accounts options are Smart Business and Priority Business. Smart Business accounts have an average monthly balance requirement of ₹ 25,000 and maximum point of sales of ₹ 10,000 per day, whereas Priority Business have an average monthly balance requirement of ₹ 100,000 and allow for maximum point of sales of ₹ 250,000 per day.

The following table shows a summary of the different types of current and savings accounts we offer to customers:

Product	Account Variant	Target customer	Features	Minimum monthly/quarterly average balance (in ₹)	Interest rate (range) as of the nine months ended December 31, 2020
Current Account	**Smart Business**	Ideal For small businesses with 1-2 transaction per day	• 24/7 cash deposit at Fincare ATM • 50 free transactions monthly across NEFT, IMPS & RTGS • 12 free transactions per month across all ATM	10,000	Nil
	Priority Business	Ideal for large businesses with high transaction volumes per day	• 24/7 cash deposit at Fincare ATM • 100 free transactions monthly across NEFT, IMPS & RTGS • Unlimited cash deposits & withdrawals at no charge	100,000	Nil
Savings Account	**Smart Saver**	Loan customers who want to service their EMI Acts as surrogate with asset products	• Minimal average monthly balance • Seamless fund transfer • Insta Account opening	1,000	**3% p.a. to 7% p.a. depending on below slabs** <=1 lakh - 5% >1 lakh and <= 5 lakh - 6.25% >5 lakh and <= 1 Crore -7% >1 crore and <= 5 crore -6% >5 crore and <= 15 Crore - 5% >15 crore and <= 20 crore - 4% >20 crore and <= 30 Crore - 3.25% >30 crore and >= 50 Crore - 3%
	Priority Account	Retail mid- and affluent segment	• Free banking transactions - limited • Seamless fund transfer • Insta Account opening • For AMB waiver Fixed Deposit of ₹ 100,000 or above to be maintained	10,000	
	Prime Savings	High end clients in Semi-Urban locations (Tier 3 and Tier 4 plus)	• Doorstep services and free banking transactions • Seamless fund transfer • Insta Account opening	50,000	
	Priority Plus	High-end clients in Urban & Metro locations (Tier 1 and Tier 2 cities)	• Free banking transactions & Doorstep services • Seamless fund transfer • Insta Account opening • For AMB waiver Fixed Deposit of ₹ 400,000 or above to be maintained	100,000	
	Pro Priority	Account designed for Doctors and Chartered Accountants	• Free Rupay Gold card and annual maintenance charges waived off for first year • Seamless fund transfer & 12 ATM transactions free/month • Insta Account opening	Zero Balance	
Digital Savings Account	**101 First**	Digitally savvy, HENRY segment	• Smart Banking - Bank in your mobile phone • Free virtual debit card with zero charges (no maintenaance charge and eight free ATM transaction)	Zero Balance	
	101 Priority		• Smart Banking - Bank in your mobile phone with unlimited offers • 50 free transactions monthly across NEFT, IMPS & RTGS • Free virtual debit card with zero charges (no	25,000	

Product	Account Variant	Target customer	Features	Minimum monthly/quarterly average balance (in ₹)	Interest rate (range) as of the nine months ended December 31, 2020
			maintenaance charge and 12 free ATM transaction)		
Shakti		MFI customers - Cashless collection and disbursement	• Basic banking facilities • Free ATM transactions (Metro-3 and Non-metro-5 at other Bank ATMs) • Insta Account opening	Zero Balance	
BSBDA Account		Zero balance account filled with basic banking facilities to support financial inclusion as per GOI initiative	• Basic banking facilities • Free ATM transactions (Metro-3 and Non-metro-5 at other Bank ATMs) • Insta Account opening	Zero Balance	

Fixed deposits

Our fixed deposits consist of retail term deposits, bulk term deposits and recurring deposit. Our target customers for retail term deposits are high-net-worth individuals, retail customers in the mid- and affluent segments, and non-resident Indians. The range of sizes for retail term deposits is ₹ 5,000 to ₹ 20 million, with interest rates up to 6.75% p.a., with an additional 0.5% being offered to senior citizens. For bulk term deposits, our target customers are banks and corporates looking to park excess funds, as well as high-net-worth individuals. These deposits have sizes of ₹ 20 million and above, tenures from seven days to three years and interest payment options including monthly, quarterly or reinvestment. These fixed deposit account options help our customers meet their individual savings goals, for both the short and the longer term, which could include saving for retirement, children's education, or a dream home or car.

Our retail term deposits can generally be withdrawn before maturity in accordance with applicable rates and with applicable penalties, whereas bulk term deposits can either be withdrawn with or without premature withdrawal penalty. We also offer an overdraft against fixed deposit product that gives customers an overdraft against their existing fixed deposit with us, in order to fund their short-term requirements.

Our recurring deposit accounts are designed to help money grow slowly but steadily, with customers setting aside a small amount of money each month to save toward short or long-term financial goals. The deposits under recurring deposit accounts have equally high interest rates as fixed deposit accounts but have comparatively smaller investment amounts. Recurring deposits are ₹ 500 per month and typically last for a period of six months to five years.

The following table shows a summary of our fixed deposit accounts:

Product	Features	Term	Ticket size
Retail term deposit (Smart Fixed Deposit)	• Targeted at retail mid- and affluent customers • Interest rates: up to 6.75% (additional 0.5% offered to senior citizens) • Option of monthly or quarterly interest payout (or re-investment) • Option for part withdrawal or premature withdrawal • Option of loan or overdraft	7 days to 84 months	₹ 5,000 to ₹ 20 million
Bulk term deposits (Priority Plus Fixed Deposit)	• Targeted at banks and corporates, as well as high-net-worth individuals • Interest rates: up to 6.20% • Option for part withdrawal or premature withdrawal	7 days to 3 years	₹ 20 million and above
Recurring deposits	• Targeted at salaried middle-class and self-employed middle-class • Interest rates: up to 6.75% • Option for premature withdrawal	6 months to 5 years	₹ 500 to ₹ 150,000

Other Products and Services

Life, health and general insurance

In addition to our loan and deposit products, we are also registered as a corporate agent with the Insurance Regulatory and Development Authority of India. Our insurance partnerships include Kotak Life Insurance, Edelweiss Tokio Life Insurance Company, Care Health Insurance Limited, Max Bupa Health Insurance Company Limited and Bharti Axa Life, which enable us to offer life, general and health insurance products. Through Care Health Insurance, we offer customers between the age of five and 60 years in-patient hospitalization cover and specified critical illness cover. Through Edelweiss Tokio Life Insurance, we offer a range of products such as POS Saral Nivesh, Dhanlabh, Simply Protect and Smart Lifestyle. Through Godigit, we offer general insurance products, including vehicle insurance, home insurance and shopkeeper insurance.

Others

We also offer other fee based products, including payment products, debit cards and lockers.

Delivery Channels

We distribute our products and services to our customers through various customer touchpoints, including: traditional banking outlets; self-service internet and mobile banking; assisted service tablet banking; cash recyclers/ATMs and multi-lingual call centers. Our banking outlets comprise both Bank-operated outlets as well as outlets operated by business correspondents ("**BCs**") appointed by us. Our BCs run outlets and provide us with a low-cost means of extending our distribution reach.

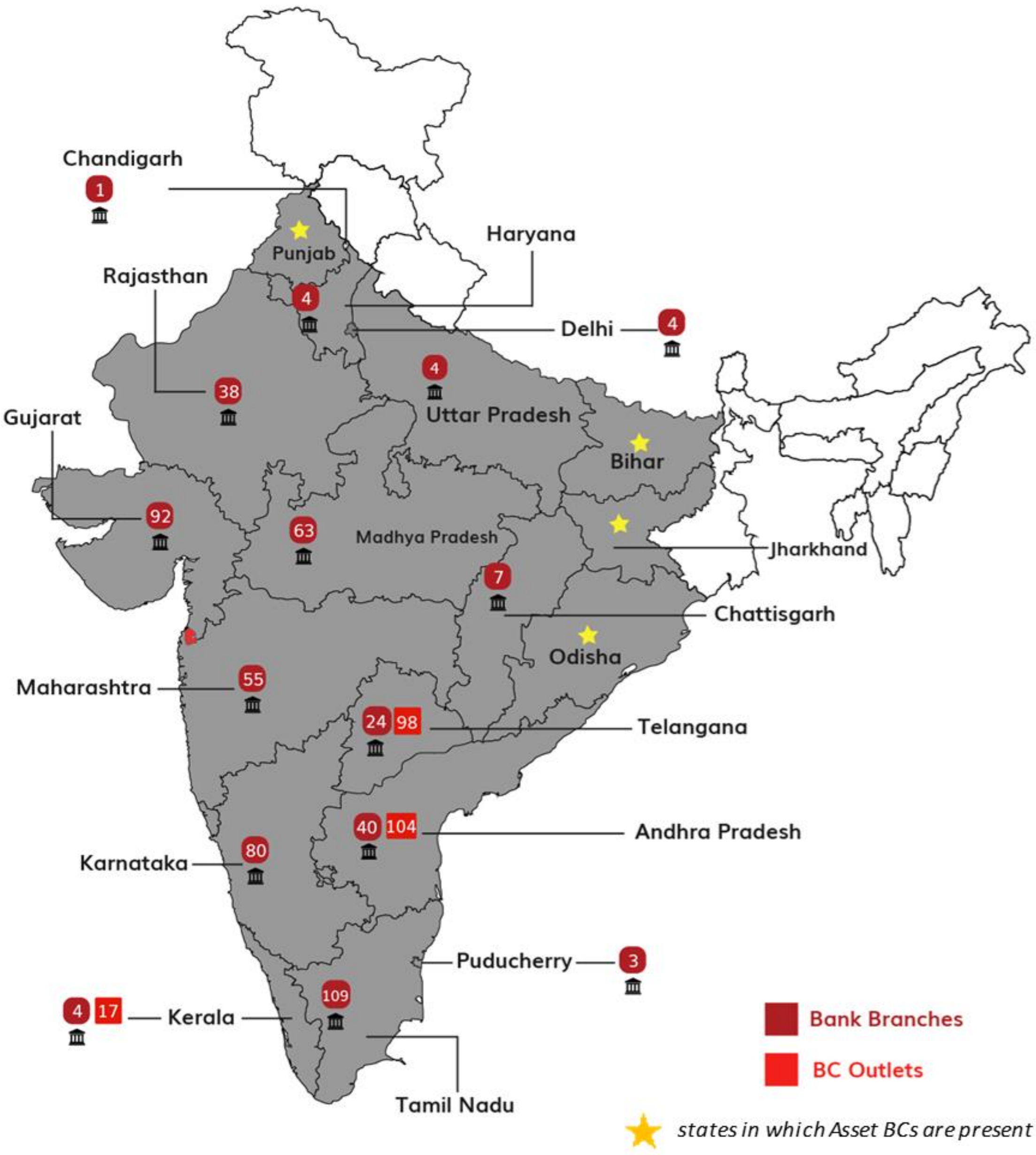
The table below sets forth an overview of our banking outlets, BC outlets and ATMs over the past three years:

	As of			
	March 31, 2018	**March 31, 2019**	**March 31, 2020**	**December 31, 2020**
Banking outlets..................	314	417	509	528
BC outlets	0	152	202	219
Total outlets......................	**314**	**569**	**711**	**747**
ATMs and Recyclers	31	71	108	108

The following table sets forth a geographic breakdown of our banking outlets and ATMs as of December 31, 2020:

State/ Union Territory	**Number of districts covered in each state**	**Number of company operated banking outlets**	**Number of BC outlets**	**Number of ATMs**
West India				
Maharashtra	19	55	0	9
Gujarat	24	92	0	22
South India				
Karnataka	27	80	0	8
Tamil Nadu	29	109	0	26
Puducherry	2	3	0	1
Andhra Pradesh	10	40	104	11
Kerala	7	4	17	4
Telangana	18	24	98	4
North and Central India				
Rajasthan	12	38	0	5
Haryana	3	4	0	4
Delhi	2	4	0	4
Uttar Pradesh	4	4	0	4
Madhya Pradesh	29	63	0	5
Chandigarh	1	1	4	1
Chattisgarh	5	7	4	0
Total	**192**	**528**	**219**	**108**

The following map sets forth a geographic breakdown of our banking outlets and BC outlets as of December 31, 2020:



Banking outlet network

We operate three types of banking outlets based on the range of services offered. Our full-service banking outlets are predominantly deposit-oriented outlets situated in metro areas and tier 1 and tier 2 cities. Our basic banking and microbanking outlets are predominantly loans-oriented outlets situated in tier 3 to tier 6 towns and villages. These outlets service microloan customers and cross-sell other loans (such as RLAP, RLAG and two-wheeler loans) and micro-deposit products to relevant customer segments. We also have business correspondent outlets which are set up at unbanked rural centers and which predominantly focus on customer acquisition and account services. Our banking outlets are strategically located across India, and we continuously assess market conditions and the profitability of our banking outlets. We are continually expanding and improving our banking outlet network into unbanked and underbanked districts as well as adopting digital solutions to support our growth and lower operating costs.

The three types of banking outlets we operate are:

- Microbanking outlets: these are former microfinance outlets, which were converted into banking outlets after our conversion to a small finance bank in FY2018. These outlets are located at Taluk or district headquarters and service primarily our existing and new microloan customers, offering microloans, two-wheeler loans and loans against gold, as well as basic banking services, such as account opening and cash deposits/withdrawals. These banking outlets are relatively smaller offices located in and around residential dwellings.

- Basic banking outlets: these also comprise former microfinance outlets, converted to banking outlets with upgraded infrastructure. They are also located primarily in the Taluk and district and serve both existing and new microloan customers, offering microloans, two-wheeler loans, loans against gold and loans against property, current and savings accounts, fixed deposits and other services. The banking outlets are generally larger office spaces located in commercial premises.

- Full-service banking outlets: these outlets offer the full range of banking products and services to customers, including third-party products. They are located in commercial hubs in tier 1 and metro locations and primarily serve new customers in the middle income and affluent segments. These banking outlets are generally located in larger, modern commercial spaces and are equipped with ATMs.

In addition, we have BC outlets in the states of Andhra Pradesh, Kerala and Telangana that provide last mile reach through multiple storefronts. They target new to bank customers from lower income groups in unbanked and underbanked rural centers and are focused on offering basic banking services such as savings accounts and fixed deposit opening, cash deposit and withdrawal and fund transfers. We enter into an agreement with a third-party agent who is responsible for establishing customer service points in a rural area, along with enrolling and processing new customers. As of December 31, 2020, we have entered into business correspondent agreements with three agents / BC partners, covering 219 banking outlets. When entering the business correspondent agreement, we provide the agents with a tentative list of proposed locations for providing services. These outlets provide us with a low-cost means of extending our distribution reach. For further details on our expansion of business correspondent outlets see "*Our Strategy*" on page 140.

The following table sets forth a breakdown of our banking outlets by type of banking outlet and area as of the dates indicated:

	As of			**As of**
	March 31, 2018	**March 31, 2019**	**March 31, 2020**	**December 31, 2020**
Microbanking outlet..........................	251	264	327	321
Basic banking outlet..........................	29	88	96	117
Full-service banking outlet	34	65	86	90
BC outlet...	0	152	202	219
Total...	**314**	**569**	**711**	**747**

As part of our growth plan for our network expansion for the next two to three years, we intend to:

- add new basic banking outlets targeting rural poor in the geographies where we already operate as well as in adjacent geographies;

- convert most microbanking outlets to basic banking outlets;

- set up additional full-service banking outlets in key tier 1 and metro markets, targeting new, open-market customers in the mass, affluent and TASC segments for deposit and third-party products;

- offer loans, current accounts and payment products to small and micro enterprises; and

- set up additional, low-cost BC outlets to acquire low-income customers in urban centers and reach underbanked segments.

When setting up new banking outlets or BC outlets and choosing new locations, we first collect feedback from our staff in existing locations relating to the market potential in new areas of operation. Based on this preliminary information, we conduct a survey of that particular area. In doing so, we consider parameters such as the population of the area, the number of financial institutions catering to that area and the distance from our existing banking outlets to that area. We also consider the time frame required to make the proposed banking outlet or BC outlet sustainable, for which we study market information from the public domain including target population and credit and deposit behaviour in the area. After selecting locations based on this information, we prepare a detailed service report and evaluate the new locations using an Area Lucrativeness Index, which rates locations on demographic profile, economic indicators, socio-political environment, competition and infrastructure. We then add the proposed new locations to our annual banking outlet expansion plan which is then approved by our Board. Finally, once we receive RBI approval, we commence the expansion.

Cash recyclers & ATMs

We have on-site cash recyclers at all of our full-service banking outlets and ATMs in some of our basic banking outlets. In addition to allowing regular cash withdrawals, cash recyclers allow our customers to deposit cash and receive instant credit to their accounts. As of the nine months ended December 31, 2020, we had 108 ATMs of which 85 were cash recyclers and had issued 2.56 million ATM/debit cards.

Digital Channels

One of our primary strategies is to be at the forefront of digital banking, to provide our customers with a seamless banking experience, to reduce costs and support our growth. For our customers, the ability to undertake banking transactions through mobile applications and the Internet is key to our value proposition, and our digital banking services allow us to provide services 24 hours a day, 365 days of the year. Our digital services to our customers include: retail internet banking, with features such as inter-bank and intra-bank fund transfers, utility bill payments, mandate maintenance, cheque book requests, ATM pin regeneration and opening of fixed and recurring deposit accounts; corporate internet banking; mobile banking; WhatsApp banking and website chatbot.

We also equip our frontline staff with tablets which can be used for account opening, funds transfer, bill payments and service requests, customer onboarding for microloans, loans against property and loans against gold.

Our loan application process for products such as microloans and LAP is automated, and our credit decisions are algorithm-based, with real-time integration with credit bureaus. Our KYC is also automated and based on customers' Aadhaar (a unique identification number issued by the Government of India to Indian citizens). For Fincare 101, our digital account, we also offer video-based KYC services.

Below is an overview of our select digital banking solutions:

SmartBank

SmartBank is an instant, paperless tablet-based application for all retail banking products and services. We focused on leveraging the best available technology in order to provide a differentiated experience to our customers. SmartBank caters to retail banking customers and delivers our savings account as well as fixed and recurring deposit account opening and servicing, and also enables origination of LAG accounts. This application is integrated with UIDAI for Aadhaar based e-KYC, AML systems and multiple payment systems for instant account opening and activation.

The solution also provides instant activation of pre-generated debit cards allowing customers to conduct transactions through internet and mobile banking within 30 mins of opening the account. The application also provides for instant cash deposits and withdrawals, fund transfers via NEFT/RTGS/IMPS and service requests such as updating customer and account details.

LAP D.Lite

In 2018, we launched LAP D.Lite, a tablet and web-based solution for paperless loan origination and the underwriting of loans against property. We created this application in-house and integrated it with UIDAI for Aadhaar based e-KYC, including using information from credit bureaus CIBIL and CRIF High Mark, which enables instantaneous e-KYC and credit profiling of potential customers. Specifically, LAP D.Lite assists in quick credit assessments for first-time borrowers with no credit history, income tax returns or business transaction receipts by conducting algorithm-based scoring. This technology allows for quicker turnaround time from lead generation to loan disbursement.

We have successfully deployed LAP D.Lite at all banking outlets that offer LAP, enabling our sales team to enter customer data on tablets in the field, resulting in 100% tablet-based sourcing. Subsequently, authorized staff update the data through the web after the necessary legal checks. The software is integrated with our core banking system so that cases that receive final approval are automatically sent to our operations queue for disbursement.

M-Care and mServe

In FY2017, we launched m-Care, our loan origination system for all microloans. This application is integrated with UIDAI for real-time identity verification and with credit bureaus for credit information. It has enabled us to go paperless, cut loan turnaround time, allowed our field teams to make quicker credit decisions and made customers aware of the importance of maintaining a good credit history. Using this application has reduced loan turnaround time to five days by automating application processing and decision making.

Separately, we launched a tablet-based collection application, mServe, which is used by our collection teams to record client transactions. This digital application makes collections possible even in deep rural centers. The application lowers the time required for collections from customers and also provides real-time updates on collections centrally. With this solution, the collection time in mServe footprint areas has reduced significantly.

Cross-sell application

In July 2018, we launched a cross-sell application (also referred to as the Lead Management System), a mobile-based progressive web application for paperless and instant lead generation for banking products (excluding rural banking products) that is accessible by all staff. This is an in-house owned application and has a simple and convenient user interface for employees to raise leads. The leads are automatically assigned to the point of contact for the lead city who then tags the relevant status through the application. Necessary notifications to both the lead assignee and the assigner are triggered as Microsoft Kaizala sends messages at different stages of the application to track the status of the lead.

The primary use of this application for business teams is to raise leads for other businesses and for non-business teams to raise leads for any business. Standard business leads do not come through this application. The application has a quick turnaround time for conversion of approximately two days on average versus seven days in a manual process, and it provides simple and transparent tracking through status notifications.

FRMS

FRMS is an online tool that monitors for fraudulent transactions and triggers alerts using various payment systems and channels. These alerts pertain to transactions linked with debit cards, POS, e-commerce, IMPS (a real-time interbank electronic funds transfer payment system in India), ATMs and UPI (a real-time interbank payment system in India) as well as transactions carried out through mobile banking or internet banking. We set defined rules so that alerts are generated where transactions meet the given criteria and transactions are automatically blocked beyond certain threshold values. We monitor these alerts on a daily basis as and when received.

Fincare Connect

Fincare Connect is a mobile application that offers an end-to-end digital enrollment process for new loan leads. Available on the Google Play Store, it offers a seamless way for "connectors" to submit prospective customers through the app and receive immediate feedback on whether the customer's credit bureau score meets our criteria. The application sends approved submissions to our loan origination system for processing. Our sales team subsequently contacts the customer to check their interest, conducts checks and ultimately completes customer documentation. Once the loan is disbursed, payouts are automatically computed and transferred to the connector's account.

WhatsApp banking

We offer a WhatsApp bot that provides customers with self-service banking options through messaging. Customers are able to access certain information related to their bank account, apply for various loans and a Fincare 101 Account, learn about our products, locate the nearest ATM and banking outlet, block their debit card and access other banking services. This bot increases the accessibility of our banking services to all customers with access to WhatsApp, enabling us to reach customers wherever they are and quickly respond to their needs.

Kaizala

We are a field-heavy organization and adopted Microsoft Kaizala to help streamline employee engagement by enabling secure communication and improving visibility of our business activities. Kaizala has personalized employee engagement by creating the equivalent of an Outlook mailbox called “My Inbox” for all employees. This has solved the major challenge of one-to-one information dissemination to a large salesforce that experiences high churn. MIS, sales targets, sales campaigns, appreciation emails and other communications are customized and targeted to employees through “My Inbox” which is automated on the backend. In addition, employees can track their performance metrics in real-time. Kaizala has also made possible hosting key applications and triggering them to employees such as Daily Collections Module for JLG and Mortgage Teams. Kaizala has made the monitoring of applications and servers very convenient. On the backend, logs of various servers and applications are scanned and notifications are triggered to the targeted audience on a real-time basis.

Operations

Treasury

Our treasury team focuses primarily on the management of funds, maintenance of statutory reserves (cash reserve ratio and statutory liquidity ratio), asset liability management, interest rate risks, liquidity positions, investments and trading activities. We have an investment policy guided by relevant RBI circulars and approved by our Board, that contains standard operating procedures and various risk limits for carrying out treasury operations and governing investments in instruments such as bonds, treasury bills, commercial paper, certificates of deposit, debt mutual funds, debentures and other products. We have a strong risk management setup to monitor and manage the risk from treasury activities.

We maintain liquidity and contingency buffers to absorb market volatility and meet customer requirements. We use a variety of transactions to manage our funding requirements, including borrowing in the call money market, tri party repo, market repo, variable rate repo and liquidity adjustment facilities. Our resource mobilization strategy plays a vital role in managing our sources of funds with an optimal mix of term deposits, interbank participatory certificates and refinance facilities.

We have an automated treasury software system to capture, authorize, verify and settle the majority of transactions and to generate reports on demand.

Compliance

We have an independent compliance department to ensure strict adherence to regulatory guidelines and management of compliance / regulatory and reputation risk. The compliance department's focus is to strengthen the compliance culture across our Bank, ensure compliance to applicable RBI regulations, review internal policies and assess our products and processes for associated compliance risk.

The department is the point of contact for all regulators, including for responding to various requirements, seeking approvals, coordinating with the RBI inspection team and submitting data under the Risk Based Supervision framework. The team department also focuses on KYC and AML while also reviewing, monitoring, and providing guidance on regulatory matters to other departments.

The department ensures compliance to applicable regulatory guidelines issued by the RBI, SEBI, IRDAI and PFRDA during introduction of new products and processes or modifications to existing products and processes. The head of the department is a member of various internal committees to enable more effective monitoring and addressing of compliance risks.

The department ensures periodic training on compliance matters to its team and our staff members in co-ordination with HR. The compliance department keeps our management, Audit Committee and Board informed about important compliance-related matters through quarterly and annual compliance review reports.

Credit

The functions of credit include, among others:

1. Approving credit decisions as per the delegation of powers set out in our Credit Policy. We follow a centralized credit decisioning structure and credit decisions are made based on our approved credit policy. Credit approving decisions are made based on the due diligence performed by credit teams at banking outlet, division, zone and head office levels.

2. Credit decisioning of loans amounting to between ₹ 10 million and ₹ 150 million is done by the Credit Committee. A few proposals are also decisioned by the credit committee of our Board as per our policy and per mandate of the RBI;

3. Collections and legal recoveries; and

4. Ongoing portfolio analysis.

Sales

Most of our sales activities are undertaken by our banking outlets. Our employees who are involved in sales are usually locally hired and trained in-house in order to inculcate a strong understanding of the local area in which they operate. We believe our sales personnel deployment strategy has the benefit of creating employment opportunities in the rural areas in which we operate.

Marketing

We have a corporate marketing department that ensures standardization of communication across channels, content and collateral management, participation in events and conferences, press and media coverage, issuance of promotional materials as well as undertaking on-ground sales promotion and brand-building activities. We also regularly undertake and promote social welfare initiatives such as financial literacy camps at the village level for the benefit of the communities we serve.

Competition

Micro banking

We have been involved in microfinance for several years and are a well-known brand among our target segments. Although we have different competitors in different regions of the country, our principal competitors in microfinance are small finance banks, non-banking financial companies and microfinance institutions in India such as Ujjivan Small Finance Bank Limited, Jana Small Finance Bank Limited, Equitas Small Finance Bank Limited, ESAF Small Finance Bank Limited, Credit Access Grameen Limited and Spandana Sphoorty Limited. There is a large number of successful microfinance institutions in India, and we compete with them for business across different geographies throughout the country such as Gramavidyal in Tamil Nadu and Satin in north and central parts of India. The RBI has liberalized the licensing regime for banks in India and intends to issue licenses on an ongoing basis, subject to applicants meeting the qualification criteria of the RBI. The RBI is supportive of creating more specialized banks and granting differentiated banking licenses such as for payment banks and small finance banks. See also "*Risk Factors –Our business is highly competitive, which creates significant pricing pressures for us to retain existing customers and solicit new business.*".

General banking

In general banking, our principal competitors are other small finance banks and other financial services companies, NBFCs, public sector banks and new-age private sector banks. Public sector banks, which generally have a much larger customer and deposit base, larger banking outlet networks and government support for capital augmentation, may have stronger brand recognition and the ability to offer more diverse and financially attractive products to customers. As we are a relatively new general bank, we seek to compete on the basis of our commitment to the microfinance market, our strong, deep-rural distribution channel, our connect with customers from low-income households in rural and semi-urban markets, our ability to cross-sell to existing customers, our ability to disrupt the market for more affluent customers through our digital banking offerings as well as our strong leadership and a committed workforce. See "*Risk Factors – Our business is highly competitive, which creates significant pricing pressures for us to retain existing customers and solicit new business.*"

Employees

We have built a strong team of professionals comprising domain experts in retail banking, rural banking, mortgages, operations, digital, information technology, risk management, finance, human resources, auditing, compliance, corporate services and administration, among others. For business functions, we typically employ local personnel who are familiar with the territory. The table below sets forth a breakdown of our employees by function as of the dates indicated:

	As of			
	FY2018	**FY2019**	**FY2020**	**Nine months ended December 2020**
Head office(1)	126	112	114	95
BCs(2)	0	15	26	22
Banking outlets(3)	3,905	4,998	6,829	7,598
Others(4)	326	373	394	399
Total(5)	**4,357**	**5,498**	**7,363**	**8,114**

(1) Ahmedabad registered office shown as head office.

(2) BCs represent agency banking headcount.

(3) All employees are counted under banking outlets except as mentioned otherwise.

(4) Others includes Bangalore and Chittoor offices.

(5) Source for headcount is from HRMS. Only on-roll headcount is included.

We believe that we have a sound working relationship with our employees, and we have not experienced any labour disputes. Our employees are not subject to any collective bargaining agreements or represented by any labor unions.

Training

Training is core to our goal of creating high-calibre banking professionals. Our training goals are aligned with our business strategy, and nurturing talent to achieve our goals of growth and efficiency is a key operating principle.

Our transition to a small finance bank involved significant investment in our employees in order to build a quality workforce, qualified not only in microbanking but also in general banking.

All our employees attend an induction training and also undertake regular trainings. We identify the need for training by using a variety of methods, including annual appraisals, ongoing performance evaluation and feedback from managers. We believe that employees at different levels require different learning and development interventions, according to the expectations of the roles. General banking training includes training on banking terminology, banking operations, products, processes, IT applications and compliance. We also provide industry courses in areas such as risk management, compliance, credit management, audit, in addition to soft skills such as business communication, sales, customer service and team management.

Properties

We do not own any real estate properties. Our Registered Office, Corporate Office, banking outlets and BC outlets are on leased/licensed premises.

Intellectual Property

As on the date of this Draft Red Herring Prospectus, our Bank does not hold any other intellectual property. Our Promoter has 40 trademarks registered in its name, while four trademark applications filed by the Promoter have been opposed. Pursuant to a separate license agreement dated December 14, 2016, our Promoter has granted to our Bank a non-exclusive, worldwide, royalty free, irrevocable right and license to use the intellectual property owned by our Promoter.

Information Technology

We are committed to implementing information technology ("**IT**") systems and processes that provide us with up-to-date management information to make informed strategic decisions. The key factors that have influenced our investment in technology are flexibility, stability, scalability and interfacing capabilities of technical solutions.

Our primary data centers are located in Mumbai and Amravati, and our disaster recovery centers in Hyderabad and Kochi.

We have a tie up with Fidelity Information Services ("**FIS**"), a global IT provider of financial technology solutions. FIS offers core banking software and surround solutions and managed services focused on retail banking, payment systems and risk and compliance.

Core banking system

We have deployed Profile by FIS as our core banking system. This system is connected in real time to all our banking outlets and BC outlets.

Banking outlet and BC infrastructure

Each of our banking outlets has a terminal and a handheld device that is connected with CBS to provide facilities for data entry, loan processing and cash collections. Each banking outlet also has a detailed management information system for use by officials. Our BC outlets utilize handheld devices connected to our core banking system for processing transactions.

Insurance

We maintain insurance policies that we believe are customary for Indian banks comparable to our size. Our insurance policies include health insurance, term insurance, motor vehicle insurance, commercial package policy, directors and officer insurance, bankers' indemnity insurance and cyber risk insurance.

Credit Ratings

Our term loans from banks are rated A (stable outlook) by ICRA and CARE Ratings, our unsecured sub-ordinated debt is CARE A (stable outlook) by CARE Ratings and IND A- (stable outlook) by India Ratings, our fixed deposit program is rated MA+ (stable) by ICRA and our certificates of deposit are rated CRISIL A1+ by CRISIL Ratings.

Awards

We have received numerous awards for our customer experience, operations and innovation.

We have received the following awards in FY2021: KMPG Business Today: Faster growing SFB; Financial Express: Best Bank in SFB Category; Finnoviti Award – banking frontiers: m-Care; National Awards for excellence in Financial services under the sub-category of Financial Inclusion; and IBA technology award for IT Risk and cyber security. We are also certified as one of the Top 100 Great Places to Work, valid from March 2021 through February 2022.

For further details of our awards, see "*History and Certain Corporate Matters – Awards, accreditations and recognitions received by our Bank*" on page 183.

Risk Management

We recognize risk management as an integral part of good management practices. Our risk management goal is to measure, monitor and mitigate risks by ensuring adherence to policies and procedures. This goal underpins our Risk Management Charter. We have formulated our risk management policy taking into account, among others, the practices and principles governing risk management prescribed by the RBI from time to time. This is separated into three policy documents, Credit Risk Policy, Market Risk Policy and Operational Risk Policy. The risk management framework is subjected to periodic review and enhancement on an ongoing basis, in tune with evolving business strategy, regulatory guidelines and best practices in the industry.

The core principles that drive decision-making for prioritizing and mitigating risk are: (i) faster response to market developments; (ii) competition and new and emerging risks: (iii) marked by reduced turnaround time to maximize revenues; and (iv) quickly mitigate risks.

Our risk management approach consists of seven steps:

1. establishing a context;
2. risk identification;
3. risk analysis;
4. risk evaluation;
5. treating risk;
6. monitoring and reviewing risk; and
7. communication and consultation.

For details on our key principles that govern our risk management practices, please see " – *Robust risk management policies, leading to healthy asset quality*" above.

Risk Management Organizational Structure

We have a risk governance structure that seeks to ensure efficiency and promptness in addressing various risks, as well as the independence of the risk management department from risk-taking units. Our risk governance structure is as follows:

Roles and Responsibilities

Board of Directors

The Board is responsible for governing the overall risk management activities and ensuring its long-term financial soundness, including determining its business and risk strategies. The key functions of the Board related to risk governance are:

1. The Board, in consultation with the Risk Management Committee, approves and oversees the implementation of our overall risk strategy and risk management framework, and ensures that risk management is done independent of business units of our Bank; and

2. The Board, in consultation with the MD and CEO and Risk Management Committee, approves all decisions pertaining to the appointment or removal of the Chief Risk Officer ("**CRO**").

MD and CEO

The MD and CEO is responsible for managing our business operations, and plays a principal role in implementing the risk policies and processes. The MD and CEO's main functions related to risk governance are:

1. to ensure accountability of business units in assessing and managing all risks associated with their activities, and ensure the independence of the risk management function;

2. to assess, on an ongoing basis, the material risks associated with the banking operation's activities; and

3. to keep the Board informed of our risk profile and risk management practices.

Risk Management Committee of the Board

The roles of the Risk Management Committee include:

1. approving and periodically reviewing the risk management policies;

2. overseeing the implementation of our risk management framework;

3. reviewing and approving our risk appetite statement on an annual basis, and approving any material amendment to the risk appetite statement; and

4. reviewing the appointment, performance and replacement of the CRO in consultation with the Board.

The Risk Management Committee reeives and reviews regular reports, at least quarterly, from the CRO. The Risk Management Committee is chaired by an Independent Director.

Executive level committees

The executive committees are responsible for approval of operational frameworks and guidelines for day-to-day functioning in our respective domain of operations. The executive committees are critical for efficient functioning of the business groups, and effective monitoring and timely mitigation of the business risks. Some of the key executive level committees that oversee the implementation of risk management are as follows.

*Asset Liability Management Committee ("**ALCO**")*

The ALCO is responsible for the overall formulation of the asset liability strategy and oversight of ALM activities. ALCO is responsible for ensuring adherence to the limits set by the RBI and our Board, as well as for deciding the business strategies (on the assets and liabilities side) in line with our budget, and deciding risk management objectives and policies. The main function of the ALCO include, among others, identifying, measuring, managing and controlling liquidity risk, market risk, interest rate risk and reviewing and approving lending and deposit rates periodically.

Operational Risk Management Committee

The Operational Risk Management Committee is responsible for measuring and monitoring operational risks inherent in the business processes and activities.

Specific responsibilities of the Operational Risk Management Committee are to:

1. put in place and ensure implementation of a comprehensive operational risk management framework;
2. report significant operational risk issues to the Board; and
3. submit operational risk profiles/dashboards to the Risk Management Committee for review.

Product Approval Committee

Our product approval and review committee is headed by our Chief Risk Officer, and other members include the Head of Credit and respective business heads. The MD and CEO is a permanent invitee to this committee. Their key responsibilities are to assess and approve new product or service offerings from a business and operational prospective, review the target segment, examine feasibility, ensure adequate resourcing, identify regulatory and legal risks, review performance and ensure standards codes and appropriate skillsets are applied.

Information Security Committee

Our information security committee is responsible for overseeing the development, implementation and maintenance of our information security policy and program to ensure proper usage of IT and safeguarding of information flow. The MD and CEO is a permanent invitee to this committee.

Credit Committee

The Credit Committee is chaired by the MD & CEO, and other members include the CRO, CFO, Head of Credit and respective business heads. The Credit Committee is responsible for approving high-value credit proposals of ₹ 10 million or more. Approvals made by the credit committee are provided to the Board every quarter. The Credit Committee meets at least once per month to review the performance of existing large borrowers.

Risk management

The Risk Management function is headed by the CRO and operates independently in accordance with the risk management framework. The Risk Management function is organized as follows:

1. Credit Risk Management;
2. Asset Liability Management and Treasury Mid Office;
3. Operational Risk Management; and
4. Cyber and Information Security.

In addition, our Business Continuity Planning Committee also forms a part of our Risk Management Governance framework.

CRO

The CRO reports to the Risk Management Committee of the Board. The role of CRO is designed in accordance with RBI guidelines, and includes the following:

1. the CRO is independent of business units and does not have any business targets;
2. the CRO is not part of the credit approval process as a decision-maker in individual capacity. The CRO has voting power in Credit Committee proceedings;
3. the CRO has direct reporting lines to the Risk Management Committee of the Board and functional reporting to the MD and CEO, and provides input, reports and insights on all aspects of risk management;
4. the CRO oversees the development and implementation of risk-related policies and processes; and
5. the CRO is responsible for overall risk identification, measurement, monitoring and control.

Risk Management Process

We have established a risk management process that includes the following steps:

(i) ***Establishing a context***: This is the strategic, organisational and risk management context in which the rest of the risk management process takes place. The criteria for evaluation of the risk are defined;

(ii) ***Identifying Risks***: This is the identification of what, why and how events arise, and provides a basis for further analysis;

(iii) ***Analysing Risks***: This is the determination of existing controls and the analysis of risks in terms of their consequences and likelihood in the context of those controls. The analysis considers the range of potential consequences and the likelihood of occurrence. Consequence and likelihood are combined to produce an estimated level of risk;

(iv) ***Evaluating Risks***: This is a comparison of estimated risk levels against pre-established criteria. This enables risks to be ranked and prioritized;

(v) ***Treating Risks***: For higher priority risks, developing and implementing specific risk management plans, including funding considerations. Lower priority risks may be accepted and monitored;

(vi) ***Monitoring and Reviewing***: This is the oversight and review of the risk management system and any changes that might affect it. Monitoring and reviewing occurs concurrently throughout the risk management process;

(vii) ***Communicating and Consulting***: Appropriate communication and consultation with internal and external stakeholders occur at each stage of the risk management process, as well as on the process as a whole.

Internal Capital Adequacy Assessment Process

The capital adequacy frameworks introduced by Basel II and Basel III envisage that banks implement both a process for assessing capital adequacy in relation to their risk profile as well as a strategy for maintaining adequate capital levels, known as the internal capital adequacy assessment process ("**ICAAP**"). The ICAAP is used to identify and accurately assess the significance of all of the risks we face that may have consequences as regards to our financial situation.

Under ICAAP, we assess present and future capital requirements in a systematic way. The assessment takes into account the following:

1. Current regulatory Capital Adequacy Ratio under Pillar 1;

2. Business growth plans for next three financial years;

3. Risk profile, mitigants put in place and overall governance practices; and

4. The assessment of various Pillar 2 risks such as concentration risk, liquidity risk, interest rate risk, reputational risks, strategy risk and operational risk including cyber and information security are elaborated in the document and appropriate capital charge is provided based on the materiality.

This is to ensure risk identification and measurement processes are appropriate, level of internal capital is commensurate to our risk profile and that risk management systems are suitably developed and applied.

Risk appetite framework

Our risk appetite has been defined basis risk taking capability as well as appetite at an enterprise level and then further bifurcated into various business and other verticals. The Board approved risk appetite is quantified amongst credit risk, market risk, cyber/infosec and operational risks and monitored regularly.

Risk Policies

Credit risk policy

This policy seeks to provide a framework for managing credit risks so as to promote quality assets, profitable relationships and prudent growth by leveraging on our strong microloan franchise, traditional client base in key geographies. It encapsulates our approach to approving and managing credits and aims at making systems and controls effective, while considering economic uncertainties, heightened competition and thinning spreads.

Market risk policy

This policy seeks to define processes whereby the market risks carried out by us can be identified, quantified and managed within a market risk framework which is consistent with our mandate and risk tolerance limits. The key objectives of the market risk policy are to ensure that our operations are in line with expectations of returns vis-à-vis market risk, to create defined procedures for risk identification, quantification, monitoring and reporting, and to ensure policies and procedures relating to market risk are adhered to.

Liquidity risk policy

Liquidity risk arises due to the unavailability of adequate funds at an appropriate cost or tenure. Our treasury department sources funds from multiple sources, including from banks and financial institutions, while our liabilities department sources funds in the form of deposits from wholesale and retail customers. Our treasury department is responsible for diversifying fund raising sources, managing interest rate risks and maintaining a strong relationship with banks, financial institutions, mutual funds, insurance companies, other domestic and foreign financial institutions and rating agencies. We manage our liquidity risk through ALCO which identifyies, measures, manages and controls our liquidity risk as part of our asset liability management.

Comprehensive pricing policy

This policy provides a framework for determining interest rates for deposits and advances. The policy allocates the ALCO committee with the power to review and approve interest rates based on key external and internal influencing factors. The aim is to ensure that interest rates are reasonable for customers yet financially viable for us in order to maintain a stable net interest margin.

Operational risk management policy

This policy assigns roles and responsibilities for management of operational risk and defines our risk identification, assessment and monitoring methodology with the aim of improving controls, mitigating risks and reducing the impact and probability of loss events.

Stress testing

Stress testing refers to various techniques (quantitative and/or qualitative) used by us to gauge our vulnerability to exceptional but plausible events. Stress testing is a risk management technique used to evaluate the potential effects on financial condition of a specific event and/or movement in a set of financial variables. We undertake stress testing semi-annually, on (i) credit risk; (ii) market risk; (iii) liquidity risk; (iv) interest rate risk; and (v) credit concentration risk.

Stress testing is based on our Board-approved stress testing policy, which also sets out the frequency of the testing based on the type of risk. We generally test the relevant parameters at three levels of increasing adversity – Baseline, Medium and Severe – with reference to the 'normal' situation, and estimate the financial resources needed under each of the circumstances to:

(i) meet the risk as it arises for mitigating the impact and manifestation of that risk;

(ii) meet the liabilities as they fall due; and

(iii) meet the minimum CRAR requirements.

Basel III requirements

We have a process for assessing overall capital adequacy in relation to our risk profile and a strategy for maintaining capital levels. The process provides an assurance that we have adequate capital to support all risks inherent to the business and an appropriate capital buffer based on our business profile. We identify, assess and manage comprehensively all risks to which we are exposed through sound governance and control practices, robust risk management framework, and an elaborate process for capital calculation and planning.

In line with the Basel Master Circular, effective since July 1, 2015, we have calculated our capital ratios as per the extant RBI guidelines. The main focus of Basel III norms is on the quality and quantity of Tier I capital, and these regulatory requirements are currently met by the quantum of capital available to us. The Pillar I Risk-Weighted Assets calculation covers credit risk (standardized approach).

Internal Audit

We have an internal audit function, which independently carries out evaluation of the adequacy of all internal controls, and ensure operating and business units adhere to internal processes and procedures as well as to regulatory and legal requirements. Our internal audit charter defines the purpose, authority and responsibility of the function and establishes its position within the organization structure. The audit function also proactively recommends improvements in operational processes and service quality. To mitigate operational risks, we have put in place extensive internal controls including audit trails, appropriate segregation of front and back office operations, post-transaction monitoring processes at the back office (to ensure independent checks and balances), and ensuring adherence to our policies, procedures and to all applicable regulatory guidelines. We have adhered to standards of compliance and governance and have put in place controls and an appropriate structure to ensure this. To safeguard independence, the internal audit function has a reporting line to the Chairman of the Audit Committee. The Audit Committee also reviews the performance of the Audit function and reviews the effectiveness of controls and compliance with regulatory guidelines. The Board ensures that there are internal controls in place with reference to the Financial Statements, and that such controls are operating effectively.

The key roles have been split into sections: (i) credit audit, which covers specific loan accounts, credit process audits, credit risk management, microloans audit, among others; (ii) business audit, which covers financial audits, treasury audits and market risk management audits; (iii) banking outlet audit, which covers activities at all the banking outlets; (iv) business process audit, which covers centralized activities and corporate management functions. including operations risk and compliance, special audit, and retail banking audit; and (v) information security audit, which covers IT management processes, applications, IT infrastructure (including network, operating system, databases and middleware) and IT & project governance.

Inspection and audit

In line with Principle 13 of the Basel Committee on Banking Supervision's consultative document on Internal Audit in Banks, which states that "Internal audit should both complement and assess operational management, risk management, compliance and other control functions", a sound internal control framework exists based on the "three lines of defence" system, where each of the three lines has an important role to play.

The business line – the first line of defence – has "ownership" of risk, whereby it acknowledges and manages the risk that it incurs in conducting its activities. The risk management department is the second line of defence and is responsible for further identifying, assessing and managing operational and compliance risks pertaining to their area of operation. They are responsible for coordinating, overseeing and objectively challenging the execution of business operation, ensuring risk management teams are independent of the business units and escalating high risk business activity. The internal audit function is the third line of defence and is engaged in conducting risk-based audits and reviews to provide assurance to the Board that the overall governance framework is effective, as well as assessing and developing approaches and tools for future audits.

Our audit charter and information systems audit policy are subject to annual reviews and appropriate modifications, and updates are made in compliance with observations from the RBI, other regulatory guidelines, and the directions of the Audit Committee and the Board.

The review of our policies has been duly approved by the Audit Committee and the Board. We have scaled up our audit processes to improve our audit effectiveness. We prioritize our audit process as a tool of control and compliance. We also leverage on the risk-based audit plan as a tool to assess and control risks encountered in our operations. We calibrate our risk-rating architecture by rationalising the parameters and scores assigned to each risk parameter and have formed a Risk Matrix involving all business groups.

The performance and effectiveness of our IAD function is monitored by the Audit Committee against several performance indicators, including completion of assignments, follow up of audit action items, timely reporting, quality and impact of observations, training of audit staff and quality of audit files.

Off-site audit

We have established an offsite audit team within the department for the offsite monitoring of certain transactions and activities at banking outlets, offices and doorstep service centers. The unit performs various tasks, including:

(i) performing random checks on interest applications in asset and liability accounts;

(ii) performing periodic checks on exceptional transactions, such as subsequent debits in micro-banking loans and debits in income general ledgers; and

(iii) performing checks on cases of multiple micro-banking loans to the same customer, high-value temporary overdrafts, and rates of interest.

All of our units, businesses and locations are audited at least once in two years. The offsite audit team is provided with read-only access to the MIS-database and other systems, such as FIS Profile and NewGen, for access to the required data using processing tools such as SQL. The offsite audit team works together with the onsite banking outlet auditors to analyse banking outlet profiles, select appropriate samples and focus on the most relevant issues. The team also produces reports to auditors on any irregularities observed whilst onsite.

Concurrent audit

Concurrent audit is a management process integral to establishing sound internal account functions, effective controls and setting the tone for a vigilant internal audit to preclude the incidence of serious errors and fraudulent manipulations. Our concurrent audit covers KYC/AML/CFT Policy and KYC documentation, credit appraisal and loan documentation, safe custody of documents relating to customer information and transaction mandates/loans, MIS generation and report submission to regulators, and liability and asset products. Currently our treasury operation is under concurrent audit. The concurrent audit examines the business decisions and transactions in light of our policy and internal guidelines but does not sit in judgment of the decisions taken by a banking outlet manager and does not substitute for the internal control mechanism of the business. The objective is to cover certain fraud-prone areas such as handling of cash, deposits, advances, off-balance sheet items and internet banking. A comprehensive review of the concurrent audit process in line with the requirements set out by RBI is determined uniformly by the department in consultation with the Audit Committee.

Information systems audit

We conduct audits on our information systems to review safeguards and processes implemented to protect our customers' confidentiality and prevent cyber-attacks and other IT-related threats. The IS Audit Policy is a subset of our Internal Audit

Policy and is modified in line with regulatory and statutory requirements issued from time to time. The scope covers all our information systems as well as the implementation of system goals. The IS Audit is performed with the aim of ensuring that data integrity across our various systems is maintained, to ensure compliance with regulations and guidelines, and to have timely triggers on various information and systems and technical risks. This involves audit of both our internal information systems and our outsourced activities, such as call centers, data entry operators, empanelment of valuers etc. The IS Audit is carried out by an in-house team or outsourced when specific skillsets are required and is supervised by the IAD to ensure the effectiveness of controls. The IS Audit function reports to the Head of Internal Audit, who in turn reports to the Audit Committee.

Environmental, Social and Ethical Governance

We believe that environment, social and governance ("**ESG**") is a prime driver for the creation of long-term value for all stakeholders. We adopted an Environment, Social and Governance Management System ("**ESG MS**") policy in July 2020 and are committed to integrate an ESG framework into our core business operations. We have developed a phase-wise ESG implementation plan. To monitor progress, we have constituted management level ESG Committee reporting to the CSR Committee of our Board. We have undertaken multiple initiatives that integrate all three elements of ESG as part of our core operations. Among our various environmental initiatives are the use of inverter air conditioners and VRF air conditioners instead of traditional air conditioners and the use of LEDs instead of CFL on our premises, reducing the number of pages of loan documentation for microloans, AHL and LAP, safe disposal of e-waste and hazardous waste through authorized dealers, adoption of virtual debit cards, increased focus on Digital Accounts and adoption of the Fincare SFB Exclusion list (Prohibited Activities & Services for which Fincare SFB Loans cannot be used), among other initiatives.

KEY REGULATIONS AND POLICIES

The following description is a summary of certain key sector specific laws and regulations in India, which are applicable to us. The information detailed in this section has been obtained from publications available in the public domain. The regulations and their descriptions set out below may not be exhaustive and are only intended to provide general information to the Bidders and are neither designed nor intended to substitute for professional legal advice. Judicial and administrative interpretations are subject to modification or clarification by subsequent legislative, judicial, or administrative decisions.

Our Bank is engaged in the business of operating as a small finance bank with a focus on unbanked and under-banked customers, especially in rural and semi-urban areas, and on financial inclusion. We deliver our products and services through our business correspondents, Banking outlets, ATMs, mobile banking platforms, SMS alerts, internet banking portals and unified payment interface facilities. Under the provisions of various Central Government and State Government statutes and legislations, our Bank is required to obtain and regularly renew certain licenses or registrations and to seek statutory permissions to conduct our business and operations. For information regarding regulatory approvals obtained by our Bank, see *"Government and Other Approvals"* on page 323.

The following is an overview of some of the important laws and regulations, which are relevant to our business as an SFB.

BANKING RELATED LEGISLATIONS

Banking Regulation Act, 1949, as amended ("Banking Regulation Act")

Banks in India are required to obtain a license from the RBI to carry on banking business in India. Such license is granted to the bank subject to compliance with certain conditions some of which include that: (i) the bank has or will have the ability to pay its present and future depositors in full as their claims accrue; (ii) the affairs of the bank are not or are not likely to be conducted in a manner detrimental to the interests of present or future depositors; (iii) the bank has adequate capital structure and earnings prospects; (iv) public interest will be served if such a license is granted to the bank; and (v) the general character of the proposed management of the company will not be prejudicial to public interest or the interests of the depositors. The RBI has the power to cancel the license if a bank fails to meet the conditions or if the bank ceases to carry on banking operations in India. Additionally, the RBI has issued various reporting and record-keeping requirements for such commercial banks. The appointment of the auditors of the banks is subject to the approval of the RBI. The RBI can direct a special audit in public interest, or in the interest of the banking company, or in the interest of its depositors. It also sets out the provisions in relation to the loan granting activities of a banking company. The Banking Regulation Act specifies the business activities in which a bank may engage. Banks are prohibited from engaging in other business activities. As per the Banking Regulation Act read with the gazette notification DBR.PSBD. No. 1084/16.13.100/2016-17 dated July 21, 2016, there is a limit of 26% on voting rights in respect of private sector banks. Pursuant to amendments to the Banking Regulation Act in January 2013, private sector banks are permitted, subject to the guidelines framed by the RBI, to issue preference shares in addition to ordinary equity shares.

Further, the Banking Regulation Act, requires any person to seek prior approval of the RBI, to acquire or agree to acquire, directly or indirectly, shares or voting rights of a bank, by himself or with persons acting in concert, wherein such acquisition (taken together with shares or voting rights held by him or his relative or associate enterprise or persons acting in concert with him) results in aggregate shareholding of such person to be 5% or more of the paid-up capital of a bank or entitles him to exercise 5% or more of the voting rights in a bank. Further, the RBI may, by passing an order, restrict any person or persons acting in concert with him, holding more than 5% of the total voting rights of all the shareholders of the banking company from exercising voting rights on poll in excess of the said 5%, if such person is deemed to be not fit and proper to hold shares or voting rights, by the RBI. Under the RBI (Prior Approval for Acquisition of Shares or Voting Rights in Private Sector Banks) Directions, 2015, as amended, an existing shareholder who has already obtained prior approval of the RBI for having a "major shareholding" in a private sector bank, need not obtain approval for an additional fresh acquisition resulting up to 10% aggregate shareholding in such bank. However, if the additional acquisition results in an aggregate shareholding that is in excess of 10%, the prior approval of RBI must be obtained. Further, persons with 'major shareholding' shall also periodically report to the concerned bank on continuing to be fit and proper.

Further, the RBI requires the banks to create a reserve fund to which it must transfer not less than 25% of the net profit before appropriations. If there is an appropriation from this account or the share premium account, the bank is required to report the same to the RBI within 21 days, explaining the circumstances leading to such appropriation. However, in terms of the RBI circular bearing number DBOD.BP.BC No. 31 / 21.04.018/ 2006-07 dated September 20, 2006, banks are advised in their own interest to take prior approval from the RBI before any appropriation is made from the statutory reserve or any other reserves.

Certain amendments also permit the RBI to establish a 'Depositor Education and Awareness Fund', which will take over any credit balances in any account in India with a banking company which has not been operated upon for a period of 10 years or any deposit or any amount remaining unclaimed for more than 10 years.

The amendments also confer power on the RBI (in consultation with the central government) to supersede the board of directors of a banking company for a period not exceeding a total period of 12 months, in public interest or for preventing the affairs of the bank from being conducted in a manner detrimental to the interest of the depositors or any banking company or for securing the proper management of any banking company.

The appointment, re-appointment, or termination of the appointment of a chairman, managing director or whole-time director, manager, chief executive officer of a bank shall have effect only if it is made with the prior approval of the RBI. Further, no amendment in relation to the maximum number of permissible directors, remuneration of the chairman, managing director, whole-time director or any other director, manager, chief executive officer shall have effect unless approved by the RBI. RBI is also empowered to remove a chairman, director, chief executive officer or other officer or employee from office on the grounds of public interest, interest of depositors or securing the proper management. Moreover, RBI may order meetings of the board of directors to discuss any matter in relation to the bank, appoint observers to such meetings, make such changes to the management as it may deem necessary, and may also order the convening of a general meeting of the bank's shareholders to elect new directors. Banking companies are restricted from granting loans or advances on the security of its own shares, enter into any commitment for granting any loan or advance to or on behalf of (i) any of its directors; (ii) any firm in which any of its directors is interested as partner, manager, employee or guarantor or (iii) any company which is not a subsidiary of the banking company, a company registered under Section 25 of the Companies Act, 1956, a government company, a subsidiary or a holding company of which any of the directors of the banking company is a director, managing agent, manager, employee or guarantor or in which the director holds substantial interest; or (iv) any individual in respect of whom any of its Directors is a partner or a guarantor.

The RBI may impose penalties on banks, directors and its employees in case of infringement of regulations under the Banking Regulation Act. The penalty may be a fixed amount or may be related to the amount involved in the contravention. The penalty may also include imprisonment of the concerned director or employee. Banks are also required to disclose the penalty in their annual report.

The RBI Act, 1934 ("RBI Act")

The RBI Act provides a framework for supervision of banking firms in India. The RBI Act was passed to constitute a central bank to, *inter alia*, regulate the issue of bank notes and keeping of reserves with a view to securing monetary stability in India and generally to operate the currency and credit system of the country. RBI may, subject to certain conditions, direct the inclusion or exclusion of any bank from the second schedule of the RBI Act. Scheduled banks are required to maintain cash reserves with the RBI. In this regard, RBI may stipulate an average daily balance requirement to be complied with by such banks and may direct that such banks regard a transaction or class of transactions as a liability. Further, RBI may direct any banking company to submit returns for the collection of credit information and may also furnish such information to a banking company upon an application by such company. RBI has the power to impose penalties against any person for *inter-alia* failure to produce any book, account or other document or furnish any statement, information or particulars which such person is duty-bound to produce or furnish under the RBI Act, or any order, regulation or direction thereunder.

Reserve Bank of India's Guidelines for Licensing of "Small Finance Banks" in the Private Sector dated November 27, 2014 ("SFB Licensing Guidelines")

The RBI issued the SFB Licensing Guidelines and clarifications dated January 1, 2015, for licensing of SFBs in the private sector. The following is an indicative list of guidelines applicable to our Bank:

1. **Registration, licensing and regulations**: An SFB is required to be registered as a public limited company under the Companies Act and licensed under Section 22 of the Banking Regulation Act. The SFB is required to use the words "Small Finance Bank" in its name. SFBs are governed by the provisions of the Banking Regulation Act, RBI Act, FEMA, Payment and Settlement Systems Act, 2007, Credit Information Companies (Regulation) Act, 2005, as amended, Deposit Insurance and Credit Guarantee Corporation Act, 1961, as amended and other relevant statutes and the directives, prudential regulations and other guidelines/instructions issued by RBI and other regulators from time to time. The SFBs will be given scheduled bank status once they commence their operations and are found suitable as per Section 42(6)(a) of the RBI Act. Pursuant to a notification dated March 28, 2020, titled 'Guidelines for Licensing of Small Finance Banks in Private Sector' dated November 27, 2014 – Modifications to existing norms, the RBI revised certain requirements under the SFB Licensing Guidelines including, *inter alia*; (i) providing general permission to all existing SFBs to open banking outlets subject to adherence to unbanked rural centre norms as per RBI circular DBR.No.BAPD.BC.69/22.01.001/2016-17; (ii) exempting all existing SFBs from seeking prior approval of the RBI for undertaking such non risk sharing simple financial service activities, which do not require any commitment of own funds, after three years of commencement of business.

2. **Eligible promoters**: Resident individuals/professionals with ten years of experience in banking and finance and companies and societies owned and controlled by residents will be eligible as promoters to set up SFBs. Existing NBFCs, MFIs and local area banks that are owned and controlled by residents can also opt for conversion into an SFB. However, joint ventures by different promoter groups for the purpose of setting up SFBs would not be permitted. Promoters/ promoter groups should be 'fit and proper', on the basis of their past record of their sound credentials and integrity, financial soundness and successful track record of professional experience or of running their business for at least a period of five years in order to be eligible to promote SFB. Pursuant to a notification dated March 28, 2020, the RBI clarified that the promoters of the existing SFBs could cease to be promoters or could

exit from the bank after completion of a period of 5 years, depending on the RBI's regulatory and supervisory comfort/discomfort and SEBI regulations in this regard at that time.

3. **Scope of activities**: The SFB is required to primarily undertake basic banking activities of acceptance of deposits and lending to unserved and underserved sections and supply of credit to small business units, small and marginal farmers, micro and small industries, and other unorganised sector entities, through high technology-low cost operations. It can also undertake other non-risk sharing simple financial services activities, not requiring any commitment of own fund, such as distribution of mutual fund units, insurance products, pension products, etc. with the prior approval of RBI and after complying with the requirements of the sectoral regulator for such products. The SFB can also become a Category II Authorised Dealer in foreign exchange business for its clients' requirements. It cannot set up subsidiaries to undertake non-banking financial services activities. Further, the other financial and non-financial services activities of the promoters, if any, should be kept distinctly ring-fenced and not comingled with the banking business. The annual branch expansion plans should be compliant with the requirement of opening at least 25% of its branches in unbanked rural centres ("**URC**") (having population of up to 9,999 as per the latest census). A URC is a rural centre that does not have a Core Baking Service-enabled 'banking outlet' of a scheduled commercial bank, a SFB, a payment bank or a regional rural bank nor a branch of local area bank or licensed Co-operative Bank for carrying out customer based banking transactions. In case of a conversion from NBFC/MFI, the SFB is allowed to preserve the advantages of the former structure for a period of three years from the date of commencement of their business, to align banking network with the extant guidelines. The existing structures would be treated as 'banking outlets' and would not be subjected to the 25% norm. However, for all new outlets opened or converted from the existing NBFC/MFI branches in a year shall be required to open at least 25% banking outlets in unbanked rural centres. Further, there shall not be any restriction in the area of operations of a SFB, however, preference will be given to SFBs who in the initial phase to set up the bank in a cluster of under-banked states/ districts, such as in the North-East, East and Central regions of India. Such SFBs shall not have any hindrance to expand to other regions in due course. It is expected from the SFBs that it shall be primarily responsive to local needs.

4. **Capital requirement**: The minimum paid-up equity capital of an SFB is required to be ₹1,000 million. It shall be required to maintain a minimum capital adequacy ratio of 15% of its risk weighted assets on a continuous basis, subject to any higher percentage as may be prescribed by RBI from time to time. The tier I capital should be at least 7.5% of the risk weighted asset. The tier II capital should be limited to a maximum of 100% of the tier I capital. Further, the capital adequacy ratio should be computed as per the Basel committee's standardised approaches.

5. **Promoter's contribution**: The promoter's minimum initial contribution to the paid-up equity capital of the SFB shall at least be 40% which shall be locked in for a period of five years from the date of commencement of business of the SFB. However, if an existing NBFC, MFI or local area bank has diluted the promoter's shareholding to less than 40% but above 26%, due to regulatory requirements or otherwise, the RBI may not insist on the promoter's minimum initial contribution. Further, the promoter's shareholding should be brought down in prescribed phases. If the initial shareholding of the promoters is more than 40%, it should be brought down to 40% within a period of five years and thereafter to 30% within 10 years and to 26% within 12 years from the date of commencement of business of the SFB. Further, if an SFB reaches the net worth of ₹5,000 million, listing will be mandatory within three years of reaching that net worth.

6. **Foreign shareholding**: Foreign shareholding would be as per the FDI Policy for private sector banks, as amended from time to time. As per the current FDI Policy, foreign direct investment is permitted up to 49% under the automatic route and up to 74% under government route in a private sector Indian bank.

   The aggregate limit for FPI investments shall be the sectoral caps applicable to our Bank (i.e. up to 74% of the paid up capital of our Bank).

7. **Voting rights and transfer/ acquisition of shares**: As per the Banking Regulation Act read with the gazette notification dated July 21, 2016, there is a limit of 26% on voting rights in respect of private sector banks. This will also apply to SFBs.

8. **Prudential norms**: The SFB will be subject to all prudential norms and regulations of RBI as applicable to existing commercial banks. Further, the SFB will have to comply with additional conditions/ norms such as extending 75% of its adjusted net bank credit to sectors eligible for classification as priority sector lending by RBI, while 40% of its adjusted net bank credit shall be allocated to different sub-sectors under priority sector lending as per the extant priority sector lending prescriptions, the SFB can allocate the balance of 35% to any one or more sub-sectors under priority sector lending where it has competitive advantage, maximum loan size and investment limit exposure to a single and group obligor being restricted to 10% and 15% of its capital funds, respectively, at least 50% of its loan portfolio should constitute loans and advances of up to ₹2.5 million, etc. However, after the initial stabilisation period of five years, and after a review, RBI may relax the above exposure limits. The SFB is also precluded from having any exposure to its promoters, major shareholders (who have shareholding of 10% of paid-up equity shares in the bank), and relatives (as defined in Section 2 (77) of the Companies Act, 2013 and rules made thereunder) of the promoters as also the entities in which they have significant influence or control (as defined under Accounting Standards AS 21 and AS 23).

9. **Corporate Governance**: The Board of the SFB should have a majority of independent directors. Further, the SFB will have to comply with the corporate governance guidelines including 'fit and proper' criteria for directors as issued by RBI from time to time.

10. **Others**:

- Individuals (including relatives) and entities other than the promoters will not be permitted to have shareholding in excess of 10% of the paid-up equity capital. In case of NBFCs or MFIs converting to an SFB, if shareholding of entities (other than the promoters) in the NBFC is in excess of 10% of the paid-up equity capital, RBI may consider providing time up to 3 years for the shareholding to be brought down to 10%.

- An SFB cannot be a Business Correspondent ("**BC**") for another bank. However, it can have its own BC network.

- A promoter of an SFB cannot be granted licenses for both universal bank and small finance bank even if the proposal is set to them up under the non-operative financial holding company structure.

- If an SFB wishes to transit into a universal bank, it would have to apply to the RBI for such conversion and fulfil the minimum paid-up capital / net worth requirement as applicable to universal banks and also comply with other criteria prescribed in this regard.

- The operations of the bank should be technology driven from the beginning, conforming to generally accepted standards and norms; while new approaches (such as for data storage, security and real time data updating) are encouraged, a detailed technology plan for the same shall be furnished to RBI.

- The compliance of terms and conditions laid down by RBI is an essential condition of grant of licence. Any non-compliance will attract penal measures including cancellation of licence of the bank.

Reserve Bank of India's Operating Guidelines for Small Finance Bank dated October 6, 2016 ("SFB Operating Guidelines")

The SFB Operating Guidelines are supplementary to SFB Licensing Guidelines. The SFB Operating Guidelines came into force considering the differentiated nature of business and financial inclusion focus of SFBs. The SFB Operating Guidelines set out the following:

1. **Prudential Regulation**: The prudential regulatory framework for the SFBs will be largely drawn from the Basel standards. However, given the financial inclusion focus of these banks, it will be suitably calibrated:

a) **Capital adequacy framework**: The minimum capital requirement is 15%;

b) **Leverage ratio**: The leverage ratio is 4.5%, calculated as percentage of Tier 1 capital to total exposure; and

c) **Inter-bank borrowings**: SFBs are allowed exemption from the existing regulatory ceiling of interbank borrowings till the existing loans mature or up to three years, whichever is earlier. Afterwards, it will be on par with scheduled commercial banks. However, the borrowings made by the SFBs after the commencement of its operations shall be subject to inter-bank borrowing limits.

2. **Corporate governance**:

    a) **Constitution and functioning of board of directors:** The extant provisions as applicable to banking companies shall be applicable to SFBs as well. Specifically, in case of entities being converted into SFBs, the existing terms and conditions of appointment of directors will be grandfathered till completion of their present term; and

    b) **Constitution and functioning of committees of the board, management level committees, and remuneration policies:** The extant provisions in this regard as applicable to private sector banks, shall be applicable to SFBs as well.

3. **Banking Operations**:

    a) **Branch authorization policy**: SFBs should follow the extant instructions pertaining to the branch authorization policy applicable to scheduled commercial banks as laid down in the Rationalisation of Branch Authorisation Policy - Revision of Guidelines issued by the RBI on May 18, 2017 and March 28, 2020. SFBs are required to have 25% of their branches in unbanked rural centres within one year from the date of commencement of business. The SFBs are given three years from the date of commencement of the business to align with this requirement, however, during these three years, at least 25% of total number of branches opened by SFBs in a financial year should be in unbanked rural centres.

    b) **Regulation of Business Correspondents:** The SFBs may engage all permitted entities including the companies owned by their business partners and own group companies on an arm's length basis as business correspondents

(**"BC"**). These business correspondents can have their own branches managed by their employees operating as "access points" or may engage other entities/persons to manage the "access points" which could be managed by the latter's staff. In such cases, from the regulatory perspective, the SFB will be responsible for the business carried out at the 'access points' and the conduct of all the parties in the chain regardless of the organizational structure including any other intermediaries inserted in the chain to manage the BC network. Further, the Operating Guidelines also provide that the business correspondents must be doing online transactions/using point of sale terminals for doing transactions; and

c) **Bank charges, lockers, nominations, facilities to disabled persons:** The extant provisions applicable to scheduled commercial banks shall be applicable to SFBs as well.

d) **Marginal Cost of funds based lending rate, other related regulations on interest rates and fair practice code for lenders:** The extant provisions applicable to scheduled commercial banks shall be applicable to SFBs as well.

4. **KYC requirements:** At their discretion, SFBs may (like all other banks) decide not to take the wet signature while opening accounts, and instead rely upon the electronic authentication/ confirmation of the terms and conditions of the banking relationship or account relationship keeping in view their confidence in the legal validity of such authentications or confirmations. However, all the extant regulations concerning KYC including those covering the Central KYC registry, and any subsequent instructions in this regard, as applicable to commercial banks, would be applicable to SFBs.

Reserve Bank of India's Master Direction on Priority Sector Lending –Targets and Classification dated September 4, 2020("Priority Sector Lending Regulations")

The Priority Sector Lending Regulations have consolidated certain circulars pertaining to issued earlier, including the 'Master Direction on Priority Sector Lending – Small Finance Banks – Targets and Classification' dated July 29, 2019**.** The Priority Sector Lending Regulations apply to every commercial bank and primary (urban) co-operative bank other than salary earners' bank licensed to operate in India by the RBI. Further, the SFB Priority Sector Lending Regulations requires SFBs have a target of 75% for PSL of their adjusted net bank credit or credit equivalent of off-balance sheet exposures. Further, for agriculture sector, micro enterprises and advance to weaker sections, the targets are 18%, 7.5% and 11% of the adjusted net bank credit respectively. The sub-target for small and marginal farmers is increased from 8% currently to reach 10% in phased manner by financial year ending 2023-24 and weaker section target from 10% currently to reach 12% in phased manner by financial year ending 2023-24.In addition, certain other changes were made such as change in definition of MSME in line with Government of India (GoI), Gazette Notification S.O. 2119 (E) dated June 26, 2020 read with circular RBI/2020-2021/10 FIDD.MSME & NFS.BC.No.3/06.02.31/2020-21 read with FIDD.MSME & NFS. BC. No.4 /06.02.31/2020-21 dated July 2, 2020, August 21, 2020 respectively on 'Credit flow to Micro, Small and Medium Enterprises Sector' and updated from time to time.

Reserve Bank of India's Press Release 'Statement on Developmental and Regulatory Policies' dated October 9, 2020

The press release has now revised the limit for risk weight for regulatory retail portfolio to ₹7.5 from ₹5 crores, for individuals and small businesses with turnover up to INR 50 crore, in respect of all fresh as well as incremental qualifying exposures. Further, the RBI issued another circular – DOR.No.BP.BC.23/21.06.201/2020-21, dated October 12, 2020 clarified that the risk weight of 75 per cent will apply to all fresh exposures and also to existing exposures where incremental exposure may be taken by the banks up to the revised limit of ₹ 7.5 crore. The other exposures shall continue to attract the normal risk weights as per the extant guidelines.

In respect of payment and settlement systems, the Real Time Gross Settlement System ("**RTGS**") will be available 24x7 on all days with effect from 14 December 2020.

Lastly, the RBI issued notification – DOR. No.BP.BC.24/08.12.015/2020-21, dated October 16, 2020 titled "Individual Housing Loans – Rationalisation of Risk Weights", to rationalise the risk weights for all housing loans, irrespective of the amount, sanctioned on or after October 16, 2020 and up to March 31, 2022, the risk weight shall be 35% if Loan To Value Ratio (**"LTV"**) is less than or equal to 80%, and 50% if LTV is above 80% but less than or equal to 90%.

Reserve Bank of India's Press Release 'Statement on Developmental and Regulatory Policies' dated February 5, 2021

As a measure during the peak of the COVID-19 pandemic, the cash reserve ratio ("**CRR**") of all banks was reduced by 100 basis points to 3.0 per cent of net demand and time liabilities ("**NDTL**") effective from the reporting fortnight beginning March 28, 2020 up to March 26, 2021. On a review of monetary and liquidity conditions, it has been decided to gradually restore the CRR in two phases in a non-disruptive manner. Banks would now be required to maintain the CRR at 3.5 per cent of NDTL effective from the reporting fortnight beginning March 27, 2021 and 4.0 per cent of NDTL effective from fortnight beginning May 22, 2021. Previously under the press release dated March 27, 2020 'Statement on Developmental and Regulatory Policies' banks were allowed to avail of funds under the marginal standing facility by dipping into the Statutory Liquidity Ratio (SLR) up to an additional one per cent of NDTL, i.e., cumulatively up to 3 per cent of NDTL. This facility, which was initially available up to June 30, 2020 was later extended in phases up to March 31, 2021 and is now further extended up to September 30, 2021.

The notification dated February 5, 2021 'Basel III Framework on Liquidity Standards – Net Stable Funding Ratio ("**NSFR**")", the implementation of NSFR by banks in India had been deferred to April 1, 2021. While banks are comfortably placed on the liquidity front, in view of the continued stress on account of COVID-19, it has been decided to defer the implementation of NSFR to October 1, 2021.

Reserve Bank of India's Compendium of Guidelines for Small Finance Banks – Financial Inclusion and Development dated July 6, 2017

Considering the differentiated nature of business and financial focus of the SFBs and taking into account the important role that SFBs can play in the supply of credit to micro and small enterprises, agriculture and banking services, the RBI issued a specific compendium of guidelines for SFBs on areas relating to financial inclusion and development. SFBs are required to open at least 25% of its branches in unbanked rural centres. SFBs will have a target of 75% for priority sector lending of their adjusted net bank credit. The identified priority sectors are agriculture, MSMEs, export credit, education, housing, social infrastructure, renewable energy and certain categories of loans identified therein.

Reserve Bank of India's Guidelines on Compensation of Whole Time Directors/ Chief Executive Officers/ Material Risk Takers and Control Function Staff dated November 4, 2019 ("RBI Compensation Guidelines")

The Financial Stability Board Principles for Sound Compensation Practices, 2009 ("**FSB Principles**") aim to ensure effective governance of compensation, alignment of compensation with prudent risk taking and effective supervisory oversight and stakeholder engagement in compensation. The FSB Principles have been endorsed by the G-20 countries and the Basel Committee on Banking Supervision ("**BCBS**") which has published remuneration related reports and disclosure requirements. Pursuant to the stipulations in the reports and disclosure requirements published by BCBS, the RBI issued the RBI Compensation Guidelines which are based on the FSB Principles and are applicable to all private sector banks (including small finance banks) and foreign banks operating in India. In line with the FSB Principles banks are required to take steps to implement certain guidelines by putting in place necessary policies/systems. These guidelines include, *inter alia*, formulation of a compensation policy, constitution of nomination and remuneration committee, alignment of compensation of whole-time directors/chief executive officers and material risk takers with prudent risk taking etc. All applications for approval of appointment/re-appointment or approval of remuneration/revision in remuneration of whole time directors/chief executive officers shall be submitted to the RBI with the details as prescribed in the guidelines. These guidelines shall be applicable for pay cycles beginning from/after April 1, 2020.

Reserve Bank of India's Guidelines on Compensation of Non-executive Directors of Private Sector Banks dated June 1, 2015

The board of directors of a private sector bank, in consultation with its remuneration committee, is required to formulate and adopt a comprehensive compensation policy for non-executive directors (other than part-time non-executive Chairman), subject to the requirements prescribed under the Companies Act. The Board may, at its discretion, provide for in the policy, payment of compensation in the form of profit related commission to the non-executive directors, subject to bank making profits. Such compensation, however, shall not exceed ₹1.00 million per annum for each non-executive director. In addition to the directors' compensation, the bank may pay sitting fees to the non-executive directors and reimburse their expenses for participation in the board and other meetings. Further, all private sector banks are required to obtain prior approval of RBI for granting remuneration to the part-time non-executive Chairman under Section 10B(1A)(i) and 35B of the Banking Regulation Act.

Reserve Bank of India's Master Circular - Mobile Banking Transactions in India- Operative Guidelines for Banks dated July 1, 2016 ("Mobile Banking Transaction-Operative Guidelines")

The Mobile Banking Transaction Operative Guidelines contains all rules, regulations and procedures prescribed to be followed by banks for operationalizing mobile banking in India. Banks which are licensed, supervised and have physical presence in India are permitted to offer mobile banking services after obtaining one-time RBI approval. Only banks who have implemented core banking solutions are permitted to provide mobile banking services. Banks are required to put in place a system of registration of customers for mobile banking. Further, to meet the objective of a nation-wide mobile banking framework, facilitating inter-bank settlement, a robust clearing and settlement infrastructure operating on a 24x7 is mandated. Pending creation of such a national infrastructure, banks may enter into bilateral or multilateral arrangement for inter-bank settlements, with express permission from the RBI, unless such arrangements have been authorized by the RBI under the Payment and Settlement System Act, 2007.

Reserve Bank of India's Master Direction - Know Your Customer (KYC) Direction, 2016 dated February 25, 2016, updated as on April 1, 2021 ("KYC Directions")

KYC Directions are applicable to every entity regulated by RBI specifically, scheduled commercial banks, regional rural banks, local area banks, primary (urban) co-operative banks, all India financial institutions, NBFCs, miscellaneous non-banking companies and residuary non-banking companies, amongst others. In terms of the KYC Directions, every entity regulated thereunder is required to formulate a KYC policy which is duly approved by the board of directors of such entity or a duly constituted committee thereof. The KYC policy formulated in terms of the KYC Directions is required to include four key elements, being customer acceptance policy, risk management, customer identification procedures and monitoring of transactions. The KYC Directions also prescribe detailed instructions in relation to, *inter alia*, the due diligence of customers, record management and reporting requirements (such as the details of the person designated by the board of directors as a designated director etc.,) to Financial Intelligence Unit – India. The RBI, pursuant to a circular dated January 9, 2020 titled Amendment to Master Direction (MD) on KYC read with the amended KYC Directions dated April 20, 2020, has provided that all regulated entities shall develop an application to enable a video based customer identification process i.e. digital KYC process at customer touchpoints, of their customers. It also inserted directions for Regulated entities to assess 'Money Laundering' and 'Terrorist Financing' risk for clients, transactions or delivery channels, products, services etc. and take measures to mitigate the same on a risk based approach. The outcome of this exercise shall be put up to the Board or any committee of the Board formed in this regard and shall be made available to competent authorities and self-regulating bodies.

Master Circular on Prudential norms on income recognition, asset classification and provisioning pertaining to advances dated July 1, 2015("Master Circular on Prudential Norms")

The RBI, pursuant to its "Master Circular on Prudential Norms on Income Recognition, Asset Classification and Provisioning Pertaining to Advances" issued on July 1, 2015, classifies NPAs into (i) sub-standard assets; (ii) doubtful assets; and (iii) loss assets. The circular also specifies provisioning requirements specific to the classification of the assets.

In July 2005, the RBI issued guidelines on sales and purchases of NPAs between banks, financial institutions and NBFCs. However, as per SFB Operating Guidelines, while SFBs are permitted to sell NPAs, they are not permitted to purchase NPAs. These guidelines require that the board of directors of a bank must establish a policy for purchases and sales of NPAs. An asset must have been classified as non-performing for at least two years by the seller bank to be eligible for sale. In October 2007, the RBI issued guidelines regarding valuation of NPAs being put up for sale.

Reserve Bank of India's (Prudential Framework for Resolution of Stressed Assets) Directions 2019 dated June 07, 2019 ("Framework for Resolution of Stressed Assets")

The RBI laid down directions under the Framework for Resolution of Stressed Assets with a view to aid early recognition, reporting and time bound resolution of stressed assets. The framework provided for entails a stage wise resolution plan which includes; (a) early identification and reporting of stress; (b) Implementation of resolution plan; (c) implementation conditions for the resolution plan; (d) delayed implementation of resolution plan.

Stressed assets shall be recognised by incipient stress in loan accounts immediately or default, by classifying such assets as special mention accounts which would further be categorised based on the number of days since the default has occurred. Following this, the resolution plan formulated by the Board of the Bank would become applicable.

Master Direction – Ownership in Private Sector Banks, Directions, 2016 dated May 12, 2016

The Reserve Bank of India issued master directions for ownership in private sector banks in May 2016. The directions are applicable to all private sector banks licensed by RBI to operate in India. Under the directions, shareholders are now categorized as natural persons (individuals) and legal persons (entities/institutions) for the purposes of ownership limits in the longer run. Non-financial and financial institutions, and among financial institutions, diversified and non-diversified financial institutions shall have separate limits for shareholding.

The limits for shareholding are as follows: (i) in the case of individuals and non-financial entities (other than promoters /promoter group), the limit shall be 10% of the paid-up capital. However, in case of promoters being individuals and non-financial entities in existing banks, the shareholding shall be 15% of the paid up capital, (ii) for entities in the financial sector, other than regulated or diversified or listed, the limit shall be at 15% of the paid up capital, (iii) in case of 'regulated, well diversified, listed entities from the financial sector' and shareholding by supranational institutions or public sector undertaking or Government undertaking, a uniform limit upto 40% of the paid up capital is permitted for both promoters / promoter group and non-promoters, and (iv) higher stake/strategic investment by promoters/non-promoter through capital infusion by domestic or foreign entities/institution shall be permitted on a case to case basis under circumstances such as relinquishment by existing promoters, rehabilitation/ restructuring of problem/ weak banks/ entrenchment of existing promoters or in the interest of the bank or in the interest of consolidation in the banking sector

A period of 12 years from the date of commencement of business of the bank shall be available for the promoters/ promoter group or Non-Operative Financial Holding Company (NOFHC) in cases where dilution to a lower level of shareholding is required for compliance with the specified limits. Acquisition of shareholding in a private sector bank shall be subject to the applicable FDI Policy, with the aggregate foreign investment in private sector banks not exceeding 74% of the paid-up capital. The directions further prescribe that banks (including foreign banks having branch presence in India) shall not acquire any fresh stake in a bank's equity shares, if by such acquisition, the investing bank's holding is 10% or more of the investee bank's equity capital. However, RBI may permit a higher level of shareholding by a bank in exceptional cases.

Master Direction – Issue and Pricing of shares by Private Sector Banks, Directions, 2016

The RBI issued master directions for issue and pricing of shares by private sector banks on April 21, 2016. The directions are applicable to all private sector banks licensed by RBI to operate in India. Under the directions, "private sector banks" have been defined as banks licensed to operate in India under the Banking Regulation Act other than urban co-operative banks, foreign banks and banks licensed under specific statutes. Under the directions, a private sector bank, both listed and unlisted, has general permission for issue of shares by way of public issues (initial public offer, further public offer), private placement (preferential issue, qualified institutional placement), rights issue and bonus issue, subject to compliance with applicable laws such as FEMA and extant foreign investment policy of the GoI for private sector banks, provisions of the Companies Act, and the relevant SEBI guidelines, the RBI master directions dated November 19, 2015 on Prior Approval for Acquisition of Shares or Voting Rights in Private Sector Banks which requires investors to obtain specific prior approval of RBI if the proposed acquisition results in aggregate holding of 5 per cent or more of the paid-up capital of the bank and reporting of complete details of the issue to RBI such as date of issue, details of the type of issue, issue size, details of pricing, number and names of allottees, post allotment shareholding position etc., along with a copy of the board/ annual general meeting resolution and prospectus/ offer document in the prescribed format.

Guidelines for 'on tap' Licensing of Small Finance Banks in the Private Sector dated December 5, 2019 ("On-Tap Licensing Guidelines")

The RBI had, post review of the performance of existing small finance banks, issued the Draft Guidelines for 'on tap' Licensing of Small Finance Banks in the Private Sector dated September 13, 2019, to encourage competition amongst small finance banks, and subsequently, post consideration of responses received, issued the On-Tap Licensing Guidelines on December 5, 2019. Pursuant to the On-Tap Licensing Guidelines, the following are eligible promoters: (i) resident individuals/ professionals (Indian citizens), singly or jointly, each having at least 10 years of experience in banking and finance at a senior level; and (ii) companies and societies in the private sector, that are owned and controlled by residents (as defined in FEMA Regulations, as amended from time to time), and have a successful track record of running their businesses for at least a period of five years. Further, existing NBFCs, micro finance institutions and local area banks in the private sector that are controlled by residents (as defined in FEMA Regulations, as amended from time to time), and have a successful track record of running their businesses for at least a period of five years, can opt for conversion into SFBs after complying with applicable law. Promoters/promoter groups should be 'fit and proper' with, amongst other things, past record of sound credentials and integrity, financial soundness, a successful track record of professional experience or of running their business for at least a period of five years in order to be eligible to promote SFB. The SFB is required to be registered as a public limited company under the Companies Act and licensed under the Banking Regulation Act. The minimum net worth of such small finance banks shall be ₹1000 million from the date of commencement of business. However, they will have to increase their minimum net worth to ₹ 2000 million within five years from the date of commencement of business. Further, the SFB is required to maintain a minimum paid-up voting equity capital of ₹2,000 million, which certain exceptions, such as in case of SFBs which are transited from Primary (Urban) Co-operative Banks ("**UCBs**"), or converted from NBFCs/MFIs etc., for which the requirement is separately set out.

Further, promoters are required to hold a minimum of 40% of the paid-up voting equity capital of the SFB, which shall be locked-in for a period of five years from the date of commencement of business of the bank. Such shareholding is required to be reduced to a maximum of 30% and 15% of the paid-up voting equity capital within 10 years and 15 years, respectively, from the date of commencement of business of the SFB. Furthermore, SFBs are required to be mandatorily listed within three years of reaching a net worth of ₹5,000 million. The SFB will be subject to all prudential norms and regulations of the RBI as applicable to existing commercial banks.

Circular on Risk Based Internal Audit (RBIA) Framework – Strengthening Governance Arrangements dated January 07, 2021

Pursuant to the guidance note on Risk-Based Internal Audit dated December 27, 2002 issued the RBI, under which it was required to put in place a risk based internal audit (RBIA) system as part of their internal control framework that relies on a well-defined policy for internal audit, functional independence with sufficient standing and authority within the bank, effective channels of communication, adequate audit resources with sufficient professional competence, among others. In an effort to stay with the evolving best practices, under this circular banks are encouraged to adopt the International Internal Audit standards, like those issued by the Basel Committee on Banking Supervision (BCBS) and the Institute of Internal Auditors (IIA). To bring in uniformity to the approach of the Internal Audit Function, banks are advised to follow directions given on, authority, stature and independence, competence, staff rotation, tenor for appointment of head of internal audit, reporting line and remuneration. Lastly, the internal audit function shall not be outsourced. However, where required, experts, including former employees, could be hired on contractual subject to the audit committee of the board being assured that such expertise does not exist within the audit function of the bank.

The Recovery of Debts Due to Banks and Financial Institutions Act, 1993, as amended ("RDDBFI Act")

The RDDBFI Act was enacted for adjudication of disputes pertaining to debts due to banks and financial institutions exceeding ₹2.00 million. The RDDBFI Act provides for the constitution of debt recovery tribunals, before which banks and financial institutions may file applications for recovery of debts. Further, no court or other authority, except the Supreme Court or a High Court exercising jurisdiction under Articles 226 and 227 of the Constitution of India, shall have, or is entitled to exercise, any jurisdiction, powers or authority in relation to the aforementioned matter. The tribunals may pass orders for directions including *inter- alia* recovery of such dues by the bank as may be deemed fit along with a recovery certificate to such effect from the presiding officer of the respective tribunal; attachment of the secured properties towards the dues to the bank: injunctive orders restraining the debtors from alienating, transferring or disposing of such secured properties; appointment of receivers and/or local commissioners with respect to such secured properties and distribution of proceeds from sale of such secured properties towards dues. Pursuant to the recovery certificate being issued, the recovery officer of the respective debt recovery tribunal shall effectuate the final orders of the debt recovery tribunal in the application. Unless such final orders of the debt recovery tribunal have been passed with the consent of the parties to an application, an appeal may be filed against such final orders of the debt recovery tribunal before the debt recovery appellate tribunal, which is the appellate authority constituted under the RDDBFI Act.

The Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, as amended ("SARFAESI Act")

The SARFAESI Act governs securitization of financial assets in India. The SARFAESI Act provides that any securitization or reconstruction company may acquire the financial assets of a bank or financial institution by either entering into an agreement with such bank or financial institution for the transfer of such assets to the company or by issuing a debenture or bond or any other security in the nature of the debenture, for consideration, as per such terms and conditions as may be mutually agreed between them. The SARFAESI Act further provides that if the bank or financial institution is a lender in relation to any financial assets acquired by the securitization/reconstruction company as stated above, then such company shall be deemed to be the lender in relation to those financial assets. Further, upon such acquisition, all material contracts entered into by the bank or financial institution, in relation to the financial assets, shall also get transferred in favour of the securitization/reconstruction company. The SARFAESI Act also enables banks and notified financial institutions to enforce the underlying security of an NPA without court intervention. Pursuant to an asset being classified as an NPA, the security interest can be enforced as per the procedure laid down in the Security Interest Enforcement Rules, 2002.

The Repurchase Transactions (Repo) (Reserve Bank) Directions, 2018 ("Repo Directions")

The Repo Directions are applicable to repurchase transactions undertaken on stock exchanges, electronic trading platforms authorised by the RBI and over-the-counter market. The securities eligible for repurchase under the Repo Directions are government securities, listed corporate bonds and debentures subject to the condition that no participant shall borrow against the collateral of its own securities, or securities issued by a related entity, commercial papers, certificate of deposits and other such securities of a local authority as prescribed by the Central Government. Eligible participants include any regulated entity, listed corporate, unlisted company which has been issued special securities by the Government of India, using only such special securities as collateral, All India Financial Institution viz. Exim Bank, NABARD, NHB and SIDBI and any other entity approved by the Reserve Bank from time to time for this purpose. The Repo Directions prescribes the eligibility criteria, roles and obligations, application procedure for authorisation and exit procedure for tri-party agents. The Repo Directions provide that a repo shall be undertaken for a minimum period of one day and a maximum period of one year.

The Banking Ombudsman Scheme, 2006, as amended up to July 1, 2017 ("Ombudsman Scheme")

The Ombudsman Scheme provides the extent and scope of the authority and functions of the Banking Ombudsman for redressal of grievances against deficiency in banking services, concerning loans and advances and other specified matters. All scheduled commercial banks, regional rural banks and scheduled primary co-operative banks are covered under the Ombudsman Scheme. On July 1, 2017, the Ombudsman Scheme was amended to widen the scope of the scheme, *inter alia*, to deficiencies arising out of sale of insurance/mutual fund/ other third party investment products by banks and now permitted customer to lodge a complaint against the bank for non-adherence to RBI instructions with regard to mobile banking/electronic banking services. The amended Ombudsman Scheme also provided for revised procedures for redressal of grievances by a complainant under the Ombudsman Scheme and increased the pecuniary jurisdiction of the Banking Ombudsman. The Banking Ombudsman receives and considers complaints relating to the deficiencies in banking or other services filed on the grounds mentioned in clause 8 of the Ombudsman Scheme and facilitates their satisfaction or settlement by agreement or through conciliation and mediation between the bank concerned and the aggrieved parties or by passing an Award in accordance with the Ombudsman Scheme.

Prevention of Money Laundering Act, 2002, as amended ("PMLA")

In order to prevent money laundering activities the PMLA was enacted which seeks to prevent money laundering and to provide for confiscation of property derived from, or involved in money laundering, and for incidental matters connected therewith. Section 12 of the PMLA casts certain obligations on, *inter alia*, banking companies in relation to preservation and reporting of customer account information. The RBI has advised all banks to go through the provisions of the PMLA and the rules notified thereunder and to take all steps considered necessary to ensure compliance with the requirements of section 12 of the PMLA.

Ministry of Finance circular dated October 23, 2020 in relation to scheme for grant of ex-gratia payment of difference between compound interest and simple interest for six months to borrowers in specified loan accounts

In view of the COVID-19 pandemic, the Ministry of Finance, Government of India has, pursuant to circular dated October 23, 2020, approved a scheme for grant of *ex-gratia* payment of difference between compound interest and simple interest by way of reliefs for the six months period from March 1, 2020 to August 31, 2020, to borrowers in specified loan accounts

("**Scheme**"), benefits of which would be routed through lending institutions. The Scheme is applicable to all lending institutions, including, *inter alia*, banking companies, public sector banks, NBFCs and housing finance companies. Borrowers in the following segments, who have loan accounts having sanctioned limits and outstanding amount not exceeding ₹2 crore as on February 29, 2020 shall be eligible under the Scheme, subject to certain conditions, namely (i) MSME loans; (ii) education loans; (iii) housing loans; (iv) consumer durable loans; (v) credit card dues; (vi) automobile loans; (vii) personal loans of professionals; and (viii) consumption loans. Under the Scheme, lending institutions can claim reimbursement in respect of the amounts credited to the accounts of the eligible borrowers, in the manner set out under the operational guidelines of the Scheme.

Report on the Internal Working Group to Review Extant Ownership Guidelines and Corporate Structure for Indian Private Sector Banks, 2020 dated November 20, 2020 ("IWG Report")

The RBI pursuant to a press release dated November 20, 2020 released the IWG Report, with the aim to bring uniformity of norms in extant licensing and regulatory guidelines relating to ownership and control, corporate structure, and other related issues. The RBI's Internal Working Group has made recommendations which have implications on SFBs. These include, *inter-alia*, (i) cap on Promoters' holding at 26% of the paid-up voting equity share capital of the bank in the long run (i.e. 15 years). Additionally, the IWG Report proposes a dispensation of the requirement of sub-targets (between 5 to 15 years) for dilution of Promoters' holding, and uniform cap of 15% of paid-up voting equity share capital of the bank for non-promoter shareholders in long run; (ii) proposal for the existing SFBs to be mandatorily listed within 6 years of reaching net worth of INR 500 crores or 10 years from commencement of operations, whichever is earlier; and (iii) bar on creation of any pledge of shares by the promoters, during the lock-in period, which results in insufficient unencumbered shares to meet lock-in requirements. Further, voting rights emanating from any invocation of pledge, which results in transfer/purchase of 5% of total shareholding of the bank, without prior approval from RBI are proposed to be restricted until the pledgee receives the approval of the RBI.

The recommendations of this report will come into effect, after its adoption by the RBI.

Asset Classification and Income Recognition following the expiry of Covid-19 regulatory package, dated April 7, 2021

The notification is pursuant to the Supreme Court of India has pronounced its judgement in the matter of Small Scale Industrial Manufacturers Association vs UOI & Ors. ("Judgement") and other connected matters on March 23, 2021. Commercial banks, including small finance banks shall immediately put in place a Board-approved policy to refund/adjust the 'interest on interest' charged to the borrowers during the moratorium period, i.e. March 1, 2020 to August 31, 2020 in conformity with the Judgement. The reliefs shall be applicable to all borrowers, including those who had availed of working capital facilities during the moratorium period, irrespective of whether moratorium had been fully or partially availed, or not availed, in terms of the 'COVID-19 regulatory packages' dated March 27, 2020 (DOR.No.BP.BC.47/21.04.048/2019-20) and May 23, 2020 (DOR.No.BP.BC.71/21.04.048/2019-20). Lending institutions shall disclose the aggregate amount to be refunded/adjusted in respect of their borrowers based on the above reliefs in their financial statements for the year ending March 31, 2021.With respect to the asset classification, in order to comply with the Judgement, (i) in respect of accounts which were not granted any moratorium in terms of the Covid19 Regulatory Package, asset classification shall be as per the criteria laid out in Master Circular on Prudential Norms (given above) or other relevant instructions as applicable to the specific category of lending institutions (**IRAC Norms**); (ii) in respect of accounts which were granted moratorium in terms of the Covid19 Regulatory Package, the asset classification for the period from March 1, 2020 to August 31, 2020 shall be governed in terms of the circular 'COVID19 Regulatory Package - Asset Classification and Provisioning' dated April 17, 2020 (DOR.No.BP.BC.63/21.04.048/2019-20) read with the circular COVID-19 – Regulatory Package dated May 23, 2020 (DOR.No.BP.BC.71/21.04.048/2019-20). For the period commencing September 1, 2020, asset classification for all such accounts shall be as per the applicable IRAC Norms.

FOREIGN INVESTMENT LAWS

The foreign investment in our Bank is governed by, *inter alia*, the FEMA, as amended, the FEMA Regulations, the Consolidated FDI Policy Circular of 2020 ("**FDI Policy**") effective from October 15, 2020 issued and amended by way of press notes.

Foreign investment in private sector banks, carrying on activities approved for FDI, will be subject to the conditions specified in the FDI Policy.

As per the FDI policy, the aggregate foreign investment in a private sector bank from all sources will be allowed up to a maximum of 74% of the paid-up capital of the bank (automatic up to 49% and government approval route beyond 49% and up to 74%). This 74% limit will include investment under the Portfolio Investment Scheme (PIS) by FPIs, NRIs. At all times, at least 26% of the paid-up capital will have to be held by residents, except in regard to a wholly-owned subsidiary of a foreign bank.

In case of NRIs, individual holdings are restricted to 5% of the total paid-up capital both on a repatriation and a non-repatriation basis and the aggregate limit cannot exceed 10% of the total paid-up capital both on a repatriation and a non-repatriation basis. However, NRI holdings can be allowed up to 24% of the total paid-up capital both on a repatriation and a non-repatriation basis subject to a special resolution to this effect passed by the banking company's general body.

The aggregate limit for FPI investments shall be the sectoral caps applicable to our Bank (i.e. up to 74% of the paid-up share capital of our Bank).

Further, individual FPI holding is restricted to below 10% of the total paid-up capital of the company.

All investments shall be subject to the guidelines prescribed for the banking sector under the Banking Regulation Act and the RBI Act. The RBI guidelines relating to acquisition by purchase or otherwise among others, shares of a private bank, if such acquisition results in any person owning or controlling 5% or more of the paid-up capital or voting rights of the private bank will apply to non-residents as well. As per the Banking Regulation Act read with the gazette notification DBR.PSBD. No. 1084/16.13.100/2016-17 dated July 21, 2016, there is a limit of 26% on voting rights in respect of private sector banks, and this should be noted by potential investors.

TAX LAWS

In addition to the aforementioned material legislations which are applicable to our Bank, some of the tax legislations that may be applicable to the operations of our Bank include:

- Income Tax Act 1961, as amended by the Finance Act in respective years;
- Central Goods and Service Tax Act, 2017 and various state-wise legislations made thereunder;
- Indian Stamp Act, 1899 and various state-wise legislations made thereunder; and
- State-wise legislations in relation to professional tax.
- The Foreign Account Tax Compliance Act (FATCA)

LABOUR LAWS

In addition to the aforementioned material legislations which are applicable to our Bank, some of the labour legislations that may be applicable to the operations of our Bank include:

- Contract Labour (Regulation and Abolition) Act, 1970;
- Payment of Wages Act, 1936;
- Payment of Bonus Act, 1965;
- Employees' State Insurance Act, 1948;
- Employees' Provident Funds and Miscellaneous Provisions Act, 1952;
- Equal Remuneration Act, 1976;
- Payment of Gratuity Act, 1972;
- Minimum Wages Act, 1948;
- Industrial Disputes (Banking and Insurance Companies) Act, 1947;
- Employee's Compensation Act, 1923;
- Employment Exchanges (Compulsory Notification of Vacancies) Act, 1959;
- The Industrial Employment (Standing Orders) Act,1946;
- Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act and Rules, 2013;
- Maternity Benefit Act, 1961, as amended
- Shops and Establishment Act 1963, the state-wise acts and rules made thereunder

The Code on Wages, 2019 (enacted by the Parliament of India and assented to by the President of India) will come into force on such date as may be notified in the official gazette by the Central Government. Certain provisions of this code pertaining to central advisory board, have been brought into force by the Ministry of Labour and Employment through a notification dated December 18, 2020 and other provisions of this code will be brought into force on a date to be notified by the Central Government. Once effective, it will subsume the Equal Remuneration Act, 1976, the Minimum Wages Act, 1948, the Payment of Bonus Act, 1965 and the Payment of Wages Act, 1936.

The Code on Social Security, 2020 (enacted by the Parliament of India and assented to by the President of India) will come into force on such date as may be notified in the official gazette by the Central Government and different date may be appointed for different provisions of the Code on Social Security, 2020. Once effective, it will subsume, inter alia, the Employees 'Compensation Act, 1923, the Employees 'State Insurance Act, 1948, the Employees Provident Funds and Miscellaneous Provisions Act, 1952, the Maternity Benefit Act, 1961, the Unorganised Workers' Social Security Act, 2008 and the Payment of Gratuity Act, 1972.

OTHER LEGISLATIONS

In addition to the aforementioned material legislations, our Bank is governed by the provisions of the Companies Act, SEBI Act, SCRA along with the rules, regulations and guidelines made thereunder and other key circulars and regulations as provided below:

- Central KYC Registry Operating Guidelines 2016;
- Master Circular - Disclosure in Financial Statements - Notes to Accounts dated July 1, 2015;
- Master Circular - Know Your Customer (KYC) norms / Anti-Money Laundering (AML) standards / Combating of Financing of Terrorism (CFT) / Obligation of banks under PMLA, 2002;
- Master Circular on Customer Service in Banks (2015);
- Master Direction - Reserve Bank of India (Interest Rate on Advances) Directions, 2016;
- Master Direction - Reserve Bank of India (Interest Rate on Deposits) Directions, 2016;
- Master Direction on Frauds - Classification and Reporting by commercial banks and select FIs dated July 1, 2016 (updated as on July 3, 2017);
- Pension Fund Regulatory and Development Authority (Point of Presence) Regulations, 2018;
- Rationalisation of Branch Authorisation Policy- Revision of Guidelines (May 2017); and
- Unique Identification Authority of India (Authentication Division) circular number 1 of 2018, dated January 10, 2018 on Enhancing Privacy of Aadhar Holders – Implementation of Virtual ID, UID Token and Limited KYC, and other applicable circulars.

Our Bank is also required to comply with Insurance Regulatory and Development Authority of India (Registration of Corporate Agents) Regulations, 2015, Negotiable Instruments Act, 1881, Payment and Settlements Systems Act, 2007, Companies Act and various intellectual property and environment protection related legislations and other applicable statutes rules, regulations, notifications, circular, policies and guidelines for its day-to-day operations.

HISTORY AND CERTAIN CORPORATE MATTERS

Brief history of our Bank

Our Bank was incorporated as Banas Finlease Private Limited at Palanpur, Gujarat as a private limited company under the Companies Act, 1956, and a certificate of incorporation was granted by the Assistant Registrar of Companies, Gujarat, Dadra and Nagar Haveli on April 5, 1995. The name of our Bank changed from Banas Finlease Private Limited to Disha Microfin Private Limited as a result of change in management of our Bank and a fresh certificate of incorporation consequent upon change of name was granted by the Assistant Registrar of Companies, Gujarat, Dadra and Nagar Haveli on March 26, 2010. On October 7, 2015, our Bank was granted an in-principle approval by the RBI to convert into a small finance bank in the private sector under Section 22 of the Banking Regulation Act, 1949. Subsequently, our Bank was converted into a public limited company pursuant to a special resolution passed by our Shareholders at the EGM held on November 29, 2016, and a certificate of incorporation consequent upon conversion to public limited company was granted by the RoC on December 13, 2016. Thereafter, our Bank was granted a license by the RBI on May 12, 2017, to carry on small finance bank business in India in terms of Section 22 (1) of the Banking Regulation Act, 1949. Consequently, the name of our Bank changed from Disha Microfin Limited to Fincare Small Finance Bank Limited, and on June 14, 2017 a fresh certificate of incorporation pursuant to change of name, was granted by the RoC. Our Bank commenced its operations as a small finance bank with effect from July 21, 2017. Our Bank was included in the second schedule to the RBI Act pursuant to a notification dated March 28, 2019 issued by the RBI.

On February 3, 2009, our Bank, then known as Banas Finlease Private Limited, was acquired by Keyur Doshi, Soham Shukla, Sameer Nanavati and Mahender Chawla from the erstwhile shareholders of Banas Finlease Private Limited pursuant to advertisements published on January 1, 2009 in the Indian Express and Jansatta (as per the rules and regulations of the RBI in relation to change in ownership of shares along with control of management) and share transfer applications received by Banas Finlease Private Limited. For the period between April 5, 1995, being the date of incorporation of our Bank and February 3, 2009, being the date when the aforementioned acquisition was undertaken, certain corporate records of our Bank are not traceable with our Bank, or with the RoC. Accordingly, we are unable to provide the confirmations in this section that are required to be provided from incorporation of our Bank in light of the unavailability of such corporate records. For further details, see "*Risk Factors - We have limited knowledge and records of documents relating to corporate actions undertaken by our Bank prior to February 2009. Further, we have not been able to trace certain secretarial records and documents in relation to our Bank, including filings made by our Bank with statutory authorities. We cannot assure you that no legal proceedings or regulatory actions will be initiated against our Bank in the future in relation to such missing corporate records.*" on page 31.

Changes in the Registered Office

Except as disclosed below, there has been no change in registered office of our Bank since the date of incorporation.

Date of change of Registered Office	Details of change in the Registered Office	Reasons for change in the Registered Office
April 1, 2009	From First Floor, 108, Shital Shopping Centre, Cinema Road, Palanpur 385 001, Gujarat, India to 101, Mangal Tirth, 15, Sampatrao Colony, B.P.C. Road, Alkapuri, Vadodara 390 005, Gujarat, India	Administrative convenience
December 11, 2013	From 101, Mangal Tirth, 15, Sampatrao Colony, B.P.C. Road, Alkapuri, Vadodara 390 005, Gujarat, India to 404, 4th Floor, 3rd Eye Complex, Panchvati Cross Road, C.G. Road, Ahmedabad 380 006, Gujarat, India	Administrative convenience
July 28, 2016	From 404, 4th Floor, 3rd Eye Complex, Panchvati Cross Road, C.G. Road, Ahmedabad 380 006, Gujarat, India to 301-306 "Abhijeet V", Opp. Mayor's Bunglow, Law Garden Road, Mithakhali, Ahmedabad 380 006, Gujarat, India	Expansion of Bank's business and increase in Bank's manpower

Main objects of our Bank

The main objects contained in our Memorandum of Association are as follows:

1. *To Carry on business of banking i.e. to carry on business of accepting for the purpose of lending for investment of deposits of money from the public, Repayable on Demand, or otherwise or with drawable by cheque, draft, order or otherwise.*

2. *To engage in any one or more of the following business:*

   a. *Borrowing, Rising or tacking up of money.*

   b. *Lending or advancing of money either upon or without security.*

c. *Drawing, making, accepting, discounting, buying, selling, collecting and dealing in bills of exchange, hundies, promissory notes, coupens, draft bills of lending, Railway-receipts, warrants, debentures, certificate, scripts and other instruments and securities wheather transferable or negotiasble or not.*

d. *Granting and issuing of letter of credit, traveler's cheque and circular notes.*

e. *Buying and selling of and dealing in bullion and species.*

f. *Buying and selling of foreign exchange including foreign bank notes and to provide all kinds of services related thereto.*

g. *Acquiring, holding, issuing on commission, underwriting and dealing in stock, bonds, obligations, securities and investments of all kinds.*

h. *Purchasing and selling of bonds, scrips or other forms of securities on behalf of constituents or others.*

i. *Negotiating of loans and advances.*

j. *Receiving of all kinds of bonds scrips or valuables on deposit or for safe custody or otherwise.*

k. *Providing of safe deposit vaults.*

l. *Collecting and transmitting of securities.*

m. *Issue debit or credit cards, charge cards or smart cards or co-branded cards and extend any other credits to customer or any other persons for any purpose permissible for the Company to carry on under law;*

n. *Carrying on any other business specified in section 6(1)(a) to (n) of the Banking Regulation Act, 1949, as amended from time to time ("1949 Act"), and such other forms of business which the Central Government has pursuant to Section 6(1)(o) of 1949 Act specified or may from time to time specify by notification in the Official Gazette or as may be permitted by Reserve Bank of India ("RBI") from time to time as a form of business in which it would be lawful for a banking company to engage.*

o. *Acting as aggregators, as may be permitted by the Pension Fund Regulatory and Development Authority ("PFRDA"), in connection with the National Pension System of the PFRDA.*

3. *Acting as agent for any government or local authority or any other person or persons, the carrying on of agency business of any description including the clearing and forwarding of goods giving of receipts and discharges and otherwise acting as an attorney on behalf of customers but excluding the business of (Managing agent or secretary and treasurer) of a Company.*

4. *Contracting for public and private loans and negotiating and issuing the same.*

5. *Effecting, insuring, guaranteeing, underwriting, participating in managing and carrying out of any issue, public or private of State, Municipal or other loans or of shares, stock debentures or debentures stock of any company, corporation or association and the lending of money for the purpose of any such issue.*

6. *Carrying on and transacting every kind of guarantee and indemnity business.*

7. *Managing, selling and realizing any property that may come into the possession of the Company in satisfaction or part satisfaction of any of its claims.*

8. *Acquiring and holding and generally dealing with any property or any right, title or interest in any such property which may form the security or part of the security for any loans or advances or which may be connected with any such security.*

9. *Undertaking, settling and executing trusts for any purpose including Mutual Fund.*

10. *Undertaking and administration of estates as executor, trustee or otherwise.*

11. *Establishing and supporting or aiding in the establishment and support of association, institutions, funds, trusts and conveniences calculated to benefit employees or ex-employees of the company, or the dependants or connections of such persons granting pensions and allowances and making payments towards insurance subscribing to or guaranteeing moneys for charitable or benevolent objects for any exhibition or for any public general or useful objects.*

12. *The acquisition, construction, maintenance and alteration of any building or works necessary or convenient for the purpose of the Company.*

13. *Selling, improving, managing, developing, exchanging, leasing, mortgaging disposing of or turning into account or otherwise dealing with all or any part of the property and rights of the Company.*

14. *Acquiring and undertaking the whole or any part of the business of any person, when such business is a nature enumerated or described above.*

15. *Doing all such other things as are incidental or conducive to the promotion or advancement of the business of the Company.*

16. *To take or concur in taking all such steps calculated to uphold and support the credit of the Company and to obtain and justify public confidence and to avert or minimise financial disturbance which may affect the Company.*

17. *Taking or otherwise acquiring and holding shares in any other company having objects similar to those of the Company.*

18. *To acquire by purchase or lease or otherwise any premises for the construction and/or establishment of safe-deposit vault or vaults and to maintain therein fire-proof and burglar-proof strong rooms, safes and other receptacles for deeds, securities, documents, money, jewellery and valuables of all kinds.*

19. *Acting as Debenture Trustee or other Trustees, Custodian, Depository for Shares, Stocks, Bonds, Obligations, securities or investments of all kinds or to do business of Merchant Banking, factoring in such securities.*

20. *To carry on business of Merchant Banking, leasing, factoring, hire-purchase, financial services of all kinds, consultancy or such other business as such subsidiary company may be permitted by the Reserve Bank of India to carry on.*

21. *Any other form of business which the Central Government or Reserve Bank of India may specify as a form of business in which it is lawful for the Company to engage.*

22. *To setup or participate as payment gateway for effective payment against services and trade transactions carried out by internet sites and portals, to act as enablers for Settlement of e-commerce or any other type of transactions for corporate, individuals or any other entities and to act as digital signature verification authority under the Information Technology Act 2000.*

23. *To establish, maintain and operate automated teller machines, or any other Electronic and telecommunication devices for carrying on any of the banking Businesses including, but not limited to internet banking, telephone banking, utility Bills payment for electricity, telephone, mobile phones, and any other activity that Would require the Company's banking expertise.*

24. *To act as corporate agents for insurance products for life and general insurance including but not limited to health, pension and employees benefit, fire, marine, cargo, marine hull, aviation, oil and energy, engineering, accident, liability, motor vehicles, transit and other products to carry on the business of insurance, reinsurance and risk management as an insurance agent or otherwise as may be permitted under law.*

25. *To carry out any type of Corporate Social Responsibility activities.*

26. *To establish or support or aid in the establishment and support of associations, institutions, funds, trusts and conveniences for the benefit of past or present employees or directors of the Company or the dependents of such persons and to grant pensions, gratuities and allowances and superannuation and other benefits or insure payment of any of them by taking insurance or any other promises and occurrences as the company may undertake and subscribing to or guaranteeing monies for charitable or benevolent objects or for any exhibition or for any public, general or useful object.*

27. *To issue debit or credit cards, charge cards or smart cards or co-branded cards and extend any other credits to customer or any other persons for any purpose permissible for the company to carry on under law.'*

28. *To carry on the business of mutual fund distribution.*

The main objects as contained in our Memorandum of Association enable our Bank to carry on the business presently being carried out and proposed to be carried out by it.

Amendments to the Memorandum of Association

Set out below are the amendments to our Memorandum of Association in the last 10 years:

Date of Shareholders' resolution/ Effective date	Particulars
February 5, 2016	Clause V of the MoA was amended to reflect the increase in the authorized share capital of our Bank from ₹100,000,000 divided into 10,000,000 Equity Shares each to ₹370,000,000 divided into 37,000,000 Equity Shares each.

Date of Shareholders' resolution/ Effective date	Particulars
April 12, 2016	Adoption of new set of the Memorandum of Association to align with the requirements set out under the Companies Act.
November 29, 2016	MoA was amended to reflect the change of name from 'Disha Microfin Private Limited' to 'Disha Microfin Limited'.
February 25, 2017	Clause V of the MoA was amended to reflect the increase in the authorized share capital of our Bank from ₹370,000,000 divided into 37,000,000 Equity Shares each to ₹400,000,000 divided into 40,000,000 Equity Shares each.
May 19, 2017	Clause I of the MoA was amended to reflect the change of name from 'Disha Microfin Limited' to 'Fincare Small Finance Bank Limited'.
May 19, 2017	Clause III - A of the MoA was replaced with the following: 1. *To Carry on business of banking i.e. to say a carry on business of accepting for the purpose of lending for investment of deposits of money from the public, Repayable on Demand, or otherwise or with drawable by cheque, draft, order or otherwise.* 2. *To engage in any one or more of the following business:* a. *Borrowing, Rising or tacking up of money.* b. *Lending or advancing of money either upon or without security.* c. *Drawing, making, accepting, discounting, buying, selling, collecting and dealing in bills of exchange, hundies, promissory notes, coupens, draft bills of lending, Railway-receipts, warrants, debentures, certificate, scripts and other instruments and securities wheather transferable or negotiasble or not.* d. *Granting and issuing of letter of credit, traveler's cheque and circular notes.* e. *Buying and selling of and dealing in bullion and species.* f. *Buying and selling of foreign exchange including foreign bank notes and to provide all kinds of services related thereto.* g. *Acquiring, holding, issuing on commission, underwriting and dealing in stock, bonds, obligations, securities and investments of all kinds.* h. *Purchasing and selling of bonds, scrips or other forms of securities on behalf of constituents or others.* i. *Negotiating of loans and advances.* j. *Receiving of all kinds of bonds scrips or valuables on deposit or for safe custody or otherwise.* k. *Providing of safe deposit vaults.* l. *Collecting and transmitting of securities.* m. *Issue debit or credit cards, charge cards or smart cards or co-branded cards and extend any other credits to customer or any other persons for any purpose permissible for the Company to carry on under law;* n. *Carrying on any other business specified in section 6(1)(a) to (n) of the Banking Regulation Act, 1949, as amended from time to time ("1949 Act"), and such other forms of business which the Central Government has pursuant to Section 6(1)(o) of 1949 Act specified or may from time to time specify by notification in the Official Gazette or as may be permitted by Reserve Bank of India ("RBI") from time to time as a form of business in which it would be lawful for a banking company to engage.* o. *Acting as aggregators, as may be permitted by the Pension Fund Regulatory and Development Authority ("PFRDA"), in connection with the National Pension System of the PFRDA.* 3. *Acting as agent for any government or local authority or any other person or persons, the carrying on of agency business of any description including the clearing and forwarding of goods giving of*

Date of Shareholders' resolution/ Effective date	Particulars
	receipts and discharges and otherwise acting as an attorney on behalf of customers but excluding the business of (Managing agent or secretary and treasurer) of a Company. 4. *Contracting for public and private loans and negotiating and issuing the same.* 5. *Effecting, insuring, guaranteeing, underwriting, participating in managing and carrying out of any issue, public or private of State, Municipal or other loans or of shares, stock debentures or debentures stock of any company, corporation or association and the lending of money for the purpose of any such issue.* 6. *Carrying on and transacting every kind of guarantee and indemnity business.* 7. *Managing, selling and realizing any property that may come into the possession of the Company in satisfaction or part satisfaction of any of its claims.* 8. *Acquiring and holding and generally dealing with any property or any right, title or interest in any such property which may form the security or part of the security for any loans or advances or which may be connected with any such security.* 9. *Undertaking, settling and executing trusts for any purpose including Mutual Fund.* 10. *Undertaking and administration of estates as executor, trustee or otherwise.* 11. *Establishing and supporting or aiding in the establishment and support of association, institutions, funds, trusts and conveniences calculated to benefit employees or ex-employees of the company, or the dependants or connections of such persons granting pensions and allowances and making payments towards insurance subscribing to or guaranteeing moneys for charitable or benevolent objects for any exhibition or for any public general or useful objects.* 12. *The acquisition, construction, maintenance and alteration of any building or works necessary or convenient for the purpose of the Company.* 13. *Selling, improving, managing, developing, exchanging, leasing, mortgaging disposing of or turning into account or otherwise dealing with all or any part of the property and rights of the Company.* 14. *Acquiring and undertaking the whole or any part of the business of any person, when such business is a nature enumerated or described above.* 15. *Doing all such other things as are incidental or conducive to the promotion or advancement of the business of the Company.* 16. *To take or concur in taking all such steps calculated to uphold and support the credit of the Company and to obtain and justify public confidence and to avert or minimise financial disturbance which may affect the Company.* 17. *Taking or otherwise acquiring and holding shares in any other company having objects similar to those of the Company.* 18. *To acquire by purchase or lease or otherwise any premises for the construction and/or establishment of safe-deposit vault or vaults and to maintain therein fire-proof and burglar-proof strong rooms, safes and other receptacles for deeds, securities, documents, money, jewellery and valuables of all kinds.* 19. *Acting as Debenture Trustee or other Trustees, Custodian, Depository for Shares, Stocks, Bonds, Obligations, securities or investments of all kinds or to do business of Merchant Banking, factoring in such securities.* 20. *To carry on business of Merchant Banking, leasing, factoring, hire-purchase, financial services of all kinds, consultancy or such other business as such subsidiary company may be permitted by the Reserve Bank of India to carry on.* 21. *Any other form of business which the Central Government or Reserve Bank of India may specify as a form of business in which it is lawful for the Company to engage.* 22. *To setup or participate as payment gateway for effective payment against services and trade transactions carried out by internet sites and portals, to act as enablers for Settlement of e-commerce or any other type of transactions for corporate, individuals or any other entities and to act as digital signature verification authority under the Information Technology Act 2000.* 23. *To establish, maintain and operate automated teller machines, or any other Electronic and telecommunication devices for carrying on any of the banking Businesses including, but not limited*

Date of Shareholders' resolution/ Effective date	Particulars
	to internet banking, telephone banking, utility Bills payment for electricity, telephone, mobile phones, and any other activity that Would require the Company's banking expertise. *24. To act as corporate agents for insurance products for life and general insurance including but not limited to health, pension and employees benefit, fire, marine, cargo, marine hull, aviation, oil and energy, engineering, accident, liability, motor vehicles, transit and other products to carry on the business of insurance, reinsurance and risk management as an insurance agent or otherwise as may be permitted under law.* *25. To carry out any type of Corporate Social Responsibility activities.* *26. To establish or support or aid in the establishment and support of associations, institutions, funds, trusts and conveniences for the benefit of past or present employees or directors of the Company or the dependents of such persons and to grant pensions, gratuities and allowances and superannuation and other benefits or insure payment of any of them by taking insurance or any other promises and occurrences as the company may undertake and subscribing to or guaranteeing monies for charitable or benevolent objects or for any exhibition or for any public, general or useful object.* *27. To issue debit or credit cards, charge cards or smart cards or co-branded cards and extend any other credits to customer or any other persons for any purpose permissible for the company to carry on under law.'* 28. *To carry on the business of mutual fund distribution.*
February 22, 2018	Clause V of the MoA was amended to reflect the increase in the authorized share capital of our Bank from ₹400,000,000 divided into 40,000,000 Equity Shares each to ₹500,000,000 divided into 50,000,000 Equity Shares each. Further, certain typographical/ numeric/ grammatical and spelling errors were corrected.
August 23, 2018	Clause V of the MoA was amended to reflect the increase in the authorized share capital of our Bank from ₹500,000,000 divided into 50,000,000 Equity Shares each to ₹1,000,000,000 divided into 100,000,000 Equity Shares each. Further, numerical errors were corrected.
March 25, 2021	Clause V of the MoA was amended to reflect the increase in the authorized share capital of our Bank from ₹1,000,000,000 divided into 100,000,000 Equity Shares each to ₹3,000,000,000 divided into 300,000,000 Equity Shares each

Major events and milestones of our Bank

The table below sets forth some of the key events in the history of our Bank:

Financial Year	Event
2021	• Our Bank has undertaken a rights issue on April 27, 2021 • Our Bank has undertaken a bonus issue on May 4, 2021
2020	Our Bank received an investment of ₹943.23 million from our Promoter, True North Fund LLP and Lok
2019	• Our Bank received an investment of ₹2,264.65 million from our Promoter, True North Fund V LLP, Silver Leaf Oak (Mauritius) Limited and Lok • The name of our Bank was included in the second schedule of the Reserve Bank of India Act, 1934 • Our Bank crossed 1.7 million active customer base
2018	• Our Bank crossed 1.06 million active customers base
2017	• Our Bank, then known as Disha Microfin Limited, received an investment of ₹3,827.67 million from our Promoter, Indium IV (Mauritius) Holdings Limited and FSSPL • Our Bank received RBI license to carry on the business of a small finance bank

Financial Year	Event
	• The name of our Bank was changed from 'Disha Microfin Limited' to 'Fincare Small Finance Bank Limited'
2016	• Our Bank, then known as Disha Microfin Private Limited, became a subsidiary of our Promoter pursuant to a share swap with Indium • Our Bank, then known as Disha Microfin Private Limited, purchased the business of FFSPL pursuant to a slump sale • The name of 'Disha Microfin Private Limited' was changed to 'Disha Microfin Limited', upon conversion into a public company
2015	• Our Bank, then known as Disha Microfin Private Limited received RBI in-principle approval to convert into a small finance bank
2013	• Our Bank, then known as Disha Microfin Private Limited, was registered with the RBI as a non-banking financial company – micro finance institution ("**NBFC-MFI**")
2010	• The name of our Bank was changed from 'Banas Finlease Private Limited' to 'Disha Microfin Private Limited' • Our Bank was registered as a NBFC-ND with the RBI under the name of 'Disha Microfin Private Limited'
1999	• Our Bank, then known as 'Banas Finlease Private Limited', was registered as a non-deposit accepting non-banking financial institution ("**NBFC-ND**") with the RBI
1995	• Incorporation of our Bank under the name of 'Banas Finlease Private Limited'

Awards, accreditations and recognitions received by our Bank

Year	Awards
2021	Certified as a Great Place to Work by the Great Place to Work Institute
2020	• "Award Winner" in the "Business Process Management" category by Dun & Bradstreet India at the BFSI Summit and Awards 2020 • "Lap D Lite" awarded under "BFSI – Category" at the 2nd edition of the BFSI InnoTribe Summit & Awards • "Brand Excellence – in Banking Sector" award from World Marketing Congress at Global Marketing Excellence Awards • "Responsible Lender" certification by Finance Industry Development Council
2019	"Celent Model Bank 2019 Financial Inclusion Award" for 'LAP (Loans Against Property) D.Lite'.
2018	• 'Customer Literacy and Capacity Building' award at MFIN Microfinance Awards, 2018 – In Pursuit of Excellence. • 'Innovative Initiative in the Rural Sector' and 'Bank with Best Technology Orientation" at ABP BFSI Awards 2018. • 'Emerging Brand Award' at the Gujarat Best Brand Awards 2018. • 'Skoch Order-of-Merit' in 'Top Ranking Banking & Finance Projects in India' category for 'LAP D.Lite'.

Time and cost over-runs

There have been no time and cost over-runs in the setting up of any of the establishments of our Bank or in respect of our business operations.

Defaults or re-scheduling of borrowings

There have been no defaults or re-scheduling/ re-structuring in relation to borrowings availed by our Bank from any financial institutions or banks.

Lock-out and strikes*

As on the date of this Draft Red Herring Prospectus, there have been no lock-outs or strikes at any time at our Bank.

Accumulated Profits or Losses of subsidiaries

As of the date of this Draft Red Herring Prospectus, our Bank has no subsidiaries.

Significant financial and strategic partners

As of the date of this Draft Red Herring Prospectus, our Bank does not have any significant financial or strategic partners.

Details of guarantees given to third parties by our Promoter Selling Shareholder

Our Promoter Selling Shareholder has not given any guarantees to third parties.

Launch of key products or services, entry into new geographies or exit from existing markets

For details of key products or services launched by our Bank, entry into new geographies or exit from existing markets, see "*Our Business*" on page 133.

Details regarding material acquisitions or divestments of business/ undertakings, mergers, amalgamations or any revaluation of assets, in the last ten years

Other than as disclosed below, our Bank has not acquired any business or undertaking and has not undertaken any merger, amalgamation or revaluation of assets:

Business transfer agreement dated April 13, 2016 ("Business Transfer Agreement") entered into between Future Financial Services Private Limited ("FFSPL") and our Bank, then known as 'Disha Microfin Private Limited', as amended by the supplementary agreement dated September 23, 2016 ("Supplementary Agreement")

Upon receipt of the RBI in-principle approval to operate as a small finance bank, our Bank entered into the Business Transfer Agreement, pursuant to which, on October 1, 2016 ("**Closing Date**") our Bank purchased the entire business of FFSPL by way of a slump sale. On the Closing Date, FFSPL transferred its entire business, including of providing microfinance products and services, micro enterprise and business loans together with all its business assets (including, *inter alia*, all movable assets and the loan portfolio), and business liabilities (including all indebtedness, obligation and other liabilities of FFSPL relating to the business of FFSPL) to our Bank. Pursuant to the Business Transfer Agreement, our Bank paid an amount of ₹1,370.10 million to FFSPL as consideration for the slump sale. Further, on the Closing Date, all employees in service of FFSPL stood transferred to our Bank.

Subsequently, our Bank and FFSPL entered into the Supplementary Agreement to the Business Transfer Agreement, pursuant to which our Bank undertook to inform all customers of FFSPL regarding the transfer of business and loans of FFSPL to our Bank. The Supplementary Agreement further provided that any part of the business of FFSPL that remains to be transferred to our Bank will be held by FFSPL in trust for our Bank and maintained and operated by FFSPL such that the complete benefit of such part of the business may be passed on to our Bank. Such part of the business was deemed to be beneficially owned by our Bank.

Following the Business Transfer Agreement and the Supplementary Agreement, on October 1, 2016, our Bank and FFSPL entered into an agreement for the assignment of loan portfolio of FFSPL to our Bank ("**Assignment Agreement**"). Pursuant to the Assignment Agreement, our Bank became the sole and absolute owner of portfolio loans of FFSPL, including receivables from such loans. The Assignment Agreement further provided that our Bank will not be liable for any losses, claims or demands raised by any party in relation to the loan portfolio, which may have arisen due to an act or omission of FFSPL.

Holding Company

Our Promoter is our holding company. For details of our Promoter, see *"Our Promoter and Promoter Group"* on page 206.

Our Subsidiaries

As of the date of this Draft Red Herring Prospectus, our Bank has no subsidiaries.

Joint Venture

As of the date of this Draft Red Herring Prospectus, our Bank has no joint ventures.

Shareholders' agreements and other agreements

Share purchase and share subscription agreement dated January 9, 2017 ("SPSSA"), as amended by agreement dated February 27, 2017 ("First Amendment Agreement")

On January 9, 2017, our Promoter entered into the SPSSA with (i) Indium IV (Mauritius) Holdings Limited and Acts Mahila Mutually Aided Cooperative Thrift Society Limited (together, "**Sellers**"); (ii) IVF Trustee Company Private Limited, Wagner

Limited, Kotak Mahindra Life Insurance Company Limited, TATA Capital Financial Services Limited, Edelweiss Tokio Life Insurance Company Limited, Edelweiss Equities Limited, Omega TC Holdings Pte. Limited, Leapfrog Rural Inclusion (India) Limited, Ashokkumar Sobhagmal Patni and Vasundhara Apoorva Patni (together, "**Investors**"); and (iii) the shareholders of our Promoter as of the date of the SPSSA (together, "**Existing Shareholders**"), in relation to the sale of equity shares of our Promoter from the Sellers to the Investors, and the subscription of equity shares of our Promoter by the Investors. Subsequently, on February 27, 2017, the parties to the SPSSA, and certain new investors, namely, Religare Health Insurance, Mahesh Krishnamurthy, Ashish Karamchandani and S.M. Sundaram (together, "**New Investors**"), entered into the First Amendment Agreement, pursuant to which Acts Mahila Mutually Aided Cooperative Thrift Society Limited ceased to be a party to the SPSSA, and the New Investors became parties to the SPSSA.

Pursuant to the meeting of the shareholders of our Promoter dated April 30, 2021, our Promoter's articles of association have been amended to ensure that certain rights of the shareholders of our Promoter in relation to our Bank are either waived or amended to facilitate the Offer.

Key terms of other subsisting material agreements

Except as disclosed below our Bank has not entered into any material agreements other than in the ordinary course of business carried on by our Bank.

License agreement dated December 14, 2016 entered into between our Promoter and our Bank (in the name and style of Disha Microfin Limited) ("License Agreement")

Our Promoter has granted to our Bank, a non-exclusive, worldwide, royalty free, irrevocable right and license to use the intellectual property owned by our Promoter to conduct its daily business activities including but not limited to providing services, products and related promotional activities as per its business objectives or any other purpose conveyed in writing by our Bank to our Promoter. The License Agreement may be considered terminated for a specific mark, in case the Promoter and our Bank together decide to discontinue the use of that specific mark.

Agreements with Key Managerial Personnel, Directors, the Promoter or any other employee

There are no agreements entered into by a Key Managerial Personnel or Director or the Promoter or any other employee of our Bank, either by themselves or on behalf of any other person, with any shareholder or any other third party with regard to compensation or profit sharing in connection with dealings in the securities of our Bank.

OUR MANAGEMENT

Board of Directors

In terms of the Articles of Association and the Companies Act, our Bank is required to have not less than three Directors and not more than fifteen Directors. As on the date of this Draft Red Herring Prospectus, our Board comprises of nine Directors including one Executive Director, three Non-Executive, Non-Independent Directors (including two Nominee Directors) and five Independent Directors. One of our Independent Directors is a woman Director.

The following table sets forth details regarding our Board of Directors as of the date of this Draft Red Herring Prospectus:

S. No.	Name, designation, address, occupation, nationality, term, and DIN	Age (years)	Other directorships
1.	**Pramod Kabra** ***Designation:*** Part-time Chairman and Non-Executive Director ***Address:*** 2101, Floor-21, Plot-30, Tower No. 4, Strata Planet Godrej, Keshavrao Khadye Marg, Saat Rasta, Jacob Circle, Mumbai 400 011, Maharashtra, India ***Occupation:*** Service ***Date of birth:*** October 20, 1959 ***Nationality:*** Indian ***Period and term:*** For a period of three years with effect from June 24, 2020 ***DIN:*** 02252403	61	• Actify Data Labs Private Limited; • Atria Convergence Technologies Limited; • Commguard Trade Services Private Limited; • Degustibus Hospitality Private Limited; and • Shree Digvijay Cement Co. Limited
2.	**Rajeev Yadav** ***Designation:*** Managing Director and Chief Executive Officer ***Address:*** Villa 578, Phase 3, Adarsh Palm Retreat, Outer Ring Road, Devara Beesana Halli, Bellandur, Bangalore 560 103, Karnataka, India ***Occupation:*** Service ***Date of birth:*** July 13, 1969 ***Nationality:*** Indian ***Period and term:*** For a period of three years with effect from July 17, 2020 ***DIN:*** 00111379	51	Nil
3.	**Alok Prasad** ***Designation:*** Independent Director ***Address:*** 144, Vista Villas, Opposite Unitech Cyber Park, Sector 46, Gurgaon 122 001, Haryana, India ***Occupation:*** Service ***Date of birth:*** September 8, 1952 ***Nationality:*** Indian	68	• Arman Financial Services Limited; • Gang-Jong Development Finance Private Limited; and • Muthoot Microfin Limited

S. No.	Name, designation, address, occupation, nationality, term, and DIN	Age (years)	Other directorships
	Period and term: For a period of five years with effect from July 20, 2017, i.e., until July 19, 2022 and is not liable to retire by rotation. ***DIN:*** 00080225		
4.	**Aarthi Sivanandh** ***Designation:*** Independent Director ***Address:*** Flat No 3B, Door No 209/12, Pooja Poora Apartments, 209 St Marys Road, Alwarpet, Chennai 600 018, Tamil Nadu, India ***Occupation:*** Lawyer ***Date of birth:*** July 4, 1977 ***Nationality:*** Indian ***Period and term:*** For a period of five years with effect from April 28, 2021, i.e., until April 27, 2026 and is not liable to retire by rotation. ***DIN:*** 00140141	43	Nil
5.	**Ravindran Lakshmanan** ***Designation:*** Nominee Director* ***Address:*** 15/4, Maanappa Gounder Street 3, Erode, Surampatti 638 009, Tamil Nadu, India ***Occupation:*** Service ***Date of birth:*** August 14, 1967 ***Nationality:*** Indian ***Period and term:*** With effect from May 19, 2018 and is not liable to retire by rotation. ***DIN:*** 07631421	53	• Gujarat Industrial and Technical Consultancy Organisation Limited; and • Gujarat State Financial Corporation
6.	**Sameer Yogesh Nanavati** ***Designation:*** Nominee Director* ***Address:*** 2, Avkar Society, Manjalpur, Vadodara 390 011, Gujarat, India ***Occupation:*** Service ***Date of birth:*** October 3, 1971 ***Nationality:*** Indian ***Period and term:*** With effect from June 24, 2017 and is liable to retire by rotation ***DIN:*** 00157693	49	• Barefoot Organics Private Limited; • Fincare Community Development Foundation; and • ILIFE Clinics and Research Private Limited

S. No.	Name, designation, address, occupation, nationality, term, and DIN	Age (years)	Other directorships
7.	**Sunil Satyapal Gulati** ***Designation:*** Independent Director ***Address:*** Flat No. 703, Sterling Sea Face, Dr. Worli, Mumbai 400 018, Maharashtra, India ***Occupation:*** Consultant ***Date of birth:*** July 28, 1961 ***Nationality:*** Indian ***Period and term:*** For a period of five years with effect from July 20, 2017, i.e., until July 19, 2022 and is not liable to retire by rotation. ***DIN:*** 00016990	59	• Arthan Finance Private Limited; • Empays Payment Systems India Private Limited; • Merisis Advisors Private Limited; • Paradime Technologies Private Limited; • Perfios Account Aggregation Services Private Limited • PNB Metlife India Insurance Company Limited; • Samunnati Financial Intermediation & Services Private Limited; • SBI Mutual Fund Trustee Company Private Limited; • Tapstart Capital Private Limited; • Varthana Finance Private Limited; and • Visage Holdings and Finance Private Limited
8.	**Varun Sabhlok** ***Designation:*** Independent Director ***Address:*** 237, Arcadia Road, #01-01, The Arcadia Singapore 289 844 ***Occupation:*** Consultant and Advisor ***Date of birth:*** September 16, 1955 ***Nationality:*** Indian ***Period and term:*** For a period of five years with effect from August 31, 2017, i.e., until August 30, 2022 and is not liable to retire by rotation ***DIN:*** 07704720	65	Nil
9.	**Vinay Baijal** ***Designation:*** Independent Director ***Address:*** 701, Lodha Grandeur, Sayani Road, Near Parel S.T. Depot, Prabhadevi, Mumbai 400 025, Maharashtra, India ***Occupation:*** *Service* ***Date of birth:*** June 15, 1951 ***Nationality:*** Indian ***Period and term:*** With effect from February 25, 2017 and is not liable to retire by rotation ***DIN:*** 07516339	69	Aye Finance Private Limited.

S. No.	Name, designation, address, occupation, nationality, term, and DIN	Age (years)	Other directorships

Ravindran Lakshmanan and Sameer Yogesh Nanavati are Nominee Directors of our Promoter, on our Board.

Relationship between our Directors

None of our Directors are related to each other.

Brief Biographies of Directors

Pramod Kabra is the Part-time Chairman and Non-Executive Director of our Bank. He holds a bachelor's degree in commerce from Jodhpur University. He is also a chartered accountant with the Institute of Chartered Accountants of India. He is currently associated with True North Managers LLP.

Rajeev Yadav is the Managing Director and Chief Executive Officer of our Bank. He holds a bachelor's degree in technology from the Indian Institute of Technology, Kanpur, and a post graduate diploma in management from the Indian Institute of Management, Ahmedabad. He was previously the chief executive officer of G.E. Money Financial Services Private Limited.

Alok Prasad is an Independent Director of our Bank. He holds a master's degree in arts from the University of Delhi. He was previously the chief executive officer of Microfinance Institutions Network (MFIN), the chairperson and director of South Asia Micro-entrepreneurs Network (SAMN) and has worked with the Reserve Bank of India and the National Housing Bank.

Aarthi Sivanandh is an Independent Director of our Bank. She holds a bachelor's degree in commerce from the University of Madras, a bachelor's degree in law from The Tamil Nadu Dr. Ambedkar Law University and a master's degree in law from Tulane University. She is enrolled with the Bar Council of Tamilnadu. She was the co-founder of Vichar Partners, an independent legal firm, which subsequently merged with J. Sagar and Associates. She is presently an equity partner with J. Sagar Associates.

Ravindran Lakshmanan is a Nominee Director of our Bank. He holds a bachelor's degree in commerce and a bachelor's degree in law from the University of Mumbai and a post graduate diploma in management and financial management from the Indira Gandhi National Open University. He is an associate of the Indian Institute of Bankers. He has been associated with SIDBI for the last three decades.

Sameer Yogesh Nanavati is a Nominee Director of our Bank. He holds a master's degree in business administration (marketing management) from the Sardar Patel University, Gujarat. He is one of the founders of our Bank. He has been a director on the board of ILIFE Clinics and Research Private Limited, Barefoot Organics Private Limited and Fincare Community Development Foundation since their inception.

Sunil Satyapal Gulati is an Independent Director of our Bank. He holds a bachelor's degree in technology from the Indian Institute of Technology, Delhi, and a post graduate diploma in management from the Indian Institute of Management, Ahmedabad. He has previously worked with Bank of America, RBL Bank Limited, Yes Bank Limited, GE Capital Services India and ING Vysya Bank Limited.

Varun Sabhlok is an Independent Director of our Bank. He holds a bachelor's degree in arts from the University of Bombay, bachelor's degree in science (Economics) from the London School of Economics and Political Science and is an associate of the Institute of Chartered Accountants in England and Wales. He was the founder of AVS Asia Ventures, a management consulting services and has previously worked with Safeguard Real Estate Management Pte. Limited.

Vinay Baijal is an Independent Director of our Bank. He holds a master's degree in science from University of Allahabad. He is an associate of the Indian Institute of Bankers. He was previously associated with the Reserve Bank of India, from where he retired as the chief general manager, Department of Banking Operations and Development. He has also previously worked with the International Monetary Fund, Mizuho Bank Limited, Paypal Payments Private Limited, and Experian Services India Private Limited. He is currently an advisor to BSR & Co. LLP. He has been a member of the MFIN Enforcement Committee, Committee on Investment Pattern for Insurance and Pension Sector, Ministry of Finance, GoI and the Financial Action Task Force, Ministry of Finance, GoI.

Confirmations

None of our Directors is, or was a director of any listed company during the last five years preceding the date of this Draft Red Herring Prospectus, whose shares have been, or were suspended from being traded on any of the stock exchanges during the term of their directorship in such company.

No consideration in cash or shares or otherwise has been paid or agreed to be paid to any of our Directors or to the firms or companies in which they are interested by any person either to induce them to become or to help them qualify as a Director, or otherwise for services rendered by them or by the firm or company in which they are interested, in connection with the promotion or formation of our Bank.

None of our Directors is, or was a director of any listed company which has been, or was delisted from any stock exchange during the term of their directorship in such company.

Terms of appointment of Directors

1. Remuneration to Executive Director:

Rajeev Yadav was appointed as the MD and CEO of our Bank vide a board resolution dated June 24, 2017, and Shareholders' resolution dated July 10, 2017. His appointment was approved by RBI pursuant to letter dated July 17, 2017. The Board passed a resolution dated January 22, 2020 for re-appointing him as the MD & CEO. His re-appointment as MD and CEO was approved by the RBI pursuant to letter dated July 6, 2020. The re-appointment was approved by the Shareholders' vide a resolution dated July 31, 2020

During Fiscal 2021, Rajeev Yadav was paid a total remuneration of ₹28.85 million. Pursuant to letter dated January 14, 2020 read with approval dated July 6, 2020 provide by the RBI, set out below are details of remuneration governing his appointment with effect from April 1, 2019.

Particulars	Remuneration (₹ in million)
Gross Salary	₹29.50 million*
Perquisites	Car lease

**including house rent and other allowances amounting to ₹6.15 million.*

Note: Our Bank has made an application dated April 23, 2021 to RBI seeking approval for the variable pay to be paid to Rajeev Yadav for Fiscal 2020. The Nomination and Remuneration Committee of the Bank, in its meeting dated April 20, 2021, has recommended the grant of 137,500 options to Rajeev Yadav, the Managing Director and CEO, at an exercise price of ₹280 per option, under the ESOP Scheme, for which approval is awaited from the RBI. Therefore, the cost pertaining to the proposed grant has not been accounted for in the Restated Financial Statements.

2. Remuneration to Non-Executive Directors:

Our Part-time Chairman and Non-Executive Director, Pramod Kabra, is not entitled to any remuneration from our Bank. Accordingly, he was not paid any amount in Fiscal 2021.

Independent Directors

Pursuant to the Board resolution dated July 7, 2020, each Independent Director is entitled to receive sitting fees of approximately ₹0.10 million per meeting for attending meetings of the Board and sitting fees of ₹0.05 million per meeting for attending meetings of committees of the Board, within the limits prescribed under the Companies Act, 2013, and the rules made thereunder.

The details of remuneration paid to our Independent Directors during Fiscal 2021 are as follows:

S. No.	Name of Director	Sitting fees paid (₹ in million)
1.	Alok Prasad	2.00
2.	Anisha Motwani*	0.45
3.	Sunil Satyapal Gulati	2.00
4.	Varun Sabhlok	2.00
5.	Vinay Baijal	2.00
6.	Aarthi Sivanandh**	Nil
7.	Susan Thomas***	0.15

**Anisha Motwani resigned with effect from April 15, 2021*

***Aarthi Sivanandh was appointed as an Independent Director with effect from April 28, 2021 and therefore, no remuneration was paid to her for Fiscal 2021*

*** *Susan Thomas resigned with effect from December 7, 2020*

Nominee Directors

Pursuant to the Board resolution dated July 7, 2020, Sameer Yogesh Nanavati, the Nominee Director of our Promoter on our Board, is entitled to receive sitting fees of approximately ₹0.10 million per meeting for attending meetings of the Board and sitting fees of ₹0.05 million per meeting for attending meetings of committees of the Board. He was paid a total of ₹1.80 million as sitting fees during Fiscal 2021.

Ravindran Lakshmanan, a Nominee Director of our Promoter on our Board is not entitled to any remuneration from our Bank. Accordingly, he was not paid any amount in Fiscal 2021.

Arrangement or understanding with major Shareholders, customers, suppliers or others

Except for Sameer Yogesh Nanavati and Ravindran Lakshmanan, Nominee Directors of our Promoter on the Board of our Bank, both nominated pursuant to the SPSSA and our AoA, there is no other arrangement or understanding with the major shareholders, customers, suppliers or others, pursuant to which any Director was selected as a director. For details, see "*History and Certain Corporate Matters - Key terms of subsisting shareholders' agreements*".

Shareholding of Directors in our Bank

As per our Articles of Association, our Directors are not required to hold any qualification shares.

Other than as disclosed below, none of our Directors hold any Equity Shares of our Bank:

Sr. No.	Name	No. of Equity Shares	Percentage of the pre-Offer Equity Share Capital (%)	Number of employee stock options outstanding	Percentage of the post-Offer of Equity Share Capital (%)
Directors					
1.	Sameer Yogesh Nanavati	162,213	0.07	Nil	[●]
2.	Rajeev Yadav	336	Negligible	123,484*	[●]

** Pursuant to approval from the RBI vide letter dated February 10, 2021, the Bank has made a grant of 48,188 options pertaining to Financial Year 2018 and 75,296 options pertaining to Financial Year 2019 to Rajeev Yadav, the Managing Director and Chief Executive Officer. This has been accounted in the Restated Financial Statements for the nine months period ended December 31, 2020. The Nomination and Remuneration Committee of the Bank, in its meeting dated April 20, 2021, has recommended the grant of 137,500 options to Rajeev Yadav, the Managing Director and CEO, at an exercise price of ₹280 per option, under the ESOP Scheme, for which approval is awaited from the RBI. Therefore, the cost pertaining to the proposed grant has not been accounted for in the Restated Financial Statements.*

Shareholding of Directors in subsidiaries and associate companies

Our Bank does not have any subsidiaries or associate companies.

Interests of Directors

All Directors may be deemed to be interested to the extent of fees payable to them for attending meetings of our Board or a Committee thereof as well as to the extent of other remuneration and reimbursement of expenses payable to them under our Articles of Association, and to the extent of remuneration paid to them for services rendered as an officer or employee of our Bank. Further, our Directors (excluding our Independent Directors) are entitled to participate in the ESOP 2018.

The Directors may also be regarded as interested in the Equity Shares, if any, held by them or that may be subscribed by or allotted to the companies, firms and trusts, in which they are interested as directors, members, partners, trustees and promoters, pursuant to this Offer. All of our Directors may also be deemed to be interested to the extent of any dividend payable to them and other distributions in respect of the Equity Shares held by them, as well as to the extent of any employee stock options granted to them.

Other than Sameer Yogesh Nanavati, who is one of the founders of our Bank, and the Nominee Directors on our Board, none of our Directors have any interest in the promotion or formation of our Bank.

None of our Directors have any interest in any property acquired or proposed to be acquired by the Bank.

Except as disclosed in "*Financial Statements – Annexure 22 - Notes forming part of the restated summary statements - 22.9 - Related party disclosure*" on page 267 and this section, no amount or benefit has been paid or given within the two preceding years or is intended to be paid or given to any of our Directors except the normal remuneration for services rendered as Directors.

No loans have been availed by our Directors from our Bank.

None of the beneficiaries of loans, advances and sundry debtors are related to the Directors of our Bank.

None of the Directors is party to any bonus or profit-sharing plan of our Bank other than the performance linked incentives given to each of the Directors in accordance with the terms of their appointment.

Except as disclosed in "*Financial Statements – Annexure 22 - Notes forming part of the restated summary statements - 22.9 - Related party disclosure*" on page 267 and this section, our Directors do not have any interest in the Bank or its business.

Changes in the Board in the last three years

Name	Date of Appointment/ Change/Cessation	Reason
Aarthi Sivanandh	May 1, 2021	Re-designated as an Independent Director
Aarthi Sivanandh	April 28, 2021	Appointment as an Additional Director (Independent)
Anisha Motwani	April 15, 2021	Resignation as an Independent Director
Anisha Motwani	March 31, 2020	Re-designated as an Independent Director
Anisha Motwani	December 7, 2020	Appointment as an Additional Director (Independent)
Susan Thomas	December 7, 2020	Resignation as an Independent Director
Rajeev Yadav	July 17, 2020	Re-appointment as Managing Director and CEO
Pramod Kabra	June 24, 2020	Re-appointment as Non-Executive Director and Part time Chairman
Ravindran Lakshmanan	May19, 2018	Appointment as a Nominee Director
Praveen Kumar Agarwal	May 19, 2018	Resignation as a Nominee Director

Borrowing Powers of Board

Pursuant to a special resolution passed by the Shareholders of our Bank in their meeting held on December 28, 2016 and subject to the Companies Act, 2013 or any amendment or modification thereof, our Board is authorised to raise or borrow from time to time such sum or sums as they deem appropriate for the purposes of our Bank from financial institutions, non-banking finance companies, co-operative banks, investment institutions, banks, mutual funds, and other body corporates in Indian rupees or equivalent thereof in any foreign currency(ies), whether by way of advances, loans, issue of debentures/ bonds/ and/ or any other instruments, any sum of moneys on such terms and conditions and with our without security as our Board may thing fit which together with the money already borrowed by our Bank (apart from temporary loans obtained or to be obtained from our Bank's bankers in the ordinary course of business), may exceed the aggregate of its paid-up share capital and free reserves, provided however, the total amount so borrowed shall not exceed ₹25,000 million.

Corporate Governance

The corporate governance provisions of the Listing Regulations will be applicable to us immediately upon the listing of the Equity Shares on the Stock Exchanges. We are in compliance with the requirements of the applicable regulations, including the Listing Regulations, the Companies Act and the SEBI ICDR Regulations, in respect of corporate governance including constitution of the Board and committees thereof and formulation of policies, to the extent applicable. The corporate governance framework is based on an effective independent Board, separation of the Board's supervisory role from the executive management team and constitution of the Board committees, as required under law.

Our Board has been constituted in compliance with the Companies Act, the Listing Regulations, guidelines issued by the RBI from time to time, and in accordance with best practices in corporate governance. The Board of Directors functions either as a full board or through various committees constituted to oversee specific operational areas. The executive management provides the Board of Directors detailed reports on its performance periodically.

The composition of our Board is also in compliance with the Banking Regulation Act, SFB Licensing Guidelines and conditions stipulated by the RBI Final Approval.

Pursuant to RBI approval dated July 17, 2017, read with RBI approval dated June 22, 2020, Pramod Kabra was appointed as the Part-time Chairman and Non-Executive Director of our Bank for a period of three years with effect from June 24, 2020. Thereafter, pursuant to RBI approval dated July 17, 2017, read with RBI approval dated July 6, 2020, Rajeev Yadav was appointed as the Managing Director and Chief Executive Officer of our Bank for a period of three years with effect from July 17, 2020.

Committees of the Board

Audit Committee

The members of the Audit Committee are:

1. Vinay Baijal, *Chairman*;
2. Pramod Kabra
3. Alok Prasad;
4. Sameer Yogesh Nanavati;
5. Sunil Gulati; and
6. Varun Sabhlok

The Managing Director and Chief Executive Officer is an invitee of the Audit Committee.

The Audit Committee was constituted by our Board of Directors at their meeting held on April 15, 2011. The Audit Committee was last reconstituted on February 21, 2018. The scope and function of the Audit Committee is in accordance with Section 177 of the Companies Act, 2013, the Listing Regulations and the guidelines issued by the RBI from time to time. The terms of reference of the Audit Committee include the following:

A. <u>Audit-related functions</u>

1. Recommending to the Board, the appointment, re-appointment, terms of reference and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees;

2. Discussion 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;

3. Reviewing and monitoring the statutory and internal auditors' independence and performance, and effectiveness of audit process;

4. Approval of payment to statutory auditors for any other services rendered by the statutory auditors;

5. Review of compliance with the inspection and audit reports of Reserve Bank of India, review of the findings of internal investigations, discussion on the scope of audit with external auditors and examination of reasons for substantial defaults; and

6. A consolidated review of cases of fraud, dacoity, robbery etc., detected during the year containing information such as area of operations where such attempts were made, effectiveness of new processes and procedures put in place during the year, trend of such cases during the last three years, need for further change in processes and procedures, if any, etc. as on March 31 every year should be put up to the ACB within three months of the end of the relative year.

B. <u>Financial Statements</u>

1. Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:

   (i) 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;

   (ii) Changes, if any, in accounting policies and practices and reasons for the same;

   (iii) Major accounting entries involving estimates based on the exercise of judgment by management;

   (iv) Significant adjustments made in the financial statements arising out of audit findings;

   (v) Compliance with legal requirements relating to financial statements;

(vi) Disclosure of any related party transactions; and

(vii) Qualifications in draft Audit report.

2. Reviewing, with the management, the half-yearly financial statements before submission to the Board for approval; and

3. Reviewing, with the management, the quarterly financial statements.

C. Internal audit related functions

1. Reviewing with management the adequacy of the internal control systems;

2. 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;

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

4. 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.

D. Related Party Transactions

Approval or any subsequent modification of transactions of the Bank with related parties.

E. Others

1. 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 utilized 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;

2. Evaluation of internal financial controls and risk management systems;

3. To appoint valuers for valuation of any property, stocks, shares, debentures, securities or goodwill or any other assets or net worth of a Bank or liability of the Bank under the provision of the Companies Act, 2013;

4. To undertake and / or approve of valuation of undertakings or assets of the Bank, wherever it is necessary;

5. To scrutinize inter-Bank loans and investments;

6. To review guidelines for investing surplus funds of the Bank;

7. To review investment proposals before submission to the Board of Directors;

8. To review proposal for mergers, demergers, acquisitions, carve-outs, sale, transfer of business / real estate and its valuation report and fairness opinion, if any, thereof;

9. Pre-approval or any subsequent modification of transactions of the Bank with related parties;

10. To ensure proper system of storage, retrieval, display, or printout of the electronic record;

11. To look into the reasons for substantial defaults in the payment to the debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;

12. To review the functioning of the Whistle Blower I vigil mechanism. The procedures should ensure adequate safeguards against victimization of persons using such mechanism and make provision for direct access to the chairperson of the Audit Committee in appropriate or exceptional cases;

13. Any other requirement in accordance with the applicable provisions of Companies Act, or any re-enactment, amendment or modification thereto from time to time;

14. To review findings and report of Fraud Monitoring Committee on periodic basis on the cases of attempted fraud and any other findings;

15. Review the KYC/Anti-Money Law1dering (AML) / Counter - Financing of Terrorism CFT) policy annually and review the implementation of the Companies AML / CFT programme;

16. The Committee will perform any other duties and responsibilities that are consistent with the Committee's purpose, Articles of Association as the Board or Committee deems necessary or appropriate;

17. To approve appointment of chief financial officer after assessing the qualifications, experience and background, etc. of the candidate;

18. Carrying out any other function as is mentioned in the terms of reference of the audit committee;

19. Reviewing the utilization of loans and/ or advances from/investment by the holding company in the subsidiary exceeding rupees 100 crore or 10% of the asset size of the subsidiary, whichever is lower including existing loans / advances / investments existing as on the date of coming into force of this provision;

F. Disclosure

1. Oversight of the Bank's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;

2. The Committee shall take note of required disclosures on significant changes m internal controls over financial reporting during the year;

3. The Audit Committee shall mandatorily review the following information:

   (i) Management discussion and analysis of financial condition and results of operations; Statement of significant related party transactions, (as defined by the Audit Committee), submitted by management;

   (ii) Management letters I letters of internal control weaknesses issued by the statutory auditors;

   (iii) Internal audit reports relating to internal control weaknesses;

   (iv) The appointment, removal and terms of remuneration of the chief internal auditor shall be subject to review by the Audit Committee; and

   (v) The financial statements of unlisted subsidiary companies, in particular, the investments made by unlisted subsidiary companies.

   (vi) Statement of deviations:

      a. quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s) in terms of Regulation 32(1) of the Listing Regulations.

      b. annual statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice.

The Audit Committee is required to meet at least four times in a year and not more than 120 days are permitted to elapse between two meetings under the terms of the Listing Regulations.

Nomination and Remuneration Committee

The members of the Nomination and Remuneration Committee are:

1. Sunil Gulati, *Chairperson*;

2. Alok Prasad;

3. Pramod Kabra; and

4. Vinay Baijal

Our Managing Director and Chief Executive Officer, Head – CEO Office and Chief People Officer are invitees to meetings of the Nomination and Remuneration Committee.

The Nomination and Remuneration Committee was first constituted by a meeting of our Board of Directors held on April 15, 2011 and last reconstituted on December 7, 2020. The scope and function of the Nomination and Remuneration Committee is in accordance with Section 178 of the Companies Act, 2013, guidelines issued by the RBI from time to time, and the Listing Regulations. The terms of reference of the Nomination and Remuneration Committee include:

1. Formulating the criteria for determining qualifications, compliance with the fit and proper criteria as required under the Reserve Bank of India Guidelines for Licensing of Small Finance Banks in the Private Sector, positive attributes and

independence of a director and recommend to the Board of directors a policy, relating to the remuneration of the directors, key managerial personnel and other employees;

The Nomination and Remuneration Committee, while formulating the above policy, should ensure that —

(i) the level and composition of remuneration be reasonable and sufficient to attract, retain and motivate directors of the quality required to run our Bank successfully;

(ii) relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and

(iii) remuneration to directors, key managerial personnel and senior management involves a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the Bank and its goals

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

3. To review the performance of each existing Director and consider the results of such review when determining whether or not to recommend the nomination of such Director for the next year;

4. Devising a policy on diversity of Board of Directors;

5. Identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the Board of directors their appointment and removal and shall specify the manner for effective evaluation of performance of the Board, its committees and individual directors to be carried out either by the Board, by the Nomination and Remuneration Committee or by an independent external agency and review its implementation and compliance. The Bank shall disclose the remuneration policy and the evaluation criteria in its annual report;

6. Extending or continuing the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors;

7. Recommending to the board, all remuneration, in whatever form, payable to senior management;

8. Determine the Bank's policy on specific remuneration packages for Whole-time Directors / Executive Directors including pension rights and any compensation payment;

9. Decide the actual Salary, Salary Grades, Overseas Allowance, Perquisites, Retirals and Increment of Whole-time Directors;

10. Define and implement the performance linked incentive scheme and evaluate the performance and determine the amount of incentive of the Whole-time Directors for that purpose;

11. Administering, monitoring and formulating detailed terms and conditions of the Employees Stock Option Scheme of the Bank;

12. Periodically review and suggest revision of the total remuneration package of the Whole-time Directors keeping in view performance of the Bank, standards prevailing in the industry, Norms specified by RBI, statutory guidelines, etc;

13. Carrying out any other function as is mandated by the Board from time to time and / or enforced/mandated by any statutory notification, amendment or modification, as may be applicable;

14. The Committee shall plan for CEO/ Senior Management succession including plans for interim succession in the event of an unexpected occurrence and submit a report to the Board to nominate potential successors to CEO/ Senior Management personnel;

15. To ensure that a Deed of Covenant and a declaration and undertaking in Bank's favor, as may be specified by RBI is obtained from every Director;

16. To ensure that an annual declaration is obtained from its Directors that the information provided has not undergone change and where there is any change, requisite details from them has been obtained forthwith;

17. To scrutinize Deed of Covenant and declaration and undertaking submitted by each of its Directors and on a continuing basis perform due diligence in respect of each of its Directors and shall report to the Reserve Bank if any of its directors fails to fulfil the 'fit and proper' criteria as specified by Reserve Bank from time to time. The Committee shall review and assess its performance on an annual basis;

18. Oversee the Director succession planning process for ensuring the right mix of Directors on the Board;

19. In cases where Director provides any services to the Bank in any other capacity, evaluating whether the Director possesses the requisite qualification for the practice of such profession;

20. Develop an Orientation (new Directors) and Continuing Education Program (CEP) for the Board and individual Directors so as to keep abreast of changes in the Bank and the environment in which it operates; and

21. Performing such other functions as may be necessary or appropriate for the performance of its duties.

Stakeholders' Relationship Committee

The members of the Stakeholders' Relationship Committee are:

1. Alok Prasad, *Chairman*

2. Sameer Yogesh Nanavati; and

3. Rajeev Yadav

The Stakeholders' Relationship Committee was constituted by our Board of Directors at their meeting held on April 26, 2021. The scope and function of the Stakeholders' Relationship Committee is in accordance with Section 178 of the Companies Act, 2013 and the Listing Regulations. The terms of reference of the Stakeholders' Relationship Committee are as follows:

1. To resolve the grievances of the security holders of the Bank including complaints related to transfer/ transmission of shares, non-receipt of annual report, non-receipt of declared dividends, issue of new/ duplicate certificates, general meetings etc. and assisting with quarterly reporting of such complaints;

2. To review of measures taken for effective exercise of voting rights by shareholders;

3. To review of adherence to the service standards adopted by the Bank in respect of various services being rendered by the Registrar & Share Transfer Agent;

4. To review of the various measures and initiatives taken by the Bank for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants/ annual reports/ statutory notices by the shareholders of the Bank;

5. Formulation of procedures in line with the statutory guidelines to ensure speedy disposal of various requests received from shareholders from time to time;

6. To redress of shareholders' and investors' complaints/ grievances such as transfer of shares, non-receipt of balance sheet, non-receipt of declared dividend etc;

7. To approve, register, refuse to register transfer or transmission of shares and other securities;

8. To sub-divide, consolidate and or replace any share or other securities certificate(s) of the Bank;

9. Allotment and listing of shares, approval of transfer or transmission of shares, debentures or any other securities;

10. To authorise affixation of common seal of the Bank;

11. To approve the transmission of shares or other securities arising as a result of death of the sole/ any joint shareholder;

12. To dematerialize or rematerialize the issued shares;

13. To Ensure proper and timely attendance and redressal of investor queries and grievances;

14. To carry out any other functions contained in the Listing Regulations, Companies Act, 2013 and/ or equity listing agreements (if applicable), as and when amended from time to time; and

15. To further delegate all or any of the power to any other employee(s), officer(s), representative(s), consultant(s), professional(s), or agent(s).

Corporate Social Responsibility Committee

The members of the Corporate Social Responsibility Committee are:

1. Alok Prasad, *Chairman*;

2. Sameer Yogesh Nanavati;

3. Varun Sabhlok; and

4. Ravindran Lakshmanan

The Corporate Social Responsibility Committee was first constituted by a meeting of our Board of Directors held on May 27, 2015 and last reconstituted on December 7, 2020. One of the members, Anisha Motwani, has resigned from the Board and consequently, from the Corporate Social Responsibility Committee, since its last reconstitution. The terms of reference of the Corporate Social Responsibility Committee of our Bank include the following:

1. Formulation of a corporate social responsibility policy to the Board, indicating the activities to be undertaken by the Bank in areas or subject specified in the Companies Act, 2013. The activities should be within the list of permitted activities specified in the Companies Act, 2013 and the rules thereunder;

2. Recommending the amount of expenditure to be incurred, amount to be at least 2% of the average net profit of the Bank in the three immediately preceding financial years;

3. Recommending to the Board, the amount of expenditure to be incurred on the activities pertaining to CSR. (Prescribed in Schedule VII) and monitor the same;

4. Review and monitor the corporate social responsibility activities of the Bank on behalf of the Board to ensure that the Bank is in compliance with appropriate laws and legislations;

5. Instituting a transparent monitoring mechanism for implementation of the corporate social responsibility projects or programs or activities undertaken by the Bank;

6. Monitoring the corporate social responsibility policy from time to time and issuing necessary directions as required for proper implementation and timely completion of corporate social responsibility programmes;

7. Identifying corporate social responsibility policy partners and corporate social responsibility policy programmes;

8. Review management's position on key stakeholder expectations involving corporate social responsibility and provide perspectives for Board's consideration;

9. Identifying and appointing the corporate social responsibility team of the Bank including corporate social responsibility manager, wherever required;

10. Review management-identified opportunities to optimize the use of technology for the use of CSR activities; and

11. Performing such other duties and functions as the Board may require the corporate social responsibility committee to undertake to promote the corporate social responsibility activities of the Bank.

Risk Management Committee

The members of the Risk Management Committee are:

1. Sunil Gulati, *Chairman*;

2. Rajeev Yadav;

3. Promod Kabra;

4. Varun Sabhlok; and

5. Ravindran Lakshmanan

The Risk Management Committee was first constituted by a meeting of our Board of Directors held on April 15, 2011 and last reconstituted by circular resolution dated May 22, 2018, confirmed by the Board in a meeting held on July 23, 2018. The terms of reference of the Risk Management Committee of our Bank include the following:

A. <u>Risk Management</u>

1. To ensure that all the current and future material risk exposures of the Bank are assessed, identified, quantified, appropriately mitigated and managed;

2. To establish a framework for the risk management process and to ensure its implementation in the Bank;

3. To ensure that the Bank is taking appropriate measures to achieve prudent balance between risk and reward in both ongoing and new business activities;

4. Review and recommend changes, from time to time, to the Risk Management plan and/ or associated frameworks, processes and practices of the Bank;

5. To enable compliance with appropriate regulations, wherever applicable, through the adoption of best practices;
6. To verify adherence to various risk parameters and prudential limits for treasury operations and to review its risk monitoring system.
7. Perform other activities related to this charter as requested by the Board of Directors or to address issues related to any significant subject within its term of reference.
8. To develop an integrated framework for charting / categorizing various types of loans, to determine implications on quality and review of returns and reports to the Reserve Bank of India pertaining to the Risk Monitoring function.
9. Evaluate overall risks faced by the bank and determining the level of risks which will be in the best interest of the bank.
10. To review management's formulation of procedures, action plans and strategies to mitigate risks on short term as well as long term basis;
11. To review the credit and liquidity stress test results on a quarterly basis
12. Identify, monitor and measure the risk profile of the bank.
13. To ensure that the Bank's credit exposure to any one group or industry does not exceed the internally set limits and that the risk is prudently diversified.
14. Develop policies and procedures, verify the models that are used for pricing complex products, review the risk models as development takes place in the markets and also identify new risks.
15. Design stress scenarios to measure the impact of unusual market conditions and monitor variance between the actual volatility of portfolio value and that predicted by the risk measures.
16. Monitor compliance of various risk parameters by operating Departments.
17. Review the outsourcing functions of the Bank
18. Review of risk management practices, procedures and systems to ensure that same are adequate to limit all potential risks, faced by the bank to prudent levels (Annually). (Risk Management Framework to be reviewed for adequacy).
19. Limit Management Framework to be defined by outlining of the tolerance limits. Any exceptions and breaches to be reported on a quarterly basis.
20. Reviewing adequacy of insurance policies taken by Management to cover risks/ transfer risk exposures.
21. To ensure compliance with Banks Group policy and regulatory requirement.

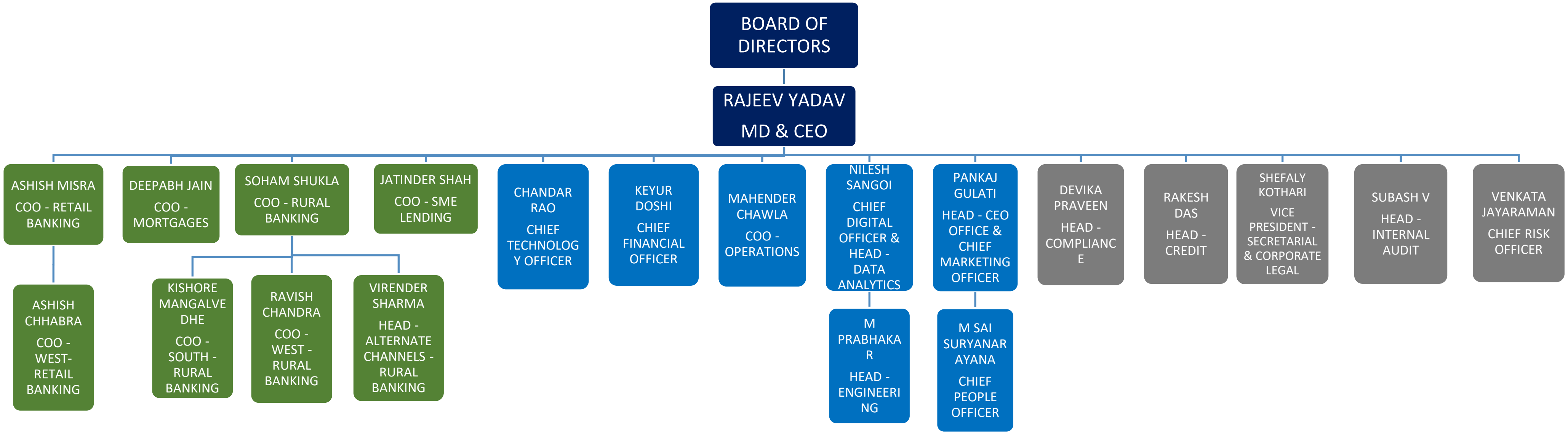
B. Liquidity Management

1. To ensure compliance with Banks Group policy and regulatory requirement
2. To set local targets and review assumptions used for forecasting cash flows
3. Review and approve contingency plans for liquidity and realisability assumption
4. To review and manage concentration risk arising from both borrowers and depositors
5. To ensure business activity is consistent with the structural integrity of the balance sheet, including capital consumption
6. To ensure that risks inherent in local payment systems are evaluated, quantified and managed.

Other committees of our Bank

In addition to the committees mentioned–in “ - *Committees of the Board*” on page 193, our Bank has constituted various other committees, such as, the credit approval committee, fraud monitoring committee, IT strategy committee and customer service committee to oversee and govern various internal functions and activities of our Bank.

Management Organisation Chart



Key Managerial Personnel

The details of the Key Managerial Personnel of our Bank are as follows:

Rajeev Yadav is the Managing Director and Chief Executive Officer of our Bank. For further details in relation to Rajeev Yadav, see "*– Brief Biographies of Directors*" on page 189. For details of compensation paid to him, see "*Terms of Appointment of Directors*" on page 190.

Ashish Misra is the Chief Operating Officer – Retail Banking of our Bank. He holds a bachelor's degree in commerce from the University of Delhi and a post graduate diploma in business administration from K.J. Somaiya Institute of Management Studies and Research, Mumbai. He has previously worked with ICICI Bank Limited, IndusInd Bank Limited and the Royal Bank of Scotland N.V. He joined our Bank with effect from August 16, 2017. During Fiscal 2021, he received a remuneration of ₹10.43 million.

Ashish Chhabra is the Chief Operating Officer – Retail Banking (West) of our Bank. He holds a master's degree in technology from the Birla Institute of Technology and a doctorate in philosophy from the University of Rajasthan, Jaipur. He has previously worked with ICICI Bank Limited, IndusInd Bank Limited and UTI Bank Limited. He joined our Bank with effect from October 15, 2018. During Fiscal 2021, he received a remuneration of ₹4.21 million.

Deepabh Jain is the Chief Operating Officer – Mortgages of our Bank. He holds a bachelor's degree in technology (electrical) from the Banaras Hindu University and a post graduate diploma in management from the Indian Institute of Management, Calcutta. He has previously worked with Tata Capital Financial Services Limited. He joined our Bank with effect from July 2, 2018. During Fiscal 2021, he received a remuneration of ₹11.54 million.

Jatindra Mohan Singh Shah is the Chief Operating Officer – SME Lending of our Bank. He holds a post graduate diploma in management (system and marketing) from the Symbiosis Institute of Management Studies, Pune. He has previously worked with Clix Capital Services Private Limited, GE Money Financial Services Limited, ICICI Bank Limited, Neo Growth Credit Private Limited, Religare Finvest Limited and ABN-AMRO Bank. He joined our Bank with effect from April 9, 2021 and accordingly, did not receive any remuneration from our Bank during Fiscal 2021.

Kishore Mangalvedhe is the Chief Operating Officer – Rural Banking (South) of our Bank. He holds a bachelor's degree in science from the Bangalore University, post graduate diploma in management in dispute resolution form NALSAR, University of Law, Hyderabad and a post graduate diploma in international marketing from Osmania University. He has previously worked with L&T Finance Limited, Sinclaire Televisions Private Limited, Kalyani Sharp India Limited, Investsmart India Limited, Eureka Forbes Limited, Bharat Forge Limited, Asia Pacific Investment Trust Limited and Alpic Finance Limited. He joined our Bank with effect from April 25, 2014. During Fiscal 2021, he received a remuneration of ₹5.09 million.

Ravish Chandra is the Chief Operating Officer – Rural Banking (West) of our Bank. He holds a post graduate diploma in business administration from the Institute of Chartered Financial Analyst of India. He has previously worked with Lanbit Networks Private Limited, HDFC Bank Limited and Kotak Mahindra Bank Limited. He joined our Bank with effect from September 1, 2017. During Fiscal 2021, he received a remuneration of ₹5.12 million.

Soham Shukla is the Chief Operating Officer – Rural Banking of our Bank. He holds a bachelor's degree in engineering (electronics) and a master's in business administration (marketing management) from the Sardar Patel University, Gujarat. He is one of the founders of our Bank. He has previously worked with Core Healthcare Limited, Network Limited and Tata Metals and Strips Limited. He joined our Bank with effect from July 3, 2017. During Fiscal 2021, he received a remuneration of ₹11.60 million.

Virender Sharma is the Head – Alternate Channels (Rural Banking) of our Bank. He holds a bachelor's degree in engineering from the Bangalore University. He has previously worked with HSBC Limited, Digivation Digital Solutions Private Limited, Whirlpool of India Limited, Barclays Bank PLC, RBL Finserve Limited and Janalakshmi Financial Services Limited. He joined our Bank with effect from May 16, 2019. During Fiscal 2021, he received a remuneration of ₹6.25 million.

Chandar Rao V. is the Chief Technology Officer of our Bank. He holds a diploma in computer science from the Department of Technical Education, Government of Karnataka and an honours diploma in software technology and systems management from NIIT, Hyderabad. He has previously worked with Bhartiya Samruddhi Finance Limited, Financial Information Network & Operations Limited, ICICI Bank Limited and Stay-on Papers (P) Limited. He joined India Finserve Advisors Private Limited with effect from September 3, 2010, which amalgamated with our Promoter pursuant to a scheme of amalgamation. Subsequently, he stood transferred to our Bank. During Fiscal 2021, he received a remuneration of ₹8.43 million.

Keyur Doshi is the Chief Financial Officer of our Bank. He has a bachelor's degree in science (mathematics) from Maharaja Sayajirao University, Baroda and master's in business administration from University of Pune. He is one of the founders of our Bank. He was previously a partner at Disha Support Services. He has also been a director on the board of ILIFE Clinics and Research

Private Limited since its inception. He joined our Bank as the Chief Financial Officer with effect from May 1, 2017. During Fiscal 2021, he received a remuneration of ₹11.57 million.

Mahendra Ramchand Chawla is the Chief Operating Officer – Operations of our Bank. He is an associate of the Institute of Cost Accountants of India. He has previously worked with HSBC Limited. He joined our Bank with effect from March 1, 2016. During Fiscal 2021, he received a remuneration of ₹7.36 million.

M Sai Suryanarayan is the Chief People Officer of our Bank. He holds a post graduate diploma in personnel management from the Xavier Institute of Social Service, Ranchi. He has previously worked with Bharat Earth Movers Limited, GlaxoSmithKline Pharmaceuticals Limited, AU Small Finance Bank Limited, ING Vysya Bank Limited, ITC Limited, TI Cycles of India, Toyota Financial Services India Limited. He joined our Bank with effect from March 4, 2021. During Fiscal 2021, he received a remuneration of ₹0.49 million.

M Prabhakar is the Head – Engineering of our Bank. He holds a bachelor's degree in engineering (computer science and engineering) from the Anna University, Chennai. He has previously worked with the National Payments Corporation of India, FIS Global Business Solutions India Private Limited, Leiten Technologies Private Limited, Lipi Data Systems Ltd., T&B International Pvt. Ltd., Diebold Systems Private Limited and Rupenet Technology Solutions Private Limited. He joined our Bank with effect from March 5, 2021. During Fiscal 2021, he received a remuneration of ₹0.43 million.

Nilesh Sangoi is the Chief Digital Officer and the Head-Data Analytics of our Bank. He holds a diploma in audio and video engineering from the Radio Electric Institute, Mumbai. He has previously worked with Meru Mobility Tech Private Limited. He joined our Bank with effect from December 23, 2019. During Fiscal 2021, he received a remuneration of ₹11.59 million.

Pankaj Gulati is the Head – CEO Office and Chief Marketing Officer of our Bank. He holds a bachelor's degree in science from the University of Delhi, post graduate diploma in business management (finance) from the Sardar Patel College of Communication and Management, New Delhi and has completed the executive general management programme from the Indian Institute of Management, Bangalore. He has previously worked with MetLife India Insurance Company Limited. He joined India Finserve Advisors Private Limited with effect from December 20, 2010, which amalgamated with our Promoter pursuant to a scheme of amalgamation. Subsequently, he stood transferred to our Bank. During Fiscal 2021, he received a remuneration of ₹8.71 million.

Devika Praveen is the Head – Compliance of our Bank. She holds a bachelor's degree in science and a master's degree in business administration from the University of Mysore. She has previously worked with Kotak Mahindra Bank Limited. She joined our Bank with effect from June 8, 2017. During Fiscal 2021, she received a remuneration of ₹3.13 million.

Rakesh Das is the Head - Credit of our Bank. He holds a post graduate diploma in rural development from the Xavier Institute of Social Service, Ranchi. He has previously worked with Arohan Financial Services Limited, Indian Grameen Services and IFMR Capital Finance Private Limited. He joined our Bank with effect from August 1, 2016. During Fiscal 2021, he received a remuneration of ₹5.56 million.

Shefaly Kothari is the Vice President – Secretarial and Corporate Legal, the Company Secretary and the Compliance Officer of our Bank. She holds a bachelor's degree in commerce from the University of Mumbai and a bachelor's degree in law from the Shreemati Nathibai Damodar Thackersey Women's University, Mumbai. She is a fellow member of the Institute of Company Secretaries of India. She has previously worked with Rathi & Associates and Aditya Birla Insurance Brokers Limited. She joined our Bank with effect from August 11, 2016. During Fiscal 2021, she received a remuneration of ₹2.75 million.

Subash V. is the Vice President – Internal Audit of our Bank. He holds a master's degree in business administration (international business) from the Indian Institute of Foreign Trade, Delhi. He has previously worked with Kotak Mahindra Bank Limited. He joined our Bank with effect from September 4, 2017. During Fiscal 2021, he received a remuneration of ₹2.65 million.

Venkata Jayaraman M. is the Chief Risk Officer of our Bank. He holds a bachelor's degree in science from the University of Madras and a post graduate diploma in personnel management from Annamlai University He has previously worked with Kotak Mahindra Bank Limited, Corporation Bank and Andhra Bank. He joined our Bank with effect from July 18, 2016. During Fiscal 2021, he received a remuneration of ₹7.89 million.

Relationship between our Key Managerial Personnel and other Key Managerial Personnel and Directors

None of the Key Managerial Personnel are related to each other or to the Directors.

Shareholding of Key Managerial Personnel

Except as disclosed below, none of our Key Managerial Personnel hold any Equity Shares as of the date of this Draft Red Herring Prospectus:

Sr. No.	Name	No. of Equity Shares	Percentage of the pre-Offer Equity Share Capital (%)	Number of employee stock options outstanding	Percentage of the post-Offer of Equity Share Capital (%)
1.	Keyur Doshi	245,946	0.11	Nil	[●]
2.	Pankaj Gulati	131,976	0.06	Nil	[●]
3.	Mahendra Ramchand Chawla	86,730	0.04	Nil	[●]
4.	Chandar Rao V.	81,678	0.04	Nil	[●]
5.	Soham Shukla	71,823	0.03	Nil	[●]
6.	Venkata Jayaraman M.	68,040	0.03	Nil	[●]
7.	Kishore Mangalvedhe	45,006	0.02	Nil	[●]
8.	Deepabh Jain	43,860	0.02	Nil	[●]
9.	Rakesh Das	26,850	0.01	Nil	[●]
10.	Ravish Chandra	24,930	0.01	Nil	[●]
11.	Nilesh Sangoi	15,270	0.01	Nil	[●]
12.	Devika Praveen	14,910	0.01	Nil	[●]
13.	Ashish Chhabra	12,270	0.01	Nil	[●]
14.	Virender Sharma	11,067	0.01	Nil	[●]
15.	Subash V	4,017	Negligible	Nil	[●]
16.	Rajeev Yadav	336	Negligible	123,484*	[●]
Total		**884,709**	**0.41**	**123,484**	[●]

** Pursuant to approval from the RBI vide letter dated February 10, 2021, the Bank has made a grant of 48,188 options pertaining to Financial Year 2018 and 75,296 options pertaining to Financial Year 2019 to Rajeev Yadav, the Managing Director and Chief Executive Officer. This has been accounted in the Restated Financial Statements for the nine months period ended December 31, 2020. The Nomination and Remuneration Committee of the Bank, in its meeting dated April 20, 2021, has recommended the grant of 137,500 options to Rajeev Yadav, the Managing Director and CEO, at an exercise price of ₹280 per option, under the ESOP Scheme, for which approval is awaited from the RBI. Therefore, the cost pertaining to the proposed grant has not been accounted for in the Restated Financial Statements.*

Bonus or Profit-Sharing Plans of the Key Managerial Personnel

Our Bank has a wealth share plan which was instituted during Financial Year 2017 ("**Wealth Share Plan**") pursuant to which, certain bands of employees of our Bank are eligible to receive performance linked incentives in addition to their salary. Except for Shefaly Kothari, who is one of our Key Managerial Personnel and a party to this Wealth Share Plan, no other Key Managerial Personnel is a party to any bonus or profit-sharing plan of our Bank. For details of the incentives paid to employees under the Wealth Share Plan, please see "*Financial Statements*" on page 234.

Status of Key Managerial Personnel

All the Key Managerial Personnel are permanent employees of our Bank.

Interests of Key Managerial Personnel

Our Key Managerial Personnel do not have any interest in our Bank other than to the extent of the remuneration or benefits to which they are entitled as per their terms of appointment and reimbursement of expenses incurred by them during the ordinary course of business. The Key Managerial Personnel may also be deemed to be interested to the extent of their shareholding or the shareholding of their relatives in the Bank and any dividend payable to them and other distributions in respect of Equity Shares held in our Bank, if any. Some of our KMPs are entitled to employee stock options and equity shares resulting from the exercise of options issued by our Bank and our Promoter. Additionally, our KMPs, Rajeev Yadav and Keyur Doshi, who hold 1,080 and 2,671,540 equity shares, respectively, in our Promoter, are interested to the extent of the equity shares held by them in our Bank and our Promoter.

None of the Key Managerial Personnel have been paid any consideration of any nature from our Bank on whose rolls they are employed, other than their remuneration. None of our Key Managerial Personnel have availed any loan from our Bank.

There is no arrangement or understanding with the major shareholders, customers, suppliers or others, pursuant to which any Key Managerial Personnel was selected as member of senior management.

Changes in the Key Managerial Personnel

The changes in the Key Managerial Personnel in the last three years are as follows:

Name	Designation	Date of change	Reason for change
Jatindra Mohan Singh Shah	Chief Operating Officer – SME Lending	April 9, 2021	Appointment
Deepabh Jain	Chief Operating Officer – Mortgages	April 1, 2021	Re-designation from Chief Operating Officer – LAP and Affordable Housing Loan to Chief Operating Officer - Mortgages
M Prabhakar	Head – Engineering	March 5, 2021	Àppointment
M Sai Suryanarayan	Chief People Officer	March 4, 2021	Appoitnment
Pankaj Gulati	Head – CEO Office and Chief Marketing Officer	March 4, 2021	Re-designation from Chief People Officer to Head – CEO Office and Chief Marketing Officer
Shashi Kumar T	Head – IT Project Management	February 4, 2021	Resignation
Prakash Sundaram S	Chief Strategy Officer	January 30, 2021	Resignation
Suresh Krishnamurthy	Chief Operating Officer – Retail Banking (South)	June 30, 2020	Resignation
Sandeep Bhalla	Head – CEO Office	June 30, 2020	Resignation
Kishore Mangalvedhe	Chief Operating Officer – Rural Banking (South)	May 8, 2020	Re-designation from Chief Operating Officer – FFSL to Chief Operating Officer – Rural Banking (South)
Mahendra Ramchand Chawla	Chief Operating Officer – Operations	May 7, 2020	Re-designation from Chief Operating Officer – Channel Operations to Chief Operating Officer - Operations
Rakesh Das	Head – Credit	April 24, 2020	Re-designation from Head - Risk to Head - Credit
Ravish Chandra	Chief Operating Officer – Rural Banking (West)	April 24, 2020	Re-designation from Chief Operating Officer – Retail Banking (West) to Chief Operating Officer – Rural Banking (West)

Name	Designation	Date of change	Reason for change
Kavya Shetty	Head – Strategic Initiatives	February 25, 2020	Resignation
Sandeep Bhalla	Head – CEO Office	January 1, 2020	Appointment
Nilesh Sangoi	Chief Digital Officer and Head-Data Analytics	December 23, 2019	Appointment
Raghavendra Rao T. S.	Chief compliance officer	December 20, 2019	Resignation
Dennies Vargheese	National Sales Manager – Retail LAP	August 23, 2019	Resignation
Virender Sharma	Head – Alternate Channels (Rural Banking)	May 16, 2019	Appointment
Venkata Jayaraman M	Chief Risk Officer	December 15, 2018	Re-designation from Chief Operating Officer – Central Operations to Chief Risk Officer
Ashish Chhabra	Chief Operating Officer – Retain Banking (West)	October 15, 2018	Appointment
Usha Murali	Chief risk officer	September 7, 2018	Resignation
Dennies Vargheese	National Sales Manager – Retail LAP	August 6, 2018	Appointment
Deepabh Jain	Chief Operating Officer – LAP and Affordable Housing Loan	July 2, 2018	Appointment

Service Contracts with Directors and Key Managerial Personnel

Other than statutory benefits upon termination of their employment in our Bank on retirement, no officer of our Bank, including our Directors and the Key Managerial Personnel has entered into a service contract with our Bank pursuant to which they are entitled to any benefits upon termination of employment.

Contingent and deferred compensation payable to our Director and Key Managerial Personnel

Other than the deferred bonus compensation payable to our KMPs, and deferred performance payable to Rajeev Yadav on receipt of approval from RBI, there is no contingent or deferred compensation payable to our Directors and KMPs, which does not form a part of their remuneration.

Payment or benefit to Key Managerial Personnel

Our Bank has a Wealth Share Plan pursuant to which, certain bands of employees of our Bank are eligible to receive performance linked incentives in addition to their salary. Except for Shefaly Kothari, who is one of our Key Managerial Personnel and a party to this Wealth Share Plan, no other Key Managerial Personnel has been paid or given any non-salary amount or benefit within the two preceding years of the date of this Draft Red Herring Prospectus. For details in relation to the non-salary amounts paid to the Bank's officers during the two preceding years from the date of this Draft Red Herring Prospectus, see "*Financial Statements*" on page 234.

Employees Stock Options

For details of our employee stock options, see "*Capital Structure*" on page 68.

OUR PROMOTER AND PROMOTER GROUP

Fincare Business Services Limited is the Promoter of our Bank.

As on the date of this Draft Red Herring Prospectus, our Promoter holds 173,489,568 Equity Shares aggregating to 78.58% of the pre-Offer issued, subscribed and paid-up equity share capital of our Bank. For further details, see "*Capital Structure*" on page 68.

Details of our Promoter

Fincare Business Services Limited

Corporate Information

Our Promoter was incorporated as 'Fincare Business Services Private Limited' on August 1, 2014 at Bengaluru as a private limited company under the Companies Act, 2013. Subsequently, our Promoter was converted from a private limited company to a public limited company pursuant to a special resolution passed by the shareholders of our Promoter at the EGM held on October 5, 2016. Consequent to the conversion to a public limited company, a fresh certificate of incorporation was issued by the Registrar of Companies, Karnataka at Bangalore on November 23, 2016 and the name of our Promoter was changed to 'Fincare Business Services Limited'. Subsequently, RBI granted a certificate of registration dated February 2, 2017 to our Promoter as an NBFC-CIC-ND-SI to commence/carry on the business as a non-banking financial institution without accepting public deposit.

The registered office of our Promoter is located at 79/7, 3rd Floor, K. No. 1202, Bellandur, Varthur Hobli, Bangalore 560 102, Karnataka, India.

The CIN of our Promoter is U74900KA2014PLC075614.

Our Promoter is a professionally managed company and does not have an identifiable promoter either in terms of the SEBI ICDR Regulations, or in terms of the Companies Act.

The main objects of our Promoter are:

"1. To carry on the business as a core investment company and for that purpose to acquire and hold either in the name of the company or in that of any nominee, shares, stocks, debentures, debenture stock, bond, notes and to invest or to deposit or to hold funds in such group companies or other companies where the group companies have substantial interest or acquire, buy, purchase, sell or otherwise deal in shares, stocks, bonds, debentures, obligations or other securities of any company with an intention to acquire the controlling interest in the company by itself or together with any of the group companies.

2. To invest in, acquire, hold, underwrite, sell or otherwise deal in shares, stocks, debenture stocks, bonds, negotiable instruments, securities of any company, Government, Public Body or authority, Municipal and Local Bodies, whether in India or abroad and also to invest, buy, sell, transfer deal in and dispose of any shares, stocks, debentures, whether perpetual or redeemable debentures, stocks, securities of any Government, Local, Authority, Bonds and Certificates.

3. To carry on the business of an investment company and invest in the purchase of or upon the security of and to buy, sell or otherwise deal in shares, stocks, units, debentures, debenture stock bonds, mortgages, obligations, and securities of any kind issued or guarantee by any company, corporation or undertaking of whatever nature whether incorporated or otherwise.

4. To form, promote, subside and assist companies having similar objects and partnerships, to promote and acquire any concern as a running business or otherwise or purchase any part of the assets of any concern or company or any interest or share thereto and to pay for the same including its goodwill either in cash/or by issue of shares or otherwise and invest the moneys of the company for the said purposes.

5. To acquire, purchase, takeover and/or amalgamate business or undertakings of companies or firms which under existing circumstances, from time to time, may conveniently or advantageously be combined with the business of the Company, to amalgamate or merge with companies whose business are so acquired, purchased or taken over and/or to enter into any agreement with the object of acquisition of such undertaking and/or business.

6. To carry on the business as financial advisors and to advise and assist in all financial, costing, accounting, internal control and other similar matters to advise and assist in the preparation of all revenue and capital budgets, development of funds, long term planning or utilization of resources, procuring bank and institutional finance including cash, credit facilities, overdraft facilities, subscription of debentures and term loans, to assess the needs of short and long term credit facilities *and raising of resources, long term planning of utilization of resources for rehabilitation, to advise and assist in the formulation of procedures for prevention of fraud, wastage, financial and cost accounting procedures and other connected matters to advise and assist in formulating long term financial policies and control their executions, and generally to advise and assist in all financial, fiscal and revenue matters.*

7. *To act as investment consultants, stock brokers, underwrites and to invest or subscribe for purchase or otherwise, acquire and sell, dispose of exchange, hold and otherwise deal in shares or other securities issued by any authority Central, State, Municipal, Local or otherwise and to carry on the business generally carried on by investment companies."*

Board of directors of our Promoter

The board of directors of our Promoter comprises of the following:

1. Dasarathareddy Gunnamreddy;

2. Bhavya Gulati

3. Dhiraj Poddar;

4. Divya Sehgal;

5. Maninder Singh Juneja;

6. Nandini Jashwantlal Parekh; and

7. Peravali Satyanarayana;

Shareholding pattern of our Promoter

As on the date of this Draft Red Herring Prospectus, the authorised share capital of our Promoter is ₹1,155,000,000 divided into 1,055,000,000 equity shares of face value of ₹1 each and 10,000,000 preference shares of ₹10 each. The issued and paid-up share capital of our Promoter is ₹328,690,840 divided into 328,690,840 equity shares of face value ₹1 each.

The shareholding pattern of the equity shares of our Promoter as on the date of this Draft Red Herring Prospectus is as follows:

Sl. No.	Description	Equity shares*	Percentage of equity share capital (%)
1.	Wagner Limited	58,535,040	17.81
2.	True North Fund V LLP	54,663,372	16.63
3.	INDIUM IV (Mauritius) Holdings Limited	54,085,980	16.45
4.	Omega TC Holdings Pte. Ltd	27,772,330	8.45
5.	LeapFrog Rural Inclusion (India) Limited	16,218,090	4.93
6.	Kotak Mahindra Life Insurance Company Limited	15,096,130	4.59
7.	Edelweiss Tokio Life Insurance Company Limited	14,464,810	4.40
8.	Small Industries Development Bank of India	12,517,880	3.81
9.	Dasarathareddy Gunnamreddy	9,333,270	2.84
10.	Vistra ITCL I Ltd Business Excellence Trust III India Business Excellence Fund III	7,913,921	2.41
11.	Acts Mahila Mutually Aided Co Op Thrift Society	7,326,520	2.23

Sl. No.	Description	Equity shares*	Percentage of equity share capital (%)
12.	Bharti Axa Life Insurance Company Limited	5,660,000	1.72
13.	Silverleaf Oak (Mauritius) Ltd	4,308,560	1.31
14.	Gunnamreddy Kalavathi	2,869,543	0.87
15.	ICICI Lombard General Insurance Company Limited	2,777,500	0.85
16.	Keyur Gopalbhai Doshi	2,671,540	0.81
17.	Hoshiar Singh Khola and Saroj Khola	2,636,340	0.80
18.	Tata Capital Financial Services Limited	2,547,910	0.78
19.	Edelweiss General Insurance Company Limited	2,503,580	0.76
20.	Prakash Sundaram	2,353,400	0.72
21.	Yogesh Nanavati	2,000,000	0.61
22.	Jhelum Investment Fund I	1,788,270	0.54
23.	Care Health Insurance Company Limited	1,788,260	0.54
24.	Fincare Employee Welfare Trust	1,634,310	0.50
25.	Shivapriya Sivaraman	1,440,020	0.44
26.	Motilal Oswal Finvest Limited	1,281,767	0.39
27.	Vasundhara Apoorva Patni	965,360	0.29
28.	Pratiksha Nanavati	950,000	0.29
29.	VIC Enterprises Private Limited	733,190	0.22
30.	MB Finmart Private Limited	733,190	0.22
31.	Soham Sanatbhai Shukla	718,580	0.22
32.	Pankaj Gulati	685,670	0.21
33.	Vivek Kothari	585,030	0.18
34.	Mahesh Krishnamurthy	561,140	0.17
35.	SM Sundaram	528,050	0.16
36.	Mahender Ramchand Chawla	525,170	0.16
37.	Praveen Arora	430,190	0.13
38.	Jyoti Ajay Pancholi	371,960	0.11
39.	Ayush Pancholi	343,340	0.10
40.	Ashok Wadhawa	336,860	0.10
41.	Geeta R Chhabria	321,060	0.10
42.	Preeti M Chawla	286,000	0.09

Sl. No.	Description	Equity shares*	Percentage of equity share capital (%)
43.	Sandeep Bhalla	209,125	0.06
44.	Imtiyaz Ahmed	230,460	0.07
45.	Manoj Bhalla	229,125	0.07
46.	Poonawala Investment and Industries Pvt Ltd	225,320	0.07
47.	K Raheja Corp Pvt Ltd	225,320	0.07
48.	Ashish Karamchandani	224,320	0.07
49.	M Venkata Jayaraman	220,000	0.07
50.	Komal Doshi	204,330	0.06
51.	Mahender R Chawla HUF	200,000	0.06
52.	Ashokkumar Sobhagmal Patni	193,070	0.06
53.	Chandar Rao Vurakaranam	174,840	0.05
54.	Kishore R Mangalvedhe	170,030	0.05
55.	Bhargavi S Shukla	162,570	0.05
56.	T.N. Sambasivan	110,000	0.03
57.	Meera Krishnamurthy	100,000	0.03
58.	V Kavitha	90,000	0.03
59.	Deepabh Jain	70,000	0.02
60.	Mayur Dasharathbhai Amin	66,667	0.02
61.	Manjula Bhaskar Shah	47,000	0.01
62.	Parinda S Nanavati	43,690	0.01
63.	Ravish Chandra	26,050	0.01
64.	Virender Sharma	25,000	0.01
65.	Beena Nimish Trivedi	23,000	0.01
66.	Krupali Ajay Shah	23,000	0.01
67.	Nimisha Anjan Desai	23,000	0.01
68.	Rakesh Das	20,000	0.01
69.	Swetha Tatikonda	20,000	0.01
70.	Sameer Yogesh Nanavati	16,710	0.01
71.	Raghvendra Rao	10,000	0.00
72.	Baisy Dennis	10,000	0.00
73.	Nilesh Sangoi	10,000	0.00

Sl. No.	Description	Equity shares*	Percentage of equity share capital (%)
74.	Sunakshi Agarwal	5,000	0.00
75.	Suresh Samikannu	4,000	0.00
76.	Devika Praveen	2,500	0.00
77.	Ramkumar Subramonian	2,000	0.00
78.	Neelima Panghal	2,000	0.00
79.	Ájit Singh	2,000	0.00
80.	Parimal Raval	1,500	0.00
81.	Rajeev Yadav	1,080	0.00
82.	Sunil Vijayraj Bothra	1,000	0.00
83.	Pratik Kumar Hiteshbhai Shah	1,000	0.00
84.	Santhosh AR	1,000	0.00
85.	Sube Kumumpalli Philip	1,000	0.00
86.	Ashish Virupakshappa Biradar Goudar	500	0.00
87.	Sumathi Mani	500	0.00
Total		**328,690,840**	**100**

**Based on the beneficiary position statement dated May 6, 2021*

Changes in control of our Promoter

There has been no change in the control of our Promoter in the last three years preceding the date of this Draft Red Herring Prospectus.

Our Bank confirms that the permanent account number, bank account number(s), company registration number and the address of the registrar of companies where our Promoter is registered, shall be submitted to the Stock Exchanges at the time of filing this Draft Red Herring Prospectus.

Interests of our Promoter

Our Promoter is interested in our Bank to the extent it is the Promoter of our Bank and to the extent of its shareholding in the Bank and dividend payable, if any, and other distributions in respect of the Equity Shares held by it. For details, see "*Capital Structure*" on page 68. Further, our Promoter is also interested in our Bank pursuant to the License agreement dated December 14, 2016 with respect to the use of intellectual property rights. For more information, see "*History and Certain Corporate Matters - Key terms of other subsisting material agreements*" on page 185.

Our Promoter has granted employee stock options under its employee stock option plan to certain employees and KMPs of our Bank, pursuant to which, such individuals are entitled to the equity shares of our Promoter.

Our Promoter has no interest in any property acquired in the three years preceding the date of this Draft Red Herring Prospectus or proposed to be acquired by our Bank or in any transaction by our Bank for acquisition of land, construction of building or supply of machinery.

No sum has been paid or agreed to be paid to our Promoter or to the firms or companies in which our Promoter is interested as a member in cash or shares or otherwise by any person, either to induce them to become or to qualify them, as directors or promoters or otherwise for services rendered by such Promoter or by such firms or companies in connection with the promotion or formation of our Bank.

Except as disclosed in "*Financial Statements – Annexure 22 - Notes forming part of the restated summary statements - 22.9 - Related party disclosure*" on page 267 and this section, our Promoter does not have any interest in the Bank.

Payment of benefits to our Promoter or our Promoter Group

No amount or benefit has been paid or given to our Promoter during the two years preceding the filing of this Draft Red Herring Prospectus nor is there any intention to pay or give any amount or benefit to our Promoter, except as disclosed in "*Financial Statements – Annexure 22 - Notes forming part of the restated summary statements - 22.9 - Related party disclosure*" on page 267.

Change in the control of our Bank

Our Promoter is not the original promoter of our Bank. For details in relation to the history of our incorporation, see "*History and Certain Corporate Matters*" on page 177.

Our Promoter was incorporated in 2014 and our Bank became a subsidiary of our Promoter in Fiscal 2016. For details in relation to the build-up of our Promoter's shareholding in our Bank, see "*Capital Structure – Notes to the Capital Structure – 5. History of the Equity Share capital held by our Promoter*" on page 74.

Our Promoter became the holding company of our Bank, in accordance with the requirements set under the RBI In-Principle Approval in relation to restructuring of the shareholding of our Bank. For details, see "*History and Certain Corporate Matters – Major events and milestones of our Bank*", "*History and Certain Corporate Matters – Details regarding material acquisitions or divestments of business/ undertakings, mergers, amalgamations or any revaluation of assets, in the last ten years*", "*Capital Structure – Notes to the Capital Structure – 1. Share Capital History of our Bank*" and "*Capital Structure – Notes to the Capital Structure – 5. History of the Equity Share capital held by our Promoter*" on pages 182, 184, 68 and 74, respectively.

Material guarantees given by our Promoter to third parties with respect to Equity Shares of our Bank

Our Promoter has not given any material guarantees to third parties with respect to the Equity Shares of our Bank.

Companies or firms with which our Promoter have disassociated in the last three years

Our Promoter has not disassociated, sold or transferred its stake in any company or firm in the three years immediately preceding the date of this Draft Red Herring Prospectus:

Our Promoter Group

Other than our Promoter, our Bank does not have any natural persons or entities who are part of the 'promoter group', as defined under the SEBI ICDR Regulations.

OUR GROUP COMPANY

Pursuant to a resolution dated April 28, 2021, our Board has noted that in accordance with the SEBI ICDR Regulations and for the purpose of disclosure in this Draft Red Herring Prospectus, group companies of our Bank shall include (i) the companies with which there were related party transactions as disclosed in the Restated Financial Statements during any of the last three Fiscals and the nine months period ended December 31, 2020; or (ii) such other company as deemed material by our Board.

Based on the parameters outlined above, as on the date of this Draft Red Herring Prospectus, the Board has determined that, there are no companies which are considered material by the Board to be identified as group companies.

DIVIDEND POLICY

The declaration and payment of dividends is recommended by the Board of Directors and approved by the Shareholders, at their discretion, subject to the provisions of the Banking Regulation Act and regulations made thereunder, the RBI Act and regulations and guidelines made thereunder, the Articles of Association and other applicable law, including the Companies Act, 2013. The dividend, if any, depends on a number of factors, including but not limited to profit earned during the financial year, past dividend trends, optimal capital adequacy ratio subject to regulatory minimum of total and tier I capital adequacy ratio, additional regulatory requirements of capital in near future cost of raising funds from alternative sources, reinvestment opportunities and any other applicable criteria from the legal or regulatory framework applicable to our Bank. Our Bank may also, from time to time, pay interim dividends. We may retain all our future earnings, if any, for use in the operations and expansion of our business.

Our Bank has not declared any dividends for Fiscals 2020, 2019 and 2018 and the nine months period ended December 31, 2020. Further, our Bank has not declared any dividend from January 1, 2021 till the date of this Draft Red Herring Prospectus. In terms of Section 15 of the Banking Regulation Act, a banking company is permitted to declare dividends only upon all of its capitalised expenses being written off. Our Bank has no formal dividend policy as on the date of this DRHP.

SELECTED STATISTICAL INFORMATION

Certain non-GAAP financial measures and certain other statistical information relating to our operations and financial performance have been included in this section and elsewhere in this Draft Red Herring Prospectus. We compute and disclose such non-GAAP financial measures and such other statistical information relating to our operations and financial performance as we consider such information to be useful measures of our business and financial performance, and because such measures are frequently used by securities analysts, investors and others to evaluate the operational performance of financial services businesses, many of which provide such non-GAAP financial measures and other statistical and operational information when reporting their financial results. However, note that these non-GAAP financial measures and other statistical information relating to our operations and financial performance may not be computed on the basis of any standard methodology that is applicable across the industry and therefore may not be comparable to financial measures and statistical information of similar nomenclature that may be computed and presented by other financial services companies.

The following information should be read together with our Restated Financial Statements, including the notes thereto, and the section "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing elsewhere in this Draft Red Herring Prospectus. Unless otherwise stated, all averages presented in this section are presented on the basis of monthly end balances outstanding.

As required by the RBI, we prepare and report our financial information in Indian GAAP.

Where indicated, some financial and operating ratios for the nine months ended December 31, 2020 are annualized to enable better comparison with the fiscal years 2018, 2019 and 2020. Annualized ratios are calculated by multiplying the underlying nine-month data by the number of days in the year divided by the number of days in the period (365 / 275).

YEARS ENDED MARCH 31, 2018, 2019 AND 2020 AND NINE MONTHS ENDED DECEMBER 31, 2020

Average Balance Sheet and Net Interest Margin

The tables below present the average balances for our interest-earning assets and interest-bearing liabilities together with the related interest income and expense amounts, resulting in the presentation of the average yields and cost for each period. The average balance is the average of advances and deposits for the period. The average yield on average assets is the ratio of interest earned to average interest-earning assets (except that investments include equity investments). The average cost on average interest-bearing liabilities is the ratio of interest expense to average interest-bearing liabilities. Average interest-earning assets, yields, average non-interest earning assets, average interest-bearing liabilities, average non-interest bearing liabilities and cost of funds are non-GAAP measures. The tables below set forth the reconciliation of such non-GAAP measures to the GAAP measures appearing in our Restated Financial Information:

₹ in millions

Particulars	Year ended March 31, 2018			Year ended March 31, 2019			Year ended March 31, 2020			Nine months ended December 31, 2020			
	Average Balance[(1)]	**Interest Income[(2) (3)] / interest expended[(4)]**	**Average Yield / Cost of funds[(5)] (%)**	**Average Balance[(1)]**	**Interest Income[(2) (3)] / interest expended[(4)]**	**Average Yield / Cost of funds[(5)] (%)**	**Average Balance[(1)]**	**Interest Income[(2) (3)] / interest expended[(4)]**	**Average Yield / Cost of funds[(5)] (%)**	**Average Balance[(1)]**	**Interest Income[(2) (3)] / interest expended[(4)]**	**Average Yield / Cost of funds[(5)] (%) (Non-annualized)**	**Average Yield / Cost of funds[(5)] (%) (Annualized)**
Interest-earning assets													
Advances	11,694.70	2,659.77	22.74%	21,321.94	5,199.29	24.38%	38,314.15	9,445.78	24.65%	49,123.05	8,612.71	17.53%	23.27%
Investments	2,101.30	130.49	6.21%	4,423.77	306.04	6.92%	7,282.73	499.37	6.86%	12,015.73	510.46	4.25%	5.64%
Other interest-earning assets[(6)]	1,487.79	75.35	5.06%	1,278.36	85.76	6.71%	7,841.81	438.85	5.60%	8,845.13	271.96	3.07%	4.08%
Total interest-earning assets (A)	15,283.80	2,865.60	18.75%	27,024.08	5,591.10	20.69%	53,438.69	10,384.00	19.43%	69,983.91	9,395.13	13.42%	17.82%
Non-interest earning assets													
Fixed Assets	156.37	-	-	264.54	-	-	365.09	-	-	370.89	-	-	-
Other non-interest earning assets[(7)]	1,724.97	-	-	2,731.48	-	-	3,063.90	-	-	4,971.84	-	-	-
Total non-interest earning assets (B)	1,881.34	-	-	2,996.01	-	-	3,428.98	-	-	5,342.73	-	-	-
Total Assets (A+B)	17,165.14	-	-	30,020.09	-	-	56,867.67	-	-	75,326.63	-	-	-
Interest-bearing liabilities													
Demand Deposits (i)	8.06	-	-	82.97	-	-	93.47	-	-	281.02	-	-	-
Savings bank deposits (ii)	65.87	3.29	4.99%	1,131.96	62.87	5.55%	3,595.02	210.91	5.87%	7,084.84	310.65	4.38%	5.82%
Term Deposits (iii)	2,865.11	234.15	8.17%	12,027.88	1,108.62	9.22%	30,499.98	2,808.55	9.21%	43,201.02	2,840.41	6.57%	8.73%
Total Deposits (i + ii + iii)	2,939.04	237.44	8.08%	13,242.80	1,171.49	8.85%	34,188.47	3,019.46	8.83%	50,566.88	3,151.06	6.23%	8.27%
Borrowings[(8)]	9,007.78	951.69	10.57%	9,975.66	1,119.12	11.22%	12,523.02	1,495.56	11.94%	12,170.86	1,036.81	8.52%	11.31%
Total interest-bearing liabilities	11,946.82	1,189.13	9.95%	23,218.47	2,290.62	9.87%	46,711.49	4,515.02	9.67%	62,737.74	4,187.87	6.68%	8.86%
Non-interest bearing liabilities													
Capital	374.59	-	-	461.76	-	-	586.44	-	-	636.10	-	-	-
Reserves and surplus	3,565.24	-	-	4,172.94	-	-	7,204.64	-	-	9,031.00	-	-	-
Other liabilities and provisions[(9)]	1,278.49	-	-	2,166.93	-	-	2,365.11	-	-	2,921.79	-	-	-
Total non-interest bearing liabilities	5,218.32	-	-	6,801.62	-	-	10,156.18	-	-	12,588.89	-	-	-
Total Liabilities	17,165.14	-	-	30,020.09	-	-	56,867.67	-	-	75,326.63	-	-	-
Interest spread[(10)]	-	-	8.80%	-	-	10.82%	-	-	9.77%	-	-	6.75%	8.96%

(1) *Average Balances are defined as the average monthly end balances for the items listed in the table.*

(2) *Interest Income on advances includes interest/discount on advances/bills. It excludes income from securitization/assignment of loans.*

(3) *Other Interest Income includes interest on RBI / inter-bank borrowings, interest income on fixed deposits, interest income on money market instruments and interest income on tri-party repo lending.*

(4) *Interest expended on borrowings includes interest on RBI / inter-bank borrowings and interest expended – others.*

(5) Cost of funds is the ratio of interest expended during the period to the average interest-bearing liabilities for the period.

(6) Other interest-earning assets includes money at call and short notice, balances with banks in other deposits and balances in reverse Repo – LAF.

(7) Other non-interest earning assets includes cash and balances with the RBI, balances with other banks, interest accrued on advances, deferred tax asset and other assets.

(8) Borrowings includes borrowings as per the Restated Summary Statement of Assets and Liabitities.

(9) Other liabilities and provisions includes interest accrued on borrowings/deposits, provision for income tax and other liabilities.

(10) "Interest spread" means the difference between the average yield on total interest-earning assets and average cost of total interest-bearing liabilities.

Yields, Spreads and Margins

₹ in millions

Particulars	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2020	Nine months ended December 31, 2020 (Non-annualized)	Nine months ended December 31, 2020 (Annualized)
Average interest-earning advances[1]	11,694.70	21,321.94	38,314.15	49,123.05	-
Average interest-earning assets[1]	15,283.80	27,024.08	53,438.69	69,983.91	-
Average interest-bearing liabilities[1]	11,946.82	23,218.47	46,711.49	62,737.74	-
Average total assets or average liabilities (including equity and reserves and surplus)[1]	17,165.14	30,020.09	56,867.67	75,326.63	-
Average interest-earning assets as a percentage of average total assets (%)[1]	89.04%	90.02%	93.97%	92.91%	-
Average interest-bearing liabilities as a percentage of average total assets (%)[1]	69.60%	77.34%	82.14%	83.29%	-
Average Balance of interest-earning assets as a percentage of Total Average Interest-Bearing Liabilities[1]	127.93%	116.39%	114.40%	111.55%	-
Average Interest-Earning Advances as a percentage of average total assets[1]	68.13%	71.03%	67.37%	65.21%	-
Yield on average interest-earning assets (%)[1] [2]	18.75%	20.69%	19.43%	13.42%	17.82%
Yield on average interest-earning advances [1] [3]	22.74%	24.38%	24.65%	17.53%	23.27%
Cost of deposits (%)[4]	8.08%	8.85%	8.83%	6.23%	8.27%
Cost of borrowing (%)[5]	10.57%	11.22%	11.94%	8.52%	11.31%
Cost of subordinate debt (%)[6]	9.93%	11.58%	11.82%	9.22%	12.23%
Cost of refinance borrowing (%)[7]	8.27%	8.37%	9.33%	6.90%	9.16%
Cost of funds (%)[1] [8]	9.95%	9.87%	9.67%	6.68%	8.86%
Cost of funds (%) (includes Equity and Current Deposit)[9]	6.93%	7.63%	7.94%	5.56%	7.38%
Interest Spread (%)[1] [10]	8.80%	10.82%	9.77%	6.75%	8.96%
Net Interest Margin[11]	10.97%	12.21%	10.98%	7.44%	9.87%

(1) *Average Balances are defined as the average monthly end balances for the items listed in the table.*

(2) *Yield on interest-earning assets is interest earned divided by total average interest-earning assets.*

(3) *Yield on Average Interest-Earning Advances is calculated as ratio of interest earned on advances divided by Average Interest-Earning Advances.*

(4) *Cost of deposits are the ratio of interest expended on deposits during the period to the average monthly end balance of total deposits.*

(5) *Cost of borrowing is the ratio of interest expensed on borrowings to the average month end balances of borrowings.*

(6) *Cost of subordinate debt is the ratio of interest expended on subordinated debt to the average month end balances of subordinated debt.*

(7) *Cost of refinance borrowing is the ratio of interest expended on refinance borrowings to the average month end balances of refinance borrowings.*

(8) *Calculated as total interest expended divided by the average monthly end balance of interest-bearing liabilities (includes cost of deposits).*

(9) *Calculated as total interest expended divided by the average monthly end balance of interest-bearing liabilities, equity and reserves and surplus.*

(10) *Calculated as Yield on average interest-earning assets less cost of funds.*

(11) *Calculated as Net Interest Income divided by average interest-earning assets.*

Financial and Operational Metrics and Ratios

The following table sets forth, as of and for the periods indicated, certain financial and operational metrics and ratios:

₹ in millions

Particulars	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2020	Nine months ended December 31, 2020 (Non-annualized)	Nine months ended December 31, 2020 (Annualized)
Gross Loan Portfolio[1]	21,543.77	35,302.04	53,418.25	55,475.84	-
Average Gross Loan Portfolio[2]	15,400.68	27,932.61	43,576.96	53,059.20	-
Average Gross Loan Portfolio Growth (%)[3]	62.08%	81.37%	56.01%	21.76%	-
On-book advances[4]	16,295.96	27,646.89	48,155.79	51,579.78	-
Average balance of on-book advances[5]	11,694.70	21,321.94	38,314.15	49,123.05	-

Particulars	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2020	Nine months ended December 31, 2020 (Non-annualized)	Nine months ended December 31, 2020 (Annualized)
Average on-book advances growth (%)	99.26%	82.32%	79.69%	28.21%	-
Outstanding value of loans securitized[(6)]	3,207.24	3,113.22	666.84	574.38	-
Deposits	7,270.98	20,432.12	46,539.33	52,766.45	-
Retail deposits[(7)]	1,880.32	11,828.96	35,789.21	48,076.94	-
Bulk deposits	,390.67	8,603.16	10,750.06	4,689.51	-
Average Deposits	2,939.04	13,242.80	34,188.47	50,566.88	-
Average Deposits growth (%)	NA	350.58%	158.17%	47.91%	-
Disbursements[(8)]	20,667.60	32,210.23	49,497.11	27,822.90	-
Disbursements Growth (%)[(9)]	79.43%	55.85%	53.67%	(25.05)%	-
CASA	367.59	2,237.27	5,550.60	10,459.01	-
CASA (%) of Deposits	5.06%	10.95%	11.93%	19.82%	-
CASA growth (%)	NA	508.63%	148.10%	88.43%	-
Shareholder's equity[(10)]	3,375.45	6,659.94	9,037.63	10,085.92	-
Total assets	22,741.15	41,717.40	71,162.74	76,233.77	-
Total borrowings	10,689.79	12,830.74	13,681.62	10,620.10	-
Retail Term Deposit to Total Term deposit ratio	21.91%	52.72%	73.77%	88.92%	-
Retail deposits (Retail Term Deposits + CASA) to total deposit ratio[(8)]	25.86%%	57.89%	76.90%	91.11%	-
Total Income[(11)]	3,504.98	6,748.82	12,157.20	9,983.06	-
Total interest earned	3,139.64	6,051.51	10,702.56	9,395.48	-
Interest on advances[(12)]	2,659.77	5,199.29	9,445.78	8,612.71	-
Other Income	365.34	697.31	1,454.64	587.58	-
Interest expended[(13)]	1,189.14	2,290.74	4,515.04	4,187.87	-
Net Interest Income[(14)]	1,676.47	3,300.36	5,868.96	5,207.26	-
Net Interest Margin (%)	10.97%	12.21%	10.98%	7.44%	9.87%
Operating Income (Net Interest Income + Other Income)	2,041.81	3,997.67	7,323.60	5,794.84	-
Total Expenses[(15)]	2,968.51	5,248.84	8,776.38	7,533.09	-
Operating Expense[(16)]	1,779.36	2,958.10	4,261.34	3,345.22	-
Operating Expense / Average Gross Loan Portfolio (%)	11.55%	10.59%	9.78%	6.30%	8.36%
Cost to Income Ratio[(17)]	87.15%	74.00%	58.19%	57.73%	-
Provisions and write-offs[(18)]	1,434.87	396.96	1,353.57	1,101.03	-
COVID-19 related provisions, net of utilization	-	-	851.80	99.00	-
Provisions for NPA (including write-offs)	1,303.88	324.25	440.70	841.89	-
Provisions for standard assets[(19)]	(66.99)	53.02	935.28	100.57	-
Provisions and write-offs / Average Gross Loan Portfolio (%)	9.32%	1.42%	3.11%	2.08%	-
Credit cost[(20)]	8.03%	1.35%	3.16%	2.10%	-
Profit before tax[(21)]	(898.38)	1,103.02	2,027.25	1,348.93	-
Profit before tax – adjusted for COVID-19 related provisions (net of utilization)	(898.38)	1,103.02	2,879.05	1,447.93	-
Profit after tax[(22)]	(975.50)	1,019.80	1,434.49	1,039.27	-
Profit after tax – adjusted for COVID-19 related provisions (net of utilization)	(975.50)	1,019.80	2,071.91	1,113.36	-

(1) *Gross Loan Portfolio represents the total portfolio of loans outstanding (gross i.e. without netting-off the related provisioning) held by us as well as the outstanding of loan portfolio which have been transferred by us by way of securitization as at the end of the relevant period. It does not include interest accrued and due on advances at the end of the relevant period.*

(2) *Average Gross Loan Portfolio is the average month end balances of our Gross Loan Portfolio outstanding during the relevant period.*

(3) *Gross Loan Portfolio Growth represents percentage growth in Average Gross Loan Portfolio for the relevant period over Average Gross Loan Portfolio of the previous period.*

(4) *On-book advances represents the total portfolio of loans outstanding that we hold, net of IBPC and NPA provisions.*

(5) *Average balance of on-book advances represents the average month end balances of the total portfolio of loans outstanding that we hold, net of IBPC and NPA provisions.*

(6) *Outstanding value of loans securitized represents the aggregate of future principal outstanding and overdue principal outstanding, if any, for our loan portfolio that has been transferred by us by way of securitization and is outstanding as of the last day of the relevant period.*

(7) Retail deposits are deposits sourced primarily by our banking outlets and include staff deposits, CASA and Retail Term Deposits.

(8) Disbursements represent the aggregate of all loan amounts extended to our borrowers in the relevant period.

(9) Disbursements Growth represents percentage growth in Disbursements for the relevant period over Disbursements of the previous period.

(10) Average shareholder's equity is the aggregate of the average month end balances of capital and reserves and surplus during the period.

(11) Total Income represents our restated total income for the period and is the sum of total interest earned and other income.

(12) Interest on advances excludes income from securitization/assignment of loans.

(13) Interest expended represents our restated interest expended for the period, comprising interest on deposits, interest on RBI and inter-bank borrowings and interest on other borrowings.

(14) Net Interest Income represents interest earned for the relevant period reduced by interest expended in such period.

(15) Total Expenses represents our restated total expenses for the relevant period. Total Expenses comprises interest expended, employee benefits expenses, depreciation and amortization and other expenses. It does not include provisions and contingencies.

(16) Operating Expense represents employee benefits expenses, depreciation and amortization expenses and other expenses.

(17) Cost to Income Ratio is calculated as the ratio of our Operating Expense to the sum of our Net Interest Income and Other Income.

(18) Provisions and write-offs represent the aggregate of provisions and write-offs (excluding provision for taxes).

(19) Provisions for standard assets is inclusive of COVID-19 related provisions.

(20) Credit cost is calculated as the ratio of provisions and write-offs (excluding provision for contingencies) to our average Gross Loan Portfolio outstanding during the relevant period.

(21) Profit before tax represents our restated profit before tax.

(22) Profit after tax represents our restated profit for the period from continuing operations.

Productivity Ratios

The following table sets forth, as of and for the periods indicated, certain productivity ratios for us:

Particulars	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2020	Nine months ended December 31, 2020
Number of banking outlets (including BC outlets)(1)	314	569	711	747
Number of BC outlets	0	152	202	219
Number of ATMs (including cash recyclers)	31	71	108	108
Number of employees(2)	4,357	5,498	7,363	8,114
Number of loan officers(3)	2,331	2,658	3,412	4,230
Number of active loan accounts(4)	1,031,453	1,546,079	2,273,474	2,221,412
Gross Loan Portfolio per banking outlet(5) (₹ in million)	68.61	62.04	75.13	74.26
Gross Loan Portfolio per employee(6) (₹ in million)	4.94	6.42	7.25	6.84
Gross Loan Portfolio per active loan account(7) (₹)	20,886.82	22,833.27	23,496.31	24,973.23
Disbursement per banking outlet(8) (₹ in million)	65.82	56.61	69.62	37.25
Disbursement per employee(9) (₹ in million)	4.74	5.86	6.72	3.43
Disbursement per loan officer(10) (₹ in million)	8.87	12.12	14.51	6.58
Deposits per employee(11) (₹ in million)	1.67	3.72	6.32	6.50
Deposits per banking outlet(12) (₹ in million)	23.16	35.91	65.46	70.64

(1) Number of banking outlets represents our aggregate number of banking outlets (including BC outlets) as of the last day of the relevant period.

(2) Number of employees represents our aggregate number of employees as of the last day of the relevant period.

(3) Number of loan officers represents our aggregate number of officers in sales and collections (including relationship officers) as of the last day of the relevant period.

(4) *Number of active loan accounts represents the aggregate number of all loan assets under management which includes loan assets held by us as of the last day of the relevant period as well as loan assets which have been transferred by us by way of securitization or assignment and are outstanding as of the last day of the relevant period.*

(5) *Gross Loan Portfolio per banking outlet represents Gross Loan Portfolio as of last day of the relevant period divided by number of banking outlets.*

(6) *Gross Loan Portfolio per employee represents Gross Loan Portfolio as of the last day of the relevant period divided by number of employees.*

(7) *Gross Loan Portfolio per active loan accounts represents Gross Loan Portfolio as of the last day of the relevant period divided by number of active loan accounts.*

(8) *Disbursement per banking outlet represents Disbursements in the relevant period divided by number of banking outlets as of the last day of the relevant period.*

(9) *Disbursement per employee represents Disbursements in the relevant period divided by number of employees as of the last day of the relevant period.*

(10) *Disbursement per loan officer represents Disbursements in the relevant period divided by number of loan officers as of the last day of the relevant period.*

(11) *Deposits per employee represents deposits in the relevant period divided by number of employees as of the last day of the relevant period.*

(12) *Deposits per banking outlet represents deposits in the relevant period divided by number of banking outlets as of the last day of the relevant period.*

Analysis of Changes in Interest Income and Interest Expenses Volume and Rate Analysis

The following tables set forth, for the periods indicated, the allocation of the changes in our interest income and interest expended between average volume and changes in average rates. The changes in Net Interest Income between periods have been reflected as attributed to either volume or rate changes.

₹ in millions

Particulars	Year ended March 31, 2019 vs Year ended March 31, 2018			Year ended March 31, 2020 vs Year ended March 31, 2019		
	Net changes in interest	**Change in average volume(1)**	**Change in average rate(2)**	**Net changes in interest**	**Change in average volume(1)**	**Change in average rate(2)**
Interest Income						
-Advances(3)	2,539.52	2,189.56	349.97	4,246.49	4,143.50	102.99
-Investments	175.55	144.22	31.33	193.33	197.78	(4.46)
-Other Interest Income(4)	10.42	(10.61)	21.02	353.08	440.33	(87.25)
Total Interest Income	2,725.49	2,323.17	402.32	4,792.90	4,781.62	11.29
Interest Expended						
-Total Deposits	934.18	832.42	101.63	1,847.86	1,852.91	(4.94)
-Borrowings(5)	167.42	102.26	65.17	376.44	285.78	90.66
Total Interest Expended	1,101.60	934.68	166.80	2,224.30	2,138.68	85.72
Net Interest Income	1,623.89	1,388.50	235.52	2,568.60	2,642.93	(74.44)

(1) *Change in average volume is computed as the increase in average balances for the year/period multiplied by yield/cost of the base year/period.*

(2) *Change in average rate represents the change in rates during the year/period multiplied by average balance for the current year/period.*

(3) *Interest Income on advances includes interest/discount on advances/bills.*

(4) *Other Interest Income includes interest from interest-earning assets, interest on RBI / inter-bank borrowings, interest income on fixed deposit and other interest income.*

(5) *Interest expended on borrowings includes interest on borrowings, interest on RBI / inter-bank borrowings and interest expended – others.*

Return on Equity and Assets and Other Financial Ratios

₹ in millions

Particulars	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2020	Nine months ended December 31, 2020 (Non-annualized)	Nine months ended December 31, 2020 (Annualized)
Average total assets(1)	17,165.14	30,020.09	56,867.67	75,326.63	-
Average shareholders' equity(2)	3,939.83	4,634.70	7,791.07	9,667.11	-
Return on equity (Profit after tax to average shareholders' equity) (%)	(24.76)%	22.00%	18.41%	10.75%	14.27%

Particulars	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2020	Nine months ended December 31, 2020 (Non-annualized)	Nine months ended December 31, 2020 (Annualized)
Return on equity (Profit after tax to average shareholders' equity) (%) – Pro forma (excluding COVID-19 related provisions)	(24.76)%	22.00%	26.28%	10.59%	14.05%
Return on assets (Profit after tax to average assets) (%)	(5.68)%	3.40%	2.52%	1.38%	1.83%
Return on assets (Profit after tax to average total assets) (%) – Pro forma (excluding COVID-19 related provisions)	(5.68)%	3.40%	3.58%	1.48%	1.96%
Average shareholders' equity[3] as a percentage of average total assets (%)	22.95%	15.44%	13.70%	12.83%	-
Tier I capital adequacy ratio (%)	18.07%	21.48%	23.46%	25.22%	-
Tier II capital adequacy ratio (%)	5.23%	2.15%	5.82%	4.68%	-
Total capital adequacy ratio (%)	23.30%	23.63%	29.28%	29.90%	-
Credit to deposit ratio (%)[4]	224.12%	135.31%	103.47%	97.75%	-
Other income to operating income ratio (%)[5]	17.89%	17.44%	19.86%	10.14%	13.46%
Operating profit to average total assets (%)[6]	3.13%	5.00%	5.95%	3.25%	4.32%
Basic Earnings per share[7]	(26.04)	22.41	24.43	16.34	-
Diluted Earnings per share[8]	(26.04)	22.41	24.43	16.34	-
Book value per share[9]	90.11	118.01	142.08	158.56	-

(1) Average total assets are calculated on the basis of the average month end balance.

(2) Average shareholder's equity referred to in the above table is defined as the average of monthly end balances of capital and reserves and surplus.

(3) Average shareholder's equity is the aggregate of the average month end balances of capital and reserves and surplus during the period.

(4) Credit to Deposit Ratio is computed as the ratio of on-book advances to total deposits. On-book advances represents the total portfolio of loans outstanding that we hold, net of IBPC and NPA provisions.

(5) Calculated as the ratio of Other Income to Operating Income.

(6) Calculated as profit before provisions and contingencies and taxes divided by average total assets.

(7) Calculated as restated profit after tax during the period divided by the weighted average number of shares outstanding during the period.

(8) Calculated as restated profit after tax during the period divided by the weighted average number of dilutive shares outstanding during the period.

(9) Calculated as our shareholder's equity divided by the number of shares outstanding as on the date.

Funding

Our funding operations are designed to optimize the cost of funding and effective liquidity management. The primary source of funding is deposits accepted from our customers.

Deposits

₹ in millions

Particulars	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2020	Nine months ended December 31, 2020 (Non-annualized)	Nine months ended December 31, 2020 (Annualized)
Period/year end balance	7,270.98	20,432.12	46,539.33	52,766.45	-
Average balance during the period/year[1]	2,939.04	13,242.80	34,188.47	50,566.88	-
Interest expended during the period/year on deposits	237.44	1,171.62	3,019.48	3,151.06	-
Interest for savings accounts	3.29	62.87	210.91	310.65	-
Interest for term deposit	234.15	1,108.62	2,808.55	2,840.41	-
Average interest rate during the period (%)[2]	8.08%	8.85%	8.83%	6.23%	8.27%
Average interest rate at period end (%)[3]	3.27%	5.73%	6.49%	5.97%	7.93%
Average balance of retail term deposits[4]	602.86	5,031.16	17,536.35	35,315.98	-
CASA (%) of Deposits	5.06%	10.95%	11.93%	19.82%	-

(1) Average balance represents average month end balances for the items listed in the table.

(2) Calculated as interest expended during the period over the average month end balances of total deposits during the period.

(3) *Calculated as interest expended over period end balances of total deposits.*

(4) *Average balance of retail term deposits represents the average of month end balances of Retail Term Deposits.*

Category of deposits

The following table sets forth, as of the dates indicated, our categories and costs of deposits:

₹ in millions

Particulars	Year ended March 31, 2018			Year ended March 31, 2019			Year ended March 31, 2020			Nine months ended December 31, 2020			
	Amount	%	Average Cost[(1)]	Amount	%	Average Cost[(1)]	Amount	%	Average Cost[(1)]	Amount	%	Average Cost (Non-annualized)	Average Cost (Annualized)
Demand deposits	0.08	0.00%	0.00%	73.30	0.36%	0.00%	299.52	0.64%	0.00%	342.94	0.65%	0.00%	0.00%
Savings deposits	367.51	5.05%	4.99%	2,164.04	10.59%	5.55%	5,251.08	11.28%	5.87%	10,116.07	19.17%	4.38%	5.82%
Retail Term Deposits[(2)]	1,512.72	20.80%	7.23%	10,741.69	46.94%	7.44%	30,638.67	64.97%	8.24%	37,617.93	71.29%	6.57%	8.68%
Bulk Term Deposits[(3)]	5,390.66	74.14%	8.33%	7,453.16	42.11%	10.49%	10,350.06	23.10%	10.52%	4,689.52	8.89%	6.61%	8.92%
Total	**7,270.98**	**100.00%**	**8.08%**	**20,432.12**	**100.00%**	**8.85%**	**46,539.33**	**100.00%**	**8.83%**	**52,766.45**	**100.00%**	**6.23%**	**8.27%**

(1) *Average Cost represents interest expended over average month end balances during the period.*

(2) *Retail Term Deposits are deposits below ₹ 20 million.*

(3) *Bulk Term Deposits are deposits of ₹ 20 million and above. Bulk deposits include deposits from financial institutions, banks (including co-operative banks), TASC and government offices.*

The following table sets forth, as of the dates indicated, the average ticket size of deposits by category:

Amounts in ₹

Particulars	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2020	Nine months ended December 31, 2020
Demand deposits	5,597.00	2,27,428.69	1,06,947.36	95,532.13
Savings deposits	14,176.91	2,653.87	2,396.20	4,051.05
Retail Term Deposits[(1)]	221,822.45	215,333.77	246,882.60	208,394.56
Bulk Term Deposits[(2)]	99,721,914.34	70,024,496.69	52,184,647.64	60,122,038.94
Total Average	**227,604.72**	**23,748.16**	**20,086.89**	**19,679.22**

(1) *Retail Term Deposits are deposits below ₹ 20 million.*

(2) *Bulk Term Deposits are deposits of ₹ 20 million and above. Bulk deposits include deposits from financial institutions, banks (including co-operative banks), TASC and government offices.*

The following table sets forth, as of the dates indicated, the geographical spread of our deposits by state and Union Territory:

₹ in millions

Particulars	March 31, 2018		March 31, 2019		March 31, 2020		Nine months ended December 31, 2020	
	Amount	%	Amount	%	Amount	%	Amount	%
Andhra Pradesh	97.44	1.34%	275.00	1.35%	1,526.16	3.28%	2,253.14	4.27%
Chandigarh	-	-	-	-	84.99	0.18%	310.64	0.59%
Chhattisgarh	-	-	-	-	9.13	0.02%	9.17	0.02%
Gujarat	1,001.95	13.78%	3,321.94	16.26%	6,002.69	12.90%	7,490.94	14.20%
Haryana	0.17	0.00%	1,030.32	5.04%	1,684.26	3.62%	2,885.58	5.47%
Karnataka	5,755.54	79.16%	5,614.65	27.48%	5,621.61	12.08%	5,814.60	11.02%
Kerala	-	-	2,396.74	11.73%	7,419.90	15.94%	9,072.58	17.19%
Madhya Pradesh	22.71	0.31%	921.58	4.51%	1,072.35	2.30%	1,067.53	2.02%
Maharashtra	0.87	0.01%	1,039.04	5.09%	6,381.01	13.71%	4,712.91	8.93%
NCT of Delhi	-	-	950.05	4.65%	2,895.14	6.22%	3,800.72	7.20%
Puducherry	0.46	0.01%	66.81	0.33%	256.82	0.55%	390.41	0.74%
Rajasthan	123.67	1.70%	2,885.36	14.12%	4,734.99	10.17%	4,129.37	7.83%
Tamil Nadu	268.16	3.69%	1,690.48	8.27%	4,825.96	10.37%	6,803.49	12.89%
Telangana	-	-	222.73	1.09%	854.76	1.84%	1,117.43	2.12%
Uttar Pradesh	-	-	17.40	0.09%	3,169.57	6.81%	2,907.96	5.51%

Particulars	March 31, 2018		March 31, 2019		March 31, 2020		Nine months ended December 31, 2020	
	Amount	%	Amount	%	Amount	%	Amount	%
Total	**7,270.98**	**100.00%**	**20,432.12**	**100.00%**	**46,539.33**	**100.00%**	**52,766.45**	**100.00%**

The following table sets forth, as at the dates indicated, our outstanding deposits based on how they were sourced:

₹ in millions

Particulars	March 31, 2018	March 31, 2019	March 31, 2020	Nine months ended December 31, 2020
	Amount	Amount	Amount	Amount
Deposits sourced through our own network(1)	7,270.98	20,429.74	46,532.42	52,754.00
Deposits sourced through BC network	-	2.39	6.91	12.46
Total	7,270.98	20,432.12	46,539.33	52,766.45

(1) All deposits are digitally sourced.

Borrowings

₹ in millions

Particulars	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2020	Nine months ended December 31, 2020 (Non-annualized)	Nine months ended December 31, 2020 (Annualized)
Period end balance	10,689.79	12,830.74	13,681.62	10,620.10	-
Average balance during the period/year(1)	9,007.78	9,975.66	12,523.02	12,170.86	-
Interest on RBI / inter-bank borrowings and other interest expended	951.70	1,119.12	1,495.56	1,036.81	-
Cost of Borrowings (%)(2)	10.57%	11.22%	11.94%	8.52%	11.31%
Average interest rate at period/year end (%)(3)	8.90%	8.72%	10.93%	9.76%	12.96%

(1) Average balance is the average of month end balances during the period.

(2) Cost of Borrowings includes interest on RBI / inter-bank borrowings and other interest expended over average month end balances of borrowings during the period.

(3) Average interest rate includes interest on RBI / inter-bank borrowings and other interest expended over the period end balance.

Source of funding

The following table sets forth, sas of the dates indicated, our sources of funding:

₹ in millions

Particulars	Year ended March 31, 2018		Year ended March 31, 2019		Year ended March 31, 2020		Nine months ended December 31, 2020	
	Amount	%	Amount	%	Amount	%	Amount	%
Deposits	**7,270.98**	**40.48%**	**20,432.12**	**61.43%**	**46,539.33**	**77.28%**	**52,766.45**	**83.24%**
Debentures - Unsecured	**1,525.00**	**8.49%**	**1,425.00**	**4.28%**	**2,000.00**	**3.32%**	**2,000.00**	**3.16%**
Borrowings	**9,164.79**	**51.03%**	**11,405.74**	**34.29%**	**11,681.62**	**19.40%**	**8,620.10**	**13.60%**
From banks (including RBI)	3,388.23	18.87%	1,231.81	3.70%	1,330.00	2.21%	560.00	0.88%
From Financial Institutions and Others	5,776.56	32.16%	10,173.93	30.59%	10,351.62	17.19%	8,060.10	12.72%
Total	**17,960.77**	**100.00%**	**33,262.86**	**100.00%**	**60,220.95**	**100.00%**	**63,386.55**	**100.00%**

Classification of investments (gross)

₹ in millions

Particulars	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2020	Nine months ended December 31, 2020
Held to maturity(1)	1,625.78	2,865.28	5,816.44	8,414.97
Available for sale(2)	1,101.34	4,143.32	4,253.16	4,095.59
Held for trading(3)	-	-	-	-
Total	2,727.12	7,008.60	10,069.60	12,510.56

(1) Held to maturity are investments that we intend to hold to maturity.

(2) Available for sale are investments that are not classified as either held to maturity or held for trading.

(3) Held for trading are investments that are held principally for resale within 90 days from the date of purchase.

Loan Portfolio

Gross Loan Portfolio

The following table sets forth, as of the dates indicated, our asset products and outstanding portfolio as well as respective share:

₹ in millions

Asset products and outstanding portfolio	Year ended March 31, 2018		Year ended March 31, 2019		Year ended March 31, 2020		Nine months ended December 31, 2020	
	Amount	%	Amount	%	Amount	%	Amount	%
Microloans	18,168.87	84.33%	28,394.64	80.43%	42,852.74	80.22%	44,092.47	79.48%
LAP	1,251.75	5.81%	3,240.80	9.18%	5,320.88	9.96%	5,861.02	10.56%
LAG	201.42	0.93%	888.76	2.52%	1,838.32	3.44%	3,188.84	5.75%
Institutional Finance	1,600.76	7.43%	2,567.24	7.27%	2,553.32	4.78%	1,302.58	2.35%
Two-wheeler loans	-	-	8.55	0.02%	104.65	0.20%	76.04	0.14%
Affordable housing loans	-	-	-	-	203.40	0.38%	452.19	0.82%
Other(1)	320.97	1.49%	202.05	0.57%	544.94	1.02%	502.71	0.91%
Total	**21,543.77**	**100.00%**	**35,302.04**	**100.00%**	**53,418.25**	**100.00%**	**55,475.84**	**100.00%**

(1) Other comprises overdraft against property, loans to staff, rural loans against property and other loans.

The following table sets forth, as of the dates indicated, our product wise disbursements as well as respective share:

₹ in millions

Product wise disbursements(1)	Year ended March 31, 2018		Year ended March 31, 2019		Year ended March 31, 2020		Nine months ended December 31, 2020	
	Amount	%	Amount	%	Amount	%	Amount	%
Microloans	17,438.01	84.37%	25,779.27	80.03%	40,219.03	81.26%	21,008.58	75.51%
LAG	414.29	2.00%	1,648.78	5.12%	3,372.47	6.81%	4,978.88	17.89%
LAP	899.41	4.35%	2,398.55	7.45%	2,914.10	5.89%	1,253.76	4.51%
Institutional Finance	1,850.00	8.95%	2,277.00	7.07%	2,293.00	4.63%	300.00	1.08%
Two-wheeler loans	-	-	8.84	0.03%	121.88	0.25%	-	-
Affordable housing loans	-	-	-	-	209.65	0.42%	276.57	0.99%
Other(2)	65.89	0.32%	97.79	0.30%	366.98	0.74%	5.10	0.02%
Total	**20,667.60**	**100.00%**	**32,210.23**	**100.00%**	**49,497.11**	**100.00%**	**27,822.90**	**100.00 %**

(1) Product wise disbursements excludes overdraft given against fixed deposits.

(2) Other comprises overdraft against property, loans to staff, rural loans against property and other loans.

The following table sets forth, as of the dates indicated, our product wise average ticket size of loans disbursed:

Amounts in ₹

Product wise average ticket size(1)	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2020	Nine months ended December 31, 2020
Microloans	26,165.36	29,143.54	29,424.46	31,555.74
LAG	65,739.21	68,839.80	82,788.56	115,682.93
LAP	498,838.30	530,300.84	542,663.86	446,179.29
Institutional Finance	63,793,103.45	75,900,000.00	81,892,857.14	150,000,000.00
Two-wheeler loans	-	53,579.26	57,005.30	-
Affordable housing loans	-	-	623,946.05	729,737.14

(1) Average ticket size represents total disbursements in a particular period divided by the number of loans disbursed in that particular period.

The following table sets forth, as of the dates indicated, our product wise average weighted tenor:

Product wise average weighted tenor(1)	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2020	Nine months ended December 31, 2020
	(in days)			
Microloans	739	741	737	730
LAG	139	181	259	144

Product wise average weighted tenor[(1)]	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2020	Nine months ended December 31, 2020
	(in days)			
LAP	2,313	2,387	2,534	2,528
Institutional Finance	646	673	605	639
Two-wheeler loans	-	979	920	-
Affordable housing loans	-	-	4,831	4,932

(1) Average weighted tenor is calculated as the original tenor of each loan product weighted by disbursements.

The following table sets forth, as of the dates indicated, our product wise average yields:

Product wise average yields[(1)]	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2020	Nine months ended December 31, 2020 (Non-annualized)	Nine months ended December 31, 2020 (Annualized)
Microloans	19.43%	21.09%	23.58%	17.05%	22.63%
LAG	16.83%	14.57%	17.24%	12.80%	17.00%
LAP	18.21%	19.55%	19.49%	14.13%	18.76%
Institutional Finance	10.61%	12.70%	13.57%	9.90%	13.14%
Two-wheeler loans	-	14.90%	24.89%	18.21%	24.16%
Affordable housing loans	-	-	12.52%	10.40%	13.81%

(1) Average yield is calculated as interest/discount on advances/bills plus income from securitization/assignment of loans during the year/period divided by the average month end balances of Gross Loan Portfolio outstanding during the year/period.

Geographical spread of loan accounts

The following table sets forth, as of the dates indicated, the geographical spread of our loan accounts by state and Union Territory:

Number of loan accounts

Particulars	Year ended March 31, 2018		Year ended March 31, 2019		Year ended March 31, 2020		Nine months ended December 31, 2020	
	Count	%	Count	%	Count	%	Count	%
Andhra Pradesh	8,129	0.79%	18,482	1.20%	74,373	3.27%	1,07,076	4.82%
Chandigarh	-	-	-	-	5	0.00%	13	0.00%
Chhattisgarh	-	-	-	-	5,466	0.24%	5,736	0.26%
Gujarat	1,64,454	15.94%	2,89,307	18.71%	4,36,570	19.20%	4,17,879	18.81%
Haryana	-	-	181	0.01%	13,203	0.58%	17,023	0.77%
Karnataka	2,19,641	21.29%	2,86,248	18.51%	3,68,737	16.22%	3,44,083	15.49%
Kerala	-	-	18	0.00%	61	0.00%	128	0.01%
Madhya Pradesh	1,76,509	17.11%	2,40,819	15.58%	3,06,737	13.49%	2,74,456	12.36%
Maharashtra	93,401	9.06%	89,228	5.77%	1,59,841	7.03%	1,55,835	7.02%
NCT of Delhi	-	-	78	0.01%	302	0.01%	427	0.02%
Puducherry	2,814	0.27%	11,810	0.76%	20,646	0.91%	19,463	0.88%
Rajasthan	82,531	8.00%	1,37,941	8.92%	2,11,957	9.32%	2,08,698	9.39%
Tamil Nadu	2,83,974	27.53%	4,71,847	30.52%	6,07,622	26.73%	5,56,975	25.07%
Telangana	-	-	110	0.01%	38,024	1.67%	69,424	3.13%
Uttar Pradesh	-	-	10	0.00%	29,930	1.32%	44,196	1.99%
Total	**10,31,453**	**100.00%**	**15,46,079**	**100.00%**	**22,73,474**	**100.00%**	**22,21,412**	**100.00%**

Geographical spread of Gross Loan Portfolio

The following table sets forth, as of the dates indicated, the geographical spread of our Gross Loan Portfolio by state and Union Territory:

₹ in millions

Particulars	Year ended March 31, 2018		Year ended March 31, 2019		Year ended March 31, 2020		Nine months ended December 31, 2020	
	Amount	%	Amount	%	Amount	%	Amount	%
Andhra Pradesh	252.75	1.17%	607.58	1.72%	2,169.94	4.06%	3,093.13	5.58%
Chandigarh	-	-	-	-	0.30	0.00%	1.14	0.00%
Chhattisgarh	-	-	-	-	129.51	0.24%	115.00	0.21%
Gujarat	3,521.13	16.34%	7,442.99	21.08%	11,213.74	20.99%	11,502.97	20.74%
Haryana	-	-	1,551.83	4.40%	404.39	0.76%	430.58	0.78%
Karnataka	5,531.05	25.67%	5,770.63	16.35%	10,068.97	18.85%	9,126.93	16.45%
Kerala	-	-	0.22	0.00%	7.67	0.01%	25.67	0.05%
Madhya Pradesh	3,076.12	14.28%	4,169.93	11.81%	5,533.67	10.36%	5,581.36	10.06%
Maharashtra	1,231.61	5.72%	1,519.64	4.30%	3,156.46	5.91%	3,543.28	6.39%

Particulars	Year ended March 31, 2018		Year ended March 31, 2019		Year ended March 31, 2020		Nine months ended December 31, 2020	
	Amount	%	Amount	%	Amount	%	Amount	%
NCT of Delhi	-	-	12.97	0.04%	30.50	0.06%	70.61	0.13%
Puducherry	76.12	0.35%	353.97	1.00%	609.35	1.14%	608.03	1.10%
Rajasthan	1,462.92	6.79%	2,789.47	7.90%	4,309.57	8.07%	4,393.89	7.92%
Tamil Nadu	6,392.06	29.67%	11,072.48	31.36%	13,991.98	26.19%	14,382.48	25.93%
Telangana	-	-	9.91	0.03%	940.04	1.76%	1,456.29	2.63%
Uttar Pradesh	-	-	0.43	0.00%	852.17	1.60%	1,144.50	2.06%
Total	**21,543.77**	**100.00%**	**35,302.04**	**100.00%**	**53,418.25**	**100.00%**	**55,475.84**	**100.00%**

The following table sets forth, as of the dates indicated, the regional spread of our Gross Loan Portfolio by metropolitan, urban, semi-urban and rural areas:

₹ in millions

Particulars	Year ended March 31, 2018		Year ended March 31, 2019		Year ended March 31, 2020		Nine months ended December 31, 2020	
	Amount	%	Amount	%	Amount	%	Amount	%
Metropolitan(1)	2,156.06	10.01%	1,958.37	5.55%	6,242.36	11.69%	6,428.84	11.59%
Urban(2)	5,446.57	25.28%	10,462.11	29.64%	12,440.90	23.29%	13,046.95	23.52%
Semi-urban(3)	12,319.25	57.18%	19,306.62	54.69%	29,021.14	54.33%	30,294.68	54.61%
Rural(4)	1,621.89	7.53%	3,574.94	10.13%	5,713.86	10.70%	5,705.37	10.28%
Total	**21,543.77**	**100.00%**	**35,302.04**	**100.00%**	**53,418.25**	**100.00%**	**55,475.84**	**100.00%**

(1) *Metropolitan is defined as a population of 1,000,000 and above.*

(2) *Urban is defined as a population of 100,000 to 999,999.*

(3) *Semi-urban is defined as a population of 10,000 to 99,999.*

(4) *Rural is defined as a population of less than 10,000.*

Geographical spread of deposits

The following table sets forth, as of the dates indicated, the regional spread of our deposits by metropolitan, urban, semi-urban and rural areas:

₹ in millions

Particulars	Year ended March 31, 2018		Year ended March 31, 2019		Year ended March 31, 2020		Nine months ended December 31, 2020	
	Amount	%	Amount	%	Amount	%	Amount	%
Metropolitan(1)	6,654.77	91.53%	13,389.35	65.53%	28,363.18	60.94%	28,569.17	54.14%
Urban(2)	346.95	4.77%	5,369.58	26.28%	15,760.92	33.87%	21,311.45	40.39%
Semi-urban(3)	238.58	3.28%	1,490.60	7.30%	2,265.45	4.87%	2,684.74	5.09%
Rural(4)	30.68	0.42%	182.60	0.89%	149.78	0.32%	201.09	0.38%
Total	**7,270.98**	**100.00%**	**20,432.12**	**100.00%**	**46,539.33**	**100.00%**	**52,766.45**	**100.00%**

(1) *Metropolitan is defined as a population of 1,000,000 and above.*

(2) *Urban is defined as a population of 100,000 to 999,999.*

(3) *Semi-urban is defined as a population of 10,000 to 99,999.*

(4) *Rural is defined as a population of less than 10,000.*

Geographical spread of banking outlets and BC outlets

The following table sets forth, as of the dates indicated, the geographical spread of our banking outlets and BC outlets by state and Union Territory:

Particulars	Year ended March 31, 2018		Year ended March 31, 2019		Year ended March 31, 2020		Nine months ended December 31, 2020	
	Count	%	Count	%	Count	%	Count	%
Andhra Pradesh	6	1.91%	80	14.06%	134	18.85%	144	19.28%
Chandigarh	-	-	-	-	1	0.14%	1	0.13%
Chhattisgarh	-	-	-	-	7	0.98%	7	0.94%
Gujarat	63	20.06%	80	14.06%	92	12.94%	92	12.32%
Haryana	-	-	2	0.35%	3	0.42%	4	0.54%
Karnataka	63	20.06%	75	13.18%	81	11.39%	80	10.71%

Particulars	Year ended March 31, 2018		Year ended March 31, 2019		Year ended March 31, 2020		Nine months ended December 31, 2020	
	Count	%	Count	%	Count	%	Count	%
Kerala	-	-	1	0.18%	4	0.56%	21	2.81%
Madhya Pradesh	42	13.38%	55	9.67%	63	8.86%	63	8.43%
Maharashtra	44	14.00%	52	9.14%	55	7.74%	55	7.36%
NCT of Delhi	-	-	3	0.53%	4	0.56%	4	0.54%
Puducherry	2	0.64%	3	0.53%	3	0.42%	3	0.40%
Rajasthan	13	4.14%	33	5.80%	40	5.63%	38	5.09%
Tamil Nadu	81	25.80%	97	17.05%	109	15.33%	109	14.59%
Telangana	-	-	87	15.29%	111	15.61%	122	16.33%
Uttar Pradesh	-	-	1	0.18%	4	0.56%	4	0.54%
Total	**314**	**100.00%**	**569**	**100.00%**	**711**	**100.00%**	**747**	**100.00%**

The following table sets forth, as of the dates indicated, the regional spread of our banking outlets by metropolitan, urban, semi-urban and rural areas:

Particulars	Year ended March 31, 2018		Year ended March 31, 2019		Year ended March 31, 2020		Nine months ended December 31, 2020	
	Count	%	Count	%	Count	%	Count	%
Metropolitan(1)	20	6.37%	38	6.68%	52	7.31%	55	7.36%
Urban(2)	70	22.29%	94	16.52%	114	16.03%	119	15.93%
Semi-urban(3)	199	63.38%	298	52.37%	385	54.15%	414	55.42%
Rural(4)	25	7.96%	139	24.43%	160	22.50%	159	21.29%
Total	**314**	**100.00%**	**569**	**100.00%**	**711**	**100.00%**	**747**	**100.00%**

(1) Metropolitan is defined as a population of 1,000,000 and above.

(2) Urban is defined as a population of 100,000 to 999,999.

(3) Semi-urban is defined as a population of 10,000 to 99,999.

(4) Rural is defined as a population of less than 10,000.

Priority sector advances

The following table sets forth, as of and for the periods indicated, our priority sector advances:

₹ in millions

Particulars	Year ended March 31, 2018		Year ended March 31, 2019		Year ended March 31, 2020		Nine months ended December 31, 2020	
	Advances	% of ANBC(1)	Advances(2)	% of ANBC(2)(3)	Advances(2)	% of ANBC(2)	Advances(2)	% of ANBC(2)
Agriculture advances	7,389.30	NA	12,630.32	87.24%	23,271.54	105.33%	29,047.08	77.26%
Small-scale industry (SME)	4,234.45	NA	3,890.22	26.87%	8,627.09	39.21%	8,634.75	23.46%
Others	1,687.01	NA	1,582.19	10.93%	2,558.33	11.72%	5,099.60	12.86%
Total priority Sector (Gross) (4)	13,310.76	NA	18,102.73	125.04%	34,456.96	156.25%	42,808.43	113.58%
Less: PSLC	7,900.00	-	5,225.00	-	16,007.50	-	7,333.33	-
Priority sector advance (net of PSLC)	5,410.76	-	12,877.73	88.95%	18,449.46	86.91%	35,475.10	95.86%

(1) ANBC is not applicable to FY2018 because that was our first year of banking operations.

(2) Advances are quarterly averages for FY2019, FY2020 and the nine months ended December 31, 2020. ANBC is a quarterly average for FY2020 and the nine months ended December 31, 2020.

(3) % of ANBC for the year ended March 31, 2019 is calculated using March 31, 2018 ANBC numbers, and the % is not an average.

(4) PSL for the year ended March 31, 2018 is based on March 31, 2018 only.

Product line break up of Gross NPAs

The following table sets forth, as of and for the periods indicated, our Gross NPAs by product line:

₹ in millions

Particulars	Year ended March 31, 2018		Year ended March 31, 2019		Year ended March 31, 2020		Nine months ended December 31, 2020	
	Gross NPAs	% of Gross Advances	Gross NPAs	% of Gross Advances	Gross NPAs	% of Gross Advances	Gross NPAs	% of Gross Advances
Microloans	137.05	1.04%	282.96	1.34%	270.77	0.72%	1,363.14	3.33%
Loans against property	31.49	2.86%	63.12	1.99%	165.52	3.13%	275.47	4.68%
Loans against gold	-	-	3.53	0.40%	0.80	0.04%	26.38	0.81%
Institutional finance	-	-	-	-	-	-	121.56	9.33%
Two-wheeler loans	-	-	-	-	0.05	0.04%	2.64	3.37%
Affordable housing loans	-	-	-	-	-	-	2.32	0.51%

Interest sensitivity analysis

The following table sets forth the interest rate sensitivity analysis of certain items of assets and liabilities as at December 31, 2020 and is prepared/compiled based on guidelines provided by the RBI:

₹ in millions

	Up to Three Months	Over Three Months to One Year	Over One Year to Five Years	Over Five Years	Non-Sensitive	Total
Cash and Balances with RBI	6,820.00	-	-	-	1,518.57	8,338.57
Balances with Other Banks	1,000.00	41.05	-	-	495.33	1,536.38
Investments	1,987.56	2,128.40	3,166.33	5,228.27	-	12,510.55
Advances	11,221.60	21,817.17	17,156.51	1,384.50	-	51,579.78
Other assets(1)	-	-	-	-	2,268.46	2,268.46
Total Assets	**21,029.15**	**23,986.62**	**20,322.85**	**6,612.76**	**4,282.37**	**76,233.75**
Capital and reserves	-	-	-	-	10,085.92	10,085.92
Borrowings	1,068.70	1,743.19	7,705.68	102.53	-	10,620.10
Deposits	6,142.44	14,356.99	32,266.41	0.63	-	52,766.45
Other liabilities(2)	-	-		-	2,761.27	2,761.27
Total Liabilities	**7,211.14**	**16,100.18**	**39,972.09**	**103.16**	**12,847.20**	**76,233.75**

(1) *Other assets include, among others, fixed assets, net inter-office adjustments, interest accrued, net tax paid in advance/tax deduced at source, security deposits and net deferred tax assets.*

(2) *Other liabilities include, among others, bills payable, net inter-office adjustments, interest accrued and others, including provisions for standard assets, provision for gratuity, TDS payable and provision for tax.*

Size and concentration of advances and deposits

As of FY2020, our single largest borrower accounted for 0.30% of our total advances. Our ten largest borrowers (including groups of related individuals and companies) accounted for 2.54% of our total advances and our twenty largest borrowers (including groups of related individuals and companies) accounted for 4.32% of our total advances. Our ten largest deposit holders (including groups of related individuals and companies) accounted for 11.86% of our total deposits and twenty largest deposit holders (including groups of related individuals and companies) accounted for 18.05% of our total deposits.

The following table sets forth, as of the dates indicated, our largest borrowings as a percentage of our total advances and our largest deposits as a percentage of our total deposits:

Particulars	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2020	Nine months ended December 31, 2020
Borrower				
Single largest borrower	1.04%	0.54%	0.30%	0.26%
Ten largest borrowers	7.40%	4.77%	2.54%	1.54%
Twenty largest borrowers	10.61%	7.91%	4.32%	2.31%
Deposits				
Single largest deposit holder	23.45%	6.52%	1.73%	1.36%
Ten largest deposit holders	74.99%	22.55%	11.86%	10.32%
Twenty largest deposit holders	79.29%	30.49%	18.05%	16.12%

Secured and unsecured advances

The following table sets forth our secured and unsecured advances:

₹ in millions

Particulars	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2020	Nine months ended December 31, 2020
Secured %	18.36%	24.28%	21.72%	21.89%
Total Secured	**2,992.68**	**6,712.38**	**10,459.93**	**11,290.98**
Unsecured %	81.64%	75.72%	78.28%	78.11%
Total Unsecured	**13,303.28**	**20,934.51**	**37,695.86**	**40,288.80**

Classification of Assets

Classification policy

Advances are classified into performing (or standard) and non-performing advances ("**NPAs**") as per the RBI guidelines and are stated net of specific provisions made towards NPAs. Further, NPAs are classified into sub-standard, doubtful and loss assets based on the criteria stipulated by the RBI.

As per IRAC norms prescribed by the RBI, a loan or an advance is classified as NPA where the interest and/or instalment of principle remains overdue for a period of more than 90 days in respect of a term loan or where the account remains "out of order" in respect of an overdraft/cash credit facility.

In the case of microloans, rural loans against property, loans against gold, two-wheeler loans and CASA accounts with debit balances, NPAs are classified as sub-standard assets as per RBI guidelines. Further, such NPAs that become overdue for more than 180 days are classified as loss assets. In the case of secured institutional finance and secured overdraft against property, NPAs are classified as sub-standard and doubtful assets as per RBI guidelines. However, NPAs overdue for more than 820 days are classified as loss assets. In the case of loans against property with a registered mortgage, NPAs are classified as sub-standard and doubtful assets as per RBI guidelines. However, NPAs overdue for more than 1,185 days are classified as loss assets. "Overdue" refers to interest and / or instalment remaining unpaid from the day it becomes receivable.

Provisioning

General provision for standard assets made in accordance with RBI Guidelines is included under "Other Liabilities and Provision". Further, provision for sub-standard, doubtful and loss assets in case of loan portfolio are provided based on our management's best estimates, subject to minimum provisioning level prescribed by the RBI under IRAC norms.

Loan loss provisions in respect of NPAs are charged to the Profit and Loss Account and included under Provisions and Contingencies. NPAs that have been fully provided for are written off, based on our management's estimate and as per our NPA provisioning and write-off policy. Recoveries from bad debts written-off are recognized in the Profit and Loss Account and included under Miscellaneous income within Other Income.

Standard Assets

Asset classification of Advances (including IBPC)

The following table provides a breakdown of our Advances (including IBPC) by asset classification as at the dates indicated:

₹ in millions

Asset Classification	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2020	Nine months ended December 31, 2020
	Amount	Amount	Amount	Amount
Loan Outstanding (gross)				
Standard Assets	18,171.09	31,426.98	52,294.74	53,079.79
Sub-Standard Assets	155.15	127.98	241.10	1,563.06
Doubtful Assets	10.43	17.70	43.88	109.65
Loss assets	-	213.25	162.21	139.61
Total Loan Outstanding (gross)	**18,336.67**	**31,785.91**	**52,741.93**	**54,892.11**

Non-Performing Assets

Once loan accounts are identified as non-performing, interest and other fees charged in the account, if uncollected, are reversed. In compliance with regulations governing the presentation of financial information by banks, we report non-performing assets net of cumulative provisions. In accordance with the RBI guidelines, interest income from advances for NPAs is recognized upon realization, rather than on an accrual basis as with all other loans. Any recoveries in the non-performing advances account will be first appropriated to Fees/Charges outstanding if any, then interest outstanding and then principal outstanding except in those cases where bank has a specific agreement with a borrower with regards to appropriation of recoveries.

The following table sets forth, as at the dates indicated, certain information about our NPAs:

₹ in millions

Particulars	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2020	Nine months ended December 31, 2020
Gross NPAs	172.17	358.92	447.18	1,812.31
Net NPAs	131.68	94.93	197.47	972.27
Provisions(1)	40.49	263.99	249.71	840.04

(1) Provisions represents provision for NPAs as on the year/period end.

The following table sets forth, as at the dates indicated, certain information about our DPD movement:

₹ in millions

Particulars	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2020	Nine months ended December 31, 2020
30+DPD	50.88	128.48	199.05	1,692.43
60+DPD	59.02	80.19	134.83	931.82
90+DPD	952.65	968.01	1,092.41	2,137.63

(1) The above table represents respective "Days Past Due" buckets for our Total Gross Loan Portfolio.

We define Net NPAs as Gross NPAs less our loan loss provisions. The following table sets forth, as at the dates indicated, certain information about our non-performing loan portfolio:

₹ in millions

Particulars	As at / Year ended March 31, 2018	As at / Year ended March 31, 2019	At at / Year ended March 31, 2020	As at/ Nine months ended December 31, 2020
Opening balance of Gross NPAs at the beginning of the period/year	59.19	172.17	358.92	447.18
Additions during the period/year	1,499.99	435.62	743.30	1,721.71
Less: Reductions during the period on account of recovery	93.12	25.71	41.34	7.98
Less: Reductions during the period on account of write-offs (technical + prudential)	1,293.89	101.57	454.36	279.29
Less: Upgradation	-	121.59	159.34	69.31
Gross NPAs at the close of the period/year	172.17	358.92	447.18	1,812.31
Gross Advances(1)	16,336.45	27,910.88	48,405.50	52,419.82
Net Advances(2)	16,295.96	27,646.89	48,155.79	51,579.78
Gross NPAs / Gross Advances (%)	1.05%	1.29%	0.92%	3.46%
Gross NPA / Gross Advances (including IBPC) (%)(3)	0.94%	1.13%	0.85%	3.28%
Net NPA (%)(4)	0.72%	0.34%	0.41%	1.88%
Net NPA / Net Advances (including IBPC)	0.72%	0.30%	0.37%	1.79%
NPA provisions	40.49	263.99	249.71	840.04
Voluntary Provisions(5)	-	-	825.00	950.80
Total of NPA provisions and Voluntary Provisions(6)	40.49	263.99	1,074.71	1,790.84
Total provisions (including provisions towards standard assets)(7)	113.18	389.70	1,310.73	2,143.76
Total provisions (including provisions towards standard assets) held as percentage of Gross Advances(7)	0.69%	1.40%	2.71%	4.09%
Total provisions (including provision towards standard assets) held as percentage of Gross NPA	65.74%	108.58%	293.11%	118.29%
Provision Coverage Ratio	23.55%	94.42%	91.14%	74.82%
Gross Advances (including IBPC)	18,366.45	31,785.88	52,773.50	55,169.82

(1) Gross Advances represents Advances per the Restated Summary Statement of Assets and Liabilities plus NPA provisions.

(2) Net Advances represents Advances as on the year/period end as per the Restated Summary Statement of Assets and Liabilities.

(3) Calculated as Gross NPA over Gross Advances inclusive of IBPC portfolio.

(4) Calculated as Net NPAs over Net Advances.

(5) Voluntary Provisions represents COVID-19 related provisions outstanding as on the year/period end.

(6) *Total of NPA provisions and Voluntary Provisions represents the aggregate of NPA provisions and COVID-19 related provisions outstanding as on the year/period end.*

(7) *Total provisions are created on advances. Provisions towards standard assets are inclusive of COVID-19 related provisions.*

Movement in NPA provisions

₹ in millions

Particulars	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2020	Nine months ended December 31, 2020
Opening balance at the beginning of the year/period	30.50	40.49	263.99	249.71
Addition during the year/period	403.08	400.70	484.62	884.24
Less reductions during the period on account of recovery and write-offs	393.09	177.20	498.90	293.91
Provisions at the close of the year/period	40.49	263.99	249.71	840.04

Info related to digital banking channels

₹ in millions

Particulars(1)	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2020	Nine months ended December 31, 2020
Total debit cards issued	25,188	8,14,518	22,02,776	25,61,526
Number of active debit cards	25,171	8,13,626	21,85,495	23,09,797
Number of debit card transactions	72,982	39,77,001	81,23,605	43,17,658
Value of debit card transactions (₹ in millions)	360.86	20,191.61	39,704.55	15,799.98
Number of internet banking transactions	2,789	20,045	40,680	76,870
Value of internet banking transactions (₹ in millions)	169.62	1,001.81	2,666.65	5,259.75
Number of mobile banking transactions	11,320	2,29,032	6,02,823	11,51,643
Value of mobile banking transactions (₹ in millions)	249.66	4,048.32	11,124.21	13,653.12
Number of RTGS transactions	1,167	2,069	10,065	14,334
Value of RTGS transactions (₹ in millions)	11,990.85	19,820.70	12,246.36	13,830.21
Number of NEFT transactions	2,465	13,693	27,650	63,141
Value of NEFT transactions (₹ in millions)	1,083.97	612.14	1,283.19	2,788.98
Number of IMPS transactions	10,116	1,42,037	4,24,928	7,01,347
Value of IMPS transactions (₹ in millions)	97.48	1,208.61	3,655.76	5,507.24
Number of UPI transactions	-	-	16,21,207	72,56,150
Value of UPI transactions (₹ in millions)	-	-	1,463.44	6,782.09

(1) *Number and value of digital transactions in any mode represents "Debit only" transactions in customer accounts of that mode.*

Largest NPAs

As of FY2020, our ten largest NPAs accounted for 0.05% of our total advances, 5.50% of our Gross NPAs and 12.46% of our Net NPAs.

As of the nine months ended December 31, 2020, our ten largest NPAs accounted for 0.27% of our total advances, 7.76% of our Gross NPAs and 14.47% of our Net NPAs.

Particulars	Year ended March 31, 2020	Nine months ended December 31, 2020
Ten largest NPAs as a % of our total advances	0.05%	0.27%
Ten largest NPAs as a % of our Gross NPAs	5.50%	7.76%
Ten largest NPAs as a % of our Net NPAs	12.46%	14.47%

Cash Flow Mismatch

The table below sets forth our structural liquidity gap position as of FY2020, based on contractual undiscounted cash flows:

₹ in millions

Particulars	1-30 days	31 days to 3 months	3-6 months	6-12 months	1-3 years	3-5 years	Over 5 years	Total
Cash and balances with the RBI/interbank	9,855.93	49.96	196.83	135.00	551.37	20.11	19.83	10,829.04
Advances(1)	165.87	2,559.48	8,107.77	14,618.38	19,308.00	1,937.18	1,459.09	48,155.79
Investments(2)	3,313.35	376.47	1,275.00	1,017.18	3,786.69	151.51	149.41	10,069.60
Other assets	1,059.30	404.47	16.86	-	224.05	0.01	403.64	2,108.33
Total Assets	14,394.44	3,390.38	9,596.47	15,770.56	23,870.12	2,108.81	2,031.97	71,162.75
Borrowings	367.50	243.75	1,610.40	1,898.65	6,211.30	2,350.00	1,000.00	13,681.60
Deposits	2,194.61	2,736.79	8,447.06	6,347.32	26,169.18	642.23	2.12	46,539.31
Other liabilities and provisions	478.51	182.40	670.99	526.13	46.05	-	-	1,904.08
Capital and reserves	-	-	-	-	-	-	9,037.77	9,037.77
Total Liabilities	3,040.62	3,162.93	10,728.45	8,772.10	32,426.54	2,992.23	10,039.89	71,162.75
Liquidity gap	11,353.82	227.45	(1,131.98)	6,998.46	(8,556.41)	(883.42)	(8,007.91)	-
Cumulative liquidity gap	11,353.82	11,581.27	10,449.29	17,447.74	8,891.33	8,007.91	-	-
Cumulative liabilities	3,040.62	6,203.56	16,932.00	25,704.10	58,130.64	61,122.87	71,162.75	-
Cumulative liquidity gap as a % of cumulative liabilities	373.40%	186.69%	61.71%	67.88%	15.30%	13.10%	0.00%	-

(1) Advances represents Advances as on the year/period end as per the Restated Summary Statement of Assets and Liabilities.

(2) Investments include Repo but exclude reverse Repo.

The table below sets forth our structural liquidity gap position as of the nine months ended December 31, 2020, based on contractual undiscounted cash flows:

₹ in millions

Particulars	1-30 days	31 days to 3 months	3-6 months	6-12 months	1-3 years	3-5 years	Over 5 years	Total
Cash and balances with the RBI/interbank	8,706.42	58.30	93.84	284.37	630.49	101.52	0.03	9,874.95
Advances(1)	3,356.83	7,342.51	8,488.85	13,673.54	14,435.94	2,561.81	1,720.31	51,579.78
Investments(2)	4,331.13	393.14	632.82	1,640.93	4,811.96	700.40	0.17	12,510.55
Other assets	1,118.81	534.51	19.42	-	245.07	0.00	350.66	2,268.47
Total assets	17,513.18	8,328.46	9,234.92	15,598.84	20,123.46	3,363.74	2,071.16	76,233.75
Borrowings	222.00	846.70	310.43	1,432.76	5,014.64	2,691.04	102.53	10,620.10
Deposits	2,743.67	3,398.76	2,925.06	11,431.93	29,293.89	2,972.52	0.63	52,766.45
Other liabilities and provisions	1,014.07	223.18	811.13	646.48	47.56	18.86	-	2,761.27
Capital and reserves	-	-	-	-	-	-	10,085.92	10,085.92
Total Liabilities	3,979.74	4,468.65	4,046.62	13,511.17	34,356.08	5,682.42	10,189.08	76,233.75
Liquidity gap	13,533.44	3,859.81	5,188.31	2,087.67	(14,232.63)	(2,318.68)	(8,117.92)	-
Cumulative liquidity gap	13,533.44	17,393.25	22,581.56	24,669.23	10,436.60	8,117.92	-	-
Cummulative liabilities	3,979.74	8,448.39	12,495.00	26,006.17	60,362.25	66,044.67	76,233.75	-
Cumulative liquidity gap as a % of cumulative liabilities	340.06%	205.88%	180.72%	94.86%	17.29%	12.29%	0.00%	-

(1) Advances represents Advances as on the year/period end as per the Restated Summary Statement of Assets and Liabilities.

(2) Investments include Repo but exclude reverse Repo.

Capital Adequacy

The following table sets forth certain details regarding our capital under Basel III as of the dates indicated:

₹ in millions

	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2020	Nine months ended December 31, 2020
Tier 1 capital	3,174.87	6,220.07	8,485.81	9,443.66
Tier 2 capital	918.92	623.79	2,103.34	1,751.82
Total capital	**4,093.79**	**6,843.86**	**10,589.15**	**11,195.48**
Total risk weighted assets and contingents	**17,573.77**	**28,962.64**	**36,167.66**	**37,450.93**
Capital Adequacy Ratios				
Tier 1 capital ratio (%)	18.07%	21.48%	23.46%	25.22%
Tier 2 capital ratio (%)	5.23%	2.15%	5.82%	4.68%
CRAR (%)	23.30%	23.63%	29.28%	29.90%

Customer Base

The following table sets forth certain information relating to our customer base:

	As of March 31,			As of December 31,
	2018	2019	2020	2020
Only Borrowers	1,024,389	1,622,073	2,291,720	2,189,857
Only Depositors	35,281	822,040	2,198,617	2,322,866
Both Borrowers and Depositors	1,059,670	1,681,277	2,543,726	2,627,284
Of Only Depositors:				
CASA Customers	35,189	814,831	218,8248	2,312,631
Term Deposit Customers	3,518	27,869	74,970	121,207
Both CASA and TD	35,281	822,040	2,198,617	2,322,866

March 31, 2021 Update

The following table sets forth certain information updated to March 31, 2021:

Particulars	As of March 31, 2018	As of March 31, 2019	As of March 31, 2020	As of December 31, 2020	As of March 31, 2021
Number of banking outlets (including BC outlets)[(1)]	314	569	711	747	809
Number of BC outlets	0	152	202	219	259
Number of customers	1,060,872	1,683,639	2,546,222	2,727,623	2,849,852
Number of states and union territories	8	13	19	19	19
Total Disbursements (₹ in million)	20,667.60	32,210.23	49,497.11	27,822.90	46,703.50

Number of banking outlets represents our aggregate number of banking outlets (including BC outlets).

SECTION V: FINANCIAL INFORMATION

FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S EXAMINATION REPORT ON RESTATED FINANCIAL INFORMATION

The Board of Directors
Fincare Small Finance Bank Limited
301-306, 3rd Floor, Abhijeet – V
Opposite Mayor Bunglow
Law Garden Road, Mithakhali
Ahmedabad – 380006

Dear Sirs,

1. We have examined the attached Restated Financial Information of Fincare Small Finance Bank Limited (the "Bank" or the "Issuer"), comprising the Restated Statement of Assets and Liabilities as at December 31, 2020, March 31, 2020, 2019 and 2018, the Restated Statements of Profit and Loss, the Restated Cash Flow Statement for the nine month period ended December 31, 2020 and for the years ended March 31, 2020, 2019 and 2018, the Summary Statement of Significant Accounting Policies, and other explanatory information (collectively, the "Restated Financial Information"), as approved by the Board of Directors of the Bank at their meeting held on May 04, 2021 for the purpose of inclusion in the Draft Red Herring Prospectus ("DRHP") prepared by the Bank in connection with its proposed Initial Public Offer of equity shares ("IPO") prepared in terms of the requirements of:

    a. Section 26 of Part I of Chapter III of the Companies Act, 2013 (the "Act");

    b. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended ("ICDR Regulations"); and

    c. The Guidance Note on Reports in Company Prospectuses (Revised 2019) issued by the Institute of Chartered Accountants of India ("ICAI"), as amended from time to time (the "Guidance Note").

2. The Bank's Board of Directors is responsible for the preparation of the Restated Financial Information for the purpose of inclusion in the DRHP to be filed with Securities and Exchange Board of India, Bombay Stock Exchange and National Stock Exchange in connection with the proposed IPO. The Restated Financial Information have been prepared by the management of the Bank on the basis of preparation stated in annexure 5.2 (i) to the Restated Financial Information. The Board of Directors of the Bank responsibility includes designing, implementing and maintaining adequate internal control relevant to the preparation and presentation of the Restated Financial Information. The Board of Directors are also responsible for identifying and ensuring that the Bank complies with the Act, ICDR Regulations and the Guidance Note.

3. We have examined such Restated Financial Information taking into consideration:

    a. The terms of reference and terms of our engagement agreed upon with you in accordance with our engagement letter dated 26 March 2020 in connection with the proposed IPO of equity shares of the Bank;

    b. The Guidance Note also requires that we comply with the ethical requirements of the Code of Ethics issued by the ICAI;

    c. Concepts of test checks and materiality to obtain reasonable assurance based on verification of evidence supporting the Restated Financial Information; and

    d. The requirements of Section 26 of the Act and the ICDR Regulations.

    Our work was performed solely to assist you in meeting your responsibilities in relation to your compliance with the Act, the ICDR Regulations and the Guidance Note in connection with the IPO.

4. These Restated Financial Information have been compiled by the management from:

    a. Audited special purpose interim financial statements of the Bank as at and for the nine month period ended December 31, 2020 prepared in accordance with Accounting Standard (AS) 25 "Interim Financial Reporting", specified under section 133 of the Act and other accounting principles generally accepted in India (the "Special Purpose Interim Financial Statements") which have been approved by the Board of Directors at their meeting held on April 28, 2021.

    b. Audited financial statements of the Bank as at and for the years ended March 31, 2020, 2019 and 2018 prepared in accordance with the Accounting Standards (referred to as "AS") as prescribed under Section 133 of the Act read with Companies (Indian Accounting Standards) Rules 2015, as amended, and other accounting principles generally accepted in India, which have been approved by the Board of Directors at their meetings held on June 08, 2020, May 18, 2019 and April 30, 2018, respectively.

5. For the purpose of our examination, we have relied on:

    a. Auditors' reports issued by us dated April 28, 2021, June 08, 2020, May 18, 2019 and April 30, 2018 on the financial statements of the Bank as at and for the nine month period ended December 31, 2020 and as at and for the year ended March 31, 2020, 2019 and 2018 as referred in Paragraph 4 above.

6. The audit reports on the financial statements issued by us were modified and included following matters giving rise to modifications on the financial statements as at and for the nine months period ended December 31, 2020 and the years ended March 31, 2020 and 2018:

Nine months period ended December 31, 2020

"We draw attention to Schedule 17, Note 2.1 (ii) to the accompanying financial statements, which describes the uncertainties due to the outbreak of Covid-19 pandemic. The impact of the pandemic on the Bank's operations and financial metrics will depend on future developments which are highly uncertain at this time. Our opinion is not modified in respect of this matter."

Financial year ended March 31, 2020

"We draw attention to Schedule 17, Note 2.1 (ii) to the accompanying financial statements, which describes the economic and social disruption the Bank is facing as a result of COVID-19 pandemic including the moratorium period offered to borrowers as directed by the Reserve Bank of India. The full extent of impact of the events on the Bank's operations and financial metrics will depend on future developments which are uncertain at this time. Our opinion is not modified in respect of this matter."

Financial year ended March 31, 2018

"We draw attention to Note 1 of Schedule 17 to the financial statements which describes that the RBI has granted a small finance bank license to the Company on 12 May 2017, consequent to which the Company commenced its operations as a small finance bank with effect from 21 July 2017. The Company has changed some of its accounting policies as compared to previous financial year to ensure compliance with the relevant RBI guidelines, and hence, the corresponding figures are not entirely comparable with those of the current year ended 31 March 2018. Further, the corresponding disclosures for the current financial year ended 31 March 2018 has been provided only to the extent such disclosures were applicable in the previous financial statements as well. Our opinion is not modified in respect of this matter."

7. Based on our examination and according to the information and explanations given to us, we report that the Restated Financial Information:

    a. have been prepared after incorporating adjustments for the changes in accounting policies, material errors and regrouping/reclassifications retrospectively in the financial years ended March 31, 2020, 2019 and 2018 to reflect the same accounting treatment as per the accounting policies and grouping/classifications followed as at and for the nine month period ended December 31, 2020; and

    b. do not require any adjustments for the matters giving rise to modifications mentioned in paragraph 6 above; and

    c. have been prepared in accordance with the Act, ICDR Regulations and the Guidance Note.

8. The Restated Financial Information do not reflect the effects of events that occurred subsequent to the respective dates of the reports on the special purpose interim financial statements and audited financial statements mentioned in paragraph 4 above.

9. This report should not in any way be construed as a reissuance or re-dating of any of the previous audit reports issued by us, nor should this report be construed as a new opinion on any of the financial statements referred to herein.

10. We have no responsibility to update our report for events and circumstances occurring after the date of the report.

11. Our report is intended solely for use of the Board of Directors for inclusion in the DRHP to be filed with Securities and Exchange Board of India, Bombay Stock Exchange and National Stock Exchange in connection with the proposed IPO. Our report should not be used, referred to, or distributed for any other purpose except with our prior consent in writing. Accordingly, we do not accept or assume any liability or any duty of care for any other purpose or to any other person to whom this report is shown or into whose hands it may come without our prior consent in writing.

For **Walker Chandiok & Co. LLP**
Chartered Accountants
Firm Registration No: 001076N/N500013

Manish Gujral
Partner
Membership No.: 105117
UDIN : 21105117AAAACO2125

Place: Mumbai
Date: 04 May 2021

Fincare Small Finance Bank Limited

Annexure - 1: Restated Summary Statement of Assets and Liabilities

(All amounts in ₹ million except otherwise stated)

	Annexure	As at 31 December 2020	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018
Capital & Liabilities					
Capital	6	636.10	636.10	564.36	374.59
Employees stock options outstanding		8.99	-	-	-
Reserves and surplus	7	9,440.82	8,401.55	6,095.58	3,000.85
Deposits	8	52,766.45	46,539.33	20,432.12	7,270.98
Borrowings	9	10,620.10	13,681.62	12,830.74	10,689.79
Other liabilities and provisions	10	2,761.31	1,904.14	1,794.60	1,404.94
TOTAL		**76,233.77**	**71,162.74**	**41,717.40**	**22,741.15**
Assets					
Cash and balances with Reserve Bank of India	11	8,338.57	10,585.33	1,419.14	476.46
Balances with banks and money at call and short notice	12	1,536.38	243.73	3,796.68	2,038.63
Investments	13	12,510.56	10,069.60	7,008.60	2,727.12
Advances	14	51,579.78	48,155.79	27,646.89	16,295.96
Fixed assets	15	350.67	403.64	330.74	223.03
Other assets	16	1,917.81	1,704.65	1,515.35	979.95
TOTAL		**76,233.77**	**71,162.74**	**41,717.40**	**22,741.15**
Contingent liabilities	17	32.66	183.67	1,147.53	955.71
Bills for collection		-	-	-	-
Significant Accounting Policies	5				
Notes to Restated Summary Statements	22				

The accompanying annexures are an intergral part of this statement.

For **Walker Chandiok and Co. LLP**
Chartered Accountants
Firm Registration No: 001076N / N500013

For and on behalf of the Board of Directors of
Fincare Small Finance Bank Limited

Manish Gujral
Partner
Membership No.: 105117
Mumbai
04 May 2021

Rajeev Yadav
MD and CEO
DIN: 00111379
Bengaluru
04 May 2021

Pramod Kabra
Director
DIN: 02252403
Mumbai
04 May 2021

Vinay Baijal
Director
DIN: 07516339
Mumbai
04 May 2021

Keyur Doshi
Chief Financial Officer
Bengaluru
04 May 2021

Shefaly Kothari
Company Secretary
M No. F7698
Bengaluru
04 May 2021

Fincare Small Finance Bank Limited

Annexure - 2: Restated Summary Statement of Profit and Loss

(All amounts in ₹ million except otherwise stated)

	Annexure	Nine months period ended 31 December 2020	Year ended 31 March 2020	Year ended 31 March 2019	Year ended 31 March 2018
I. Income					
Interest earned	18	9,395.48	10,702.56	6,051.51	3,139.64
Other income	19	587.58	1,454.64	697.31	365.34
TOTAL		**9,983.06**	**12,157.20**	**6,748.82**	**3,504.98**
II. Expenditure					
Interest expended	20	4,187.87	4,515.04	2,290.74	1,189.14
Operating expenses	21	3,345.22	4,261.34	2,958.10	1,779.36
Provision and contingencies (refer Annexure 22.16)	22.16	1,410.70	1,946.33	480.18	1,511.98
TOTAL		**8,943.79**	**10,722.71**	**5,729.02**	**4,480.48**
III. Profit / (loss)					
Net profit / (loss) for the period / year		1,039.27	1,434.49	1,019.80	(975.50)
Profit / (loss) brought forward		970.74	(61.75)	(795.46)	180.04
Total profit/(loss)		**2,010.01**	**1,372.74**	**224.34**	**(795.46)**
IV. Appropriation/transfers					
Transfer to statutory reserves		-	358.70	254.96	-
Transfer to other reserves		7.47	43.30	31.13	-
Transfer to Government/proposed dividend		-	-	-	-
Balance carried over to the balance sheet		2,002.54	970.74	(61.75)	(795.46)
Total		**2,010.01**	**1,372.74**	**224.34**	**(795.46)**
Significant Accounting Policies	5				
Notes to Restated Summary Statement	22				
Earnings per equity share					
Basic and diluted (₹)		16.34	24.43	22.41	(26.04)
* not annualised for nine months ended December 31, 2020					
Face value per share (₹)		10.00	10.00	10.00	10.00

The accompanying annexures are an intergral part of this statement.

For **Walker Chandiok and Co. LLP**
Chartered Accountants
Firm Registration No: 001076N / N500013

For and on behalf of the Board of Directors of
Fincare Small Finance Bank Limited

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Partner
Membership No.: 105117
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Keyur Doshi
Chief Financial Officer
Bengaluru
04 May 2021

Shefaly Kothari
Company Secretary
M No. F7698
Bengaluru
04 May 2021

Annexure - 3: Restated Summary Statement of Cash Flows

(All amounts in ₹ million except otherwise stated)

		Nine months period ended 31 December 2020	Year ended 31 March 2020	Year ended 31 March 2019	Year ended 31 March 2018
A. Cash flows from/(used in) operating activities:					
Profit / (loss) before tax		**1,348.93**	**2,027.25**	**1,103.02**	**(898.38)**
Adjustments for :					
Depreciation and amortisation expenses		122.16	169.04	121.93	70.24
Amortisation of premium on investments		48.12	16.02	5.63	4.14
(Profit)/ loss on disposal of fixed assets		(0.12)	0.66	0.25	1.78
Share/debenture issue expenses		-	-	3.81	-
Goodwill written off		-	-	47.10	-
Employee stock option cost		8.99	-	-	-
Loan portfolio written off		279.29	454.36	101.57	1,293.89
Provision for loan portfolio		833.03	921.04	276.50	140.97
Provision for other contingencies		(27.75)	(15.25)	(173.21)	-
Provision/depreciation - Investments		(0.75)	(0.79)	-	-
(Profit) on sale of investment in SLR securities		(11.40)	(1.79)	(2.81)	(0.34)
Loss on sale of investment in SLR securities		8.96	1.26	2.64	20.98
(Profit) on sale of investment in mutual funds		(2.93)	(10.64)	(13.09)	(56.24)
Operating profits before working capital changes		**2,606.53**	**3,561.16**	**1,473.34**	**577.04**
Movement in working capital:					
Increase in deposits		6,227.12	26,107.21	13,161.14	7,270.98
Increase / (decrease) in other liabilities		670.96	(576.04)	583.12	95.65
(Increase) in investments (net)		(2,485.89)	(3,075.70)	(4,286.94)	(2,751.90)
(Increase) in advances		(4,293.61)	(20,948.98)	(11,676.00)	(9,827.88)
Decrease / (increase) in fixed deposits		35.38	642.70	(1,262.19)	296.42
(Increase) in other assets		(132.69)	(269.99)	(462.93)	(161.36)
Cash generated from / (used in) operating activities		**2,627.80**	**5,440.36**	**(2,470.46)**	**(4,501.05)**
Taxes on income paid, net		(418.87)	(746.55)	(276.00)	(14.17)
Net cash generated from / (used in) operating activities	**(A)**	**2,208.93**	**4,693.81**	**(2,746.46)**	**(4,515.22)**
B. Cash flows from investing activities:					
Purchase of fixed assets		(69.41)	(243.32)	(230.68)	(207.21)
Proceeds from sale of fixed assets		0.34	0.73	0.79	0.20
Purchase of investments in mutual funds		(1,799.93)	(4,800.00)	(19,195.12)	(29,939.51)
Proceeds from sale of investments in mutual funds		1,802.86	4,810.64	19,208.21	29,995.75
Proceeds from term money lending		-	899.90	-	-
Net cash (used in)/ generated from investing activities	**(B)**	**(66.14)**	**667.95**	**(216.80)**	**(150.77)**
C. Cash flows from financing activities:					
Proceeds from issue of equity shares		-	943.22	2,264.70	-
Share / debenture issue expenses		-	-	(3.81)	-
Repayment of borrowing under the LAF segment		(470.00)	-	-	-
Proceeds from borrowing under the LAF segment		-	1,030.00	-	-
Proceeds from loans availed from banks and financial institutions		200.00	4,249.93	6,500.00	8,057.58
Repayment of loans availed from banks and financial institutions		(2,791.52)	(5,004.07)	(4,259.09)	(4,791.30)
Proceeds from issue of non-convertible debentures		-	1,000.00	-	1,250.00
Redemption of non-convertible debentures		-	(425.00)	(100.00)	(137.50)
Net cash (used in)/generated from financing activities	**(C)**	**(3,061.52)**	**1,794.08**	**4,401.80**	**4,378.78**
Net (decrease)/ increase in cash and cash equivalents during the period/year (A+B+C)		**(918.73)**	**7,155.84**	**1,438.54**	**(287.21)**
Cash and cash equivalents at the beginning of the period / year		**10,752.63**	**3,596.79**	**2,158.25**	**2,445.46**
Cash and cash equivalents at the end of the year[1]		**9,833.90**	**10,752.63**	**3,596.79**	**2,158.25**

1 Includes cash and bank balances with Reserve Bank of India [refer Annexure 11], balances with Banks in current account and money at call and short notice [refer Annexure 12] as on December 31, 2020, March 31, 2020, March 31, 2019 and March 31, 2018.

Annexure - 3: Restated Summary Statement of Cash Flows (cont'd)

(All amounts in ₹ million except otherwise stated)

	Nine months period ended 31 December 2020	Year ended 31 March 2020	Year ended 31 March 2019	Year ended 31 March 2018
Components of cash and cash equivalents				
Cash and balances with Reserve Bank of India (refer Annexure 11)	8,338.57	10,585.33	1,419.14	476.46
Balances with banks and money at call and short notice (refer Annexure 12)	1,495.33	167.30	2,177.65	1,681.79
	9,833.90	**10,752.63**	**3,596.79**	**2,158.25**

For **Walker Chandiok and Co. LLP**
Chartered Accountants
Firm Registration No: 001076N/N500013

For and on behalf of the Board of Directors of
Fincare Small Finance Bank Limited

Manish Gujral
Partner
Membership No.: 105117
Mumbai
04 May 2021

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DIN: 00111379
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04 May 2021

Keyur Doshi
Chief Financial Officer
Bengaluru
04 May 2021

Shefaly Kothari
Company Secretary
M No. F7698
Bengaluru
04 May 2021

Annexure - 4: Restated Statement of Material Adjustment and Regrouping

4.1 Material adjustments

The accounting policies as at and for the nine months period ended December 31, 2020 are materially consistent with the policies adopted for each of the years ended March 31, 2020, March 31, 2019 and March 31, 2018. The Restated Summary Statements have been prepared based on the respective audited Histrorical Financial Statements for the years ended March 31, 2020, 2019 and 2018 and the nine months period ended 31 December 2020.

4.2 Non adjusting items

Restated Financial Information does not contain any qualifications requiring adjustments, however, Auditor's Reports for the nine months period ended December 31, 2020 and for the year ended March 31, 2020 includes an Emphasis of Matter paragraph on impact of COVID 19 on operations of the Bank and for the year ended March 31, 2018 includes an Emphasis of Matter paragraph on change in accouting policies to ensure compliance with the relevant RBI guidelines consequent to receiving the small finance bank license from the RBI on 12 May 2017.

(a) Emphasis of Matter in Auditor's Report

(i) On financial statements for the nine-months period ended December 31, 2020

We draw attention to Schedule 17, Note 2.1 (ii) to the accompanying financial statements, which describes the uncertainties due to the outbreak of Covid-19 pandemic. The impact of the pandemic on the Bank's operations and financial metrics will depend on future developments which are highly uncertain at this time. Our opinion is not modified in respect of this matter.

(ii) On financial statements for the year ended March 31, 2020

We draw attention to Schedule 17, Note 2.1 (ii) to the accompanying financial statements, which describes the economic and social disruption the Bank is facing as a result of COVID-19 pandemic including the moratorium period offered to borrowers as directed by the Reserve Bank of India. The full extent of impact of the events on the Bank's operations and financial metrics will depend on future developments which are uncertain at this time. Our opinion is not modified in respect of this matter.

(iii) On financial statements for the year ended March 31, 2018

We draw attention to Note 1 of Schedule 17 to the financial statements which describes that the RBI has granted a small finance bank license to the Company on 12 May 2017, consequent to which the Company commenced its operations as a small finance bank with effect from 21 July 2017. The Company has changed some of its accounting policies as compared to previous financial year to ensure compliance with the relevant RBI guidelines, and hence, the corresponding figures are not entirely comparable with those of the current year ended 31 March 2018. Further, the corresponding disclosures for the current financial year ended 31 March 2018 has been provided only to the extent such disclosures were applicable in the previous financial statements as well. Our opinion is not modified in respect of this matter.

4.3 Changes in estimates

(i) During the year ended March 31, 2018, on conversion from an NBFC to a bank, there was a change in the asset classification and provisioning norms as applicable to a bank. As a result, the aggregate provision on loan portfolio for the year ended March 31, 2018 was higher by ₹ 177.77 million and consequently the net loss was higher by ₹ 177.77 million.

(ii) During the year ended March 31, 2019, the Bank had revised its estimate for making provisions against non-performing loans in accordance with a resolution passed by the Board of Directors. As a result, the aggregate provision on loan portfolio for the year ended March 31, 2019 was higher by ₹ 121.90 million and consequently the net profit was lower by ₹ 121.90 million.

For the purpose of Restated Summary Statements the above changes in estimates have not been restated.

4.4 Material regroupings

Appropriate regrouping/reclassifications have been made in the Restated Summary Statements in accordance with the requirements of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 (as amended), in respect of the corresponding items of assets, liabilities, income, expenses and cash flows in order to align them with the groupings as per the audited financial statements of the Bank as at and for the nine months period ended 31 December 2020.

Non financial information including ratios, percentages, etc. disclosed in annexure 22, have been updated to the extent applicable, as a consequence of regroupings/reclassifications made, as indicated above.

4.5 Material errors

There are no material errors that require any adjustment in the Restated Summary Statements.

Annexure - 5: Significant accounting policies forming part of the restated summary statements

5.1 Background

Fincare Small Finance Bank Limited (formerly Disha Microfin Limited) ("the Bank") is a Scheduled Bank in India having commenced its operations as a small finance bank with effect from July 21, 2017. The Bank has been accorded the Scheduled Bank status by Reserve Bank of India vide Notification No. DBR.NBD. (SFB-Fincare). No.8140/16/13.216/2018-19 dated March 28, 2019 and published in the Gazette of India on April 13, 2019.

The Bank's operation includes retail and wholesale banking activities. These activities primarily include micro finance lending activities to provide financial assistance to women borrowers of economically weaker society, who are organized as joint liability groups ('JLG'), with a view of enhancement of their livelihoods in a financially viable manner, primarily in the rural areas of India. Further, the Bank is engaged in providing financial assistance to the borrowers to use the money to augment the household income through loan against property. In addition, the Bank offers other products, including institutional finance, gold loan, two wheeler loans, affordable housing loans and overdraft facility against fixed deposits or properties. The Bank operates across various states and union territories of India.

5.2 Basis of preparation

(i) The Restated Summary Statement of Assets and Liabilities of the Bank as at March 31, 2018, March 31, 2019, March 31, 2020 and December 31, 2020 and the related Restated Summary Statement of Profits and Losses and related Restated Summary Statement of Cash Flows for the years ended March 31, 2018, March 31, 2019 and March 31, 2020 and the period ended December 31, 2020 (herein collectively referred to as "Restated Summary Statements") have been compiled by the management from the then audited financial statements for the years ended March 31, 2018, March 31, 2019, March 31, 2020, and the period ended December 31, 2020 respectively which were originally approved by the Board of Directors of the Bank at that relevant time. The accounting policies have been consistently applied by the Bank in preparation of the Restated Summary Statements and are consistent with those adopted in the preparation of financial statements for the period ended December 31, 2020.

The audited financial statements as at year ended March 31, 2018, March 31, 2019, March 31, 2020 and the nine months period ended December 31, 2020 have been prepared in accordance with requirements prescribed under the Third Schedule of the Banking Regulation Act, 1949. The accounting and reporting policies of the Bank used in the preparation of these audited financial statements conform to Generally Accepted Accounting Principles in India (Indian GAAP), the guidelines issued by Reserve Bank of India (RBI) from time to time and the Accounting Standards notified under Section 133 of the Companies Act, 2013 read together with paragraph 7 of the Companies (Accounts) Rules, 2014 to the extent applicable and practices generally prevalent in the banking industry in India. The Bank follows the historical cost convention and accrual method of accounting, except in the case of interest and other income on non-performing assets (NPAs) where it is recognised upon realisation.

The Restated Summary Statements have been prepared specifically for the inclusion in the offer document to be filed by the Bank with the Securities and Exchange Board of India ('SEBI') in connection with its proposed initial public offering. The Restated Summary Statements have been prepared by the Bank to comply in all material respects with the requirements of Sub-clause (i), (ii) and (iii) of clause (b) of Sub-section (1) of Section 26 of Chapter III of The Companies Act, 2013 read with rule 4 of Companies (Prospectus and Allotment of Securities) Rules, 2014 and (the Securities and Exchange Board of India Issue of Capital and Disclosure Requirements) Regulations, 2018 ("the SEBI Guidelines") issued by SEBI on September 11, 2018 as amended from time to time.

(ii) Impact of COVID 19

(i) The Covid-19 pandemic has contributed to a significant decline and volatility in the economic activity, in the global and Indian markets. The nation-wide lockdown imposed in the month of April and May 2020 has significantly impacted the livelihood of individuals and various business operations, consequently impacting the Bank's regular operations including lending and collection activities due to restrictions on the movement of employees across different states to reach the borrowers.

The easing of the lockdown measures subsequently led to a gradual improvement in the economic activity and progress towards normalcy.

The current second wave ("second wave") of Covid-19 pandemic, where the number of new cases has increased significantly in India, has resulted in re-imposition of localised/regional lockdown measures in various parts of the country.

(ii) In accordance with the RBI guidelines relating to COVID-19 Regulatory Package dated March 27, 2020 and April 17, 2020, the Bank granted a moratorium of three months on the payment of all instalments and / or interest, as applicable, falling due between March 01, 2020 and May 31, 2020, to all eligible borrowers. In line with the additional Regulatory Package guidelines dated May 23, 2020, the Bank granted a second phase of three months moratorium on instalments and / or interest, as applicable, falling due between June 01, 2020 and August 31, 2020.

In management's view providing moratorium to borrowers at a mass scale based on the RBI directives, by itself is not considered to result in a significant increase in credit risk for such borrowers. The full extent of impact of the pandemic on the Bank's operations and financial metric (including impact on provision for loan portfolio) will depend on future developments including the second wave that has significantly increased the number of cases in India, governmental and regulatory measures and the Bank's responses thereto, which are uncertain at this time.

The Bank had made an additional provision amounting to ₹ 825.00 million owing to the probable impact of Covid-19 ("Covid-19 related provision") during the year ended March 31, 2020. Further, the Bank made Covid-19 related provision amounting to ₹ 719.02 million during the period ended December 31, 2020. (Refer Schedule 22.4 E).

(iii) The Supreme Court, in a writ petition through its interim order dated September 03, 2020, had directed that accounts which were not declared as NPA till August 31, 2020 shall not be declared as NPA till further orders. Basis the said interim order, the Bank had not classified any account which was not NPA as of August 31, 2020 as per the RBI norms, as NPA after August 31, 2020. However, the Bank had made a contingency provision for such borrower accounts not classified as non-performing and included such provision in above mentioned Covid-19 related provision.

The interim order granted to not declare accounts as NPA stood vacated on March 23, 2021 vide the judgement of the Hon'ble SC in the matter of Small Scale Industrial Manufacturers Association vs. UOI & Ors. and other connected matters. In this connection, the RBI vide its circular dated April 07, 2021 has provided extant instructions to all lending institutions for asset classification of all borrower accounts subsequent to the above mentioned judgement. The Bank has accordingly classified these borrower accounts as per the extant IRAC norms with effect from September 01, 2020 and utilised the above Covid-19 related provision towards provision on these accounts. Accordingly, as at December 31, 2020, the Bank held an aggregate Covid-19 related provision of ₹ 950.80 million (included in General provision for standard assets).

5.3 Significant Accounting Policies

5.3.1 Use of estimates

The preparation of the Restated Summary Statements in conformity with the Indian GAAP requires the Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure on contingent liabilities as at the date of the restated year end / period end financial statements and the results of the operations during the reporting periods. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from those estimates. Significant estimates used by the management in the preparation of these restated financial statements include estimates of the economic useful lives of fixed assets, deferred tax, accrual for employee benefits and provision for standard and non-performing assets. Difference between the actual results and estimates are recognised in the period in which the results are known/materialized. Any revisions to the accounting estimates are recognised prospectively in the current and future periods.

5.3 Significant Accounting Policies (cont'd)

5.3.2 Revenue recognition

(i) Interest income on loans is recognised in the Profit and Loss Account as it accrues by applying the rate of interest as per the agreement. Interest income on non-performing asset is recognised only when realised. Any such income recognised before the asset became non-performing and remaining unrealized as on the date of being classified as non-performing asset is reversed, as per the income recognition and asset classification norms of RBI.

(ii) Interest on discounted instruments is recognised over the tenure of the instrument on a constant Yield to Maturity method.

(iii) Loan processing fees is recognised on an upfront basis when it becomes due.

(iv) The fees charged on debit card issuance is recognised on an upfront basis.

(v) The Bank enters into transactions for the sale of Priority Sector Lending Certificates (PSLCs). In the case of sale transaction, the Bank sells the fulfillment of priority sector obligation through the RBI trading platform. There is no transfer of risks or loan assets. The fee received for the sale of PSLCs is recognised under Miscellaneous Income within Other income on a straight line basis over the tenure of the certificate.

(vi) Interest income on deposits with banks and financial institutions is recognised on a time proportion accrual basis taking into account the amount outstanding and the rate applicable.

(vii) Dividend income is recognised when the right to receive payment is established on the balance sheet date.

(viii) All other fees are accounted for as and when they become due.

5.3.3 Advances

Classification

Advances are classified into performing and non-performing advances ('NPA') based on the RBI guidelines and are stated net of specific provisions made towards NPAs. Further, NPAs are classified into sub-standard, doubtful and loss assets based on NPA classification and provisioning policy of the Bank, subject to the minimum classification and provisioning level prescribed by the RBI under the Income Recognition and Asset Classification ('IRAC') norms.

As per IRAC norms prescribed by the RBI, a loan or an advance is classified as NPA where, the interest and/or instalment of principle remains overdue for a period of more than 90 days in respect of a term loan or the account remains “out of order” in respect of an overdraft/cash credit (OD/CC) facility.

“Overdue” refers to interest and / or instalment remaining unpaid from the day it became receivable.

In case of micro-finance loans, rural micro enterprise loans, loan against gold, two wheeler loans and CASA accounts with debit balances, NPAs are classified as sub-standard assets as per the RBI guidelines. Further, such NPAs which become overdue for more than 180 days are classified as loss assets.

In case of secured institutional finance and secured overdraft against property, NPAs are classified as sub-standard and doubtful assets as per the RBI guidelines. However, NPAs overdue for more than 820 days are classified as loss assets.

In case of loan against property with registered mortgage, NPAs are classified as sub-standard and doubtful assets as per the RBI guidelines. However, NPAs overdue for more than 1,185 days are classified as loss assets.

Provisioning

General provision for standard assets made in accordance with the RBI Guidelines is included under “Other Liabilities & Provisions-Others”.

Further, provision for sub-standard, doubtful and loss assets in case of loan portfolio are provided based on management’s best estimates, subject to minimum provisioning level prescribed by the RBI under IRAC norms.

Loan loss provisions in respect of NPAs are charged to the Profit and Loss Account and included under Provisions and Contingencies.

NPAs which have been fully provided for, are written off, based on management estimate and as per the NPA Provisioning and Write off Policy of the Bank.

Recoveries from bad debts written-off are recognized in the Profit and Loss Account and included under Miscellaneous income within Other Income.

Provision policy for securitised loans

Provision for losses arising in respect of securitisation/assignment of micro finance portfolio loan is made in accordance with the provisioning policy for micro finance own portfolio and in case of other securitized portfolio loans, it is made in accordance with the provisioning policy for loan against property own portfolio, subject to maximum guarantee (including cash collaterals and unfunded guarantee) given in respect of these arrangements.

5.3.4 Inter-bank participation certificate ('IBPC')

The Bank enters into inter-bank participation with risk sharing as issuing bank and the aggregate amount of participation are reduced from aggregate advance outstanding.

5.3.5 Investments

Classification

In accordance with the RBI guidelines on investment classification and valuation, investments are classified on the date of purchase into "Held for Trading" ('HFT'), "Available for Sale" ('AFS') and "Held to Maturity" ('HTM') categories (hereinafter called 'categories'). Subsequent shifting amongst the categories is done in accordance with the RBI guidelines. Under each of these categories, investments are further classified under six groups (hereinafter called 'groups') -

(a) Government Securities, (b) Other Approved Securities, (c) Shares, (d) Debentures and Bonds, (e) Investments in Subsidiaries/Joint Ventures and (f) Other Investments.

Purchase and sale transactions in respect of all securities are recorded under ‘Settlement Date’ of accounting,

Basis of classification

Investments that are held principally for resale within 90 days from the date of purchase are classified under HFT category.

Investments which the Bank intends to hold till maturity are classified as HTM securities. Investments which are not classified in either of the above categories are classified under AFS category.

Acquisition cost

Brokerage, commission and broken period interest on debt instruments are recognised in the Profit and Loss Account and are not included in the cost of acquisition.

Disposal of investments

Profit/loss on sale of investments under the aforesaid three categories is recognised in the Profit and Loss Account. Cost of investments is based on the weighted average cost method. The profit from sale of investment under HTM category, net of taxes and transfer to statutory reserve, is appropriated from the Profit and Loss Account to Capital Reserve in accordance with the RBI Guidelines.

5.3 Significant Accounting Policies (cont'd)

5.3.5 Investments (cont'd)

Valuation

Investments classified under AFS and HFT categories are marked to market as per the RBI guidelines.

Traded investments are valued based on the trades / quotes on the recognised stock exchanges, price list of the RBI or prices declared by Primary Dealers Association of India ('PDAI') jointly with Fixed Income Money Market and Derivatives Association ('FIMMDA')/Financial Benchmark India Private Limited ('FIBL'), periodically.

The market value of unquoted government securities which qualify for determining the Statutory Liquidity Ratio ('SLR'), included in the AFS and HFT categories, is computed as per the Yield-to-Maturity ('YTM') rates published by FIMMDA/FIBL.

Units of mutual funds are valued at the latest repurchase price / net asset value declared by the mutual fund.

Treasury bills, commercial papers and certificate of deposits being discounted instruments, are valued at carrying cost.

Net depreciation in the value, if any, compared to the acquisition cost, in any of the groups, is charged to the Profit and Loss Account. The net appreciation, if any, in any of the groups is not recognised except to the extent of depreciation already provided.

Investments classified under HTM category are carried at their acquisition cost and not marked to market. Any premium on acquisition is amortised over the remaining maturity period of the security on a constant yield-to-maturity basis. Such amortisation of premium is adjusted against interest income under the head Income from investments as per the RBI guidelines.

Non-performing investments are identified and depreciation / provision are made thereon based on the RBI guidelines. The depreciation / provision on such non-performing investments are not set off against the appreciation in respect of other performing securities. Interest on non-performing investments is not recognised in the Profit and Loss Account until received.

5.3.6 Transfer and servicing of assets

The Bank transfers loans through securitization/direct assignment transactions. The transferred loans are de-recognised when the Bank surrenders the rights to benefits specified in the underlying securitized/direct assignment loan contract.

Cash profit arising at the time of securitisation/assignment of loan portfolio (Premium loan transfer transactions) is amortised over the life of the underlying loan portfolio and the unamortised amount is disclosed as Deferred Income within ‘Other liabilities’ on the balance sheet.

Contractual rights to receive a portion of interest (‘Unrealised profits’) arising at the time of securitisation/ assignment of loan portfolio (PAR transactions) is recorded at its present value and disclosed as ‘Interest strip on securitisation/ assignment of loan portfolio’ within ‘Other assets” on the balance sheet. In accordance with the RBI guidelines, the unrealised profits in respect of securitised/ assigned loan portfolio that is not due for collection is recorded at its present value and disclosed as ‘Interest strip on securitisation/ assignment of loan portfolio’ within ‘Other liabilities” on the balance sheet. Income from interest strip (excess interest spread) is recognised in the profit and loss account, net of any losses, when redeemed in cash.

5.3.7 Fixed assets

Fixed assets, capital work-in progress are stated at their original cost of acquisition less accumulated depreciation. Cost comprises purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

Subsequent expenditure related to an item of property, plant and equipment is added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard of performance. All other expenses on existing property, plant and equipment, including day-to-day repair and maintenance expenditure and cost of replacing parts, are charged to the profit and loss account for the period during which such expenses are incurred.

Advances paid towards the acquisition of tangible assets outstanding at each Balance Sheet date are disclosed as capital advances under Other Assets. The cost incurred towards tangible assets, but not ready for their intended use before each Balance Sheet date is disclosed as capital work-in-progress, if any.

Gains or losses arising from de-recognition of tangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the Profit and Loss Account when the asset is derecognized.

5.3.8 Intangible assets

Intangible assets are amortized over their estimated useful lives on a straight-line basis, commencing from the date the asset is available to the Bank for its use. Intangible assets include computer software, which is acquired, capitalized and amortized on a straight-line basis over the estimated useful life.

5.3.9 Depreciation and amortisation

Depreciation on tangible assets is calculated on a straight-line basis using the rates arrived at based on the useful lives estimated by the management. The Bank has used the following useful lives to provide depreciation on its tangible assets:

Tangible asset description	Useful life
Office equipments	5 years
Computer equipments	3 years
Furniture and fixtures	10 years
Leasehold improvements	Over the period of lease

Intangible assets are amortised, on a straight line basis, commencing from the date the asset is available for its use, over their respective individual estimated useful lives as estimated by the management:

Intangible asset description	Useful life
Computer software	3 years

Depreciation / amortisation is charged on a proportionate basis for all assets purchased and sold during the year.

5.3 Significant Accounting Policies (cont'd)

5.3.10 Impairment of assets

The Bank assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, the Bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's (CGU) net selling price and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining net selling price, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

Impairment losses of continuing operations are recognised in the profit and loss account. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the bank estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

5.3.11 Employee benefits

Expenses and liabilities in respect of employee benefits are recorded in accordance with Accounting Standard 15, Employee Benefits.

Provident fund

The Bank contributes to the statutory provident fund of the Regional Provident Fund Commissioner, in accordance with the Employees' Provident Fund and Miscellaneous Provisions Act, 1952. The plan is a defined contribution plan and contribution paid or payable is recognised as an expense in the period in which services are rendered by the employee.

Gratuity

Gratuity is a post-employment benefit and is a defined benefit plan. The liability recognised in the Balance Sheet represents the present value of the defined benefit obligation at the Balance Sheet date less the fair value of plan assets (if any), together with adjustments for unrecognised actuarial gains or losses and past service costs. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plan. Independent actuaries using the projected unit credit method calculate the defined benefit obligation annually.

Actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are credited or charged to the Profit and Loss Account in the year in which such gains or losses arises.

Compensated absences

Liability in respect of compensated absences becoming due or expected to be availed within one year from the balance sheet date is recognised on the basis of undiscounted value of estimated amount required to be paid or estimated value of benefit expected to be availed by the employees. Liability / asset in respect of earned leave becoming due or expected to be availed more than one year after the balance sheet date is estimated on the basis of actuarial valuation as at the balance sheet date in a manner similar to gratuity liability.

Other short-term benefits

Expense in respect of other short-term benefits including performance incentive is recognised on the basis of amount paid or payable for the period for which the employee render services.

Other long-term employee benefits- Deferred cash variable pay

As per the Bank's policy, in general, 40% of cash variable pay (where it exceeds a specified threshold) of any employee of the Bank shall vest at the end of performance period and the remaining 60% shall be under deferral arrangement.

The deferred cash variable pay has been recognised as liability at present value of the defined benefit obligation at the balance sheet date, as required by AS-15 on Employee benefits. The present value has been determined using actuarial valuation after factoring in assumptions of attrition and discounting.

5.3.12 Employee share based payments

Equity-settled scheme:

The Employees Stock Option Scheme (the Scheme) provides for grant of options on the Bank's equity shares to employees, including Managing Director and Whole Time Directors, of the Bank. The Scheme provides that employees may be granted an option to subscribe to equity shares of the Bank that shall vest as per the vesting schedule determined by Nomination and Remuneration Committee. The options, post vesting, may be exercised within a specified period. In accordance with the Guidance Note on Accounting for Employee Share-based payments, issued by The Institute of Chartered Accountants of India, the cost of equity settled transactions has been measured using the fair value method. Details regarding the determination of the fair value of the options are set out in Schedule 18.25. The fair value of the options determined as at the grant date is expensed on a straight-line basis over the vesting period, based on the Bank's estimate of equity instruments that will eventually vest, with a corresponding credit to Employee stock options outstanding account. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the Employee stock options outstanding account.

The options that do not vest because of failure to satisfy vesting condition are reversed by a credit to employee compensation expense in “Payment to and provision for employee”, equal to the amortised portion of the cost of lapsed option . In respect of the options which expire unexercised the balance standing to the credit of Employee stock options outstanding account is transferred to General Reserve.

5.3.13 Taxes on income

Tax expense comprises current and deferred tax. Current income-tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961 enacted in India.

Deferred income taxes reflect the impact of timing differences between taxable income and accounting income originating during the current year and reversal of timing differences of the earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted as at the reporting date.

Deferred tax liabilities are recognized for all taxable timing differences. Deferred tax assets are recognized for deductible timing differences only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. In situations where the Bank has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.

At each reporting date, the Bank re-assesses unrecognized deferred tax assets. It recognizes unrecognized deferred tax asset to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realized.

The carrying amount of deferred tax assets are reviewed at each reporting date. The Bank writes-down the carrying amount of deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realized. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

5.3 Significant Accounting Policies (cont'd)

5.3.13 Taxes on income (cont'd)

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

Minimum alternate tax (MAT) paid in a year is charged to the Profit and Loss Account as current tax. The Bank recognizes MAT credit available as an asset only to the extent that there is convincing evidence that the Bank will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. In the year in which the Bank recognizes MAT credit as an asset in accordance with the Guidance Note on Accounting for Credit Available in respect of Minimum Alternate Tax under the Income-tax Act, 1961, the said asset is created by way of credit to the profit and loss account and shown as "MAT Credit Entitlement". The Bank reviews the "MAT Credit Entitlement" asset at each reporting date and writes down the asset to the extent the Bank does not have convincing evidence that it will pay normal tax during the specified period.

5.3.14 Foreign currency transactions

Initial recognition
Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

Conversion
Foreign currency monetary items are reported using the closing rate as at the Balance Sheet date. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

Exchange differences
Exchange differences arising on the settlement of monetary items or on reporting Bank's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise.

5.3.15 Provisions and contingent liabilities

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

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

5.3.16 Borrowing costs

Borrowing costs that are attributable to the acquisition and/or construction of qualifying assets are capitalised as part of the cost of such assets, in accordance with Accounting Standard (AS) 16, Borrowing Costs. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use. All other borrowing costs are charged to the profit and loss account as incurred.

5.3.17 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 year. The weighted average number of equity shares outstanding during the year is adjusted for events of bonus issue; bonus element in a rights issue to existing shareholders; share split; and reverse share split (consolidation of shares).

For the purpose of calculating diluted earnings per share, the net profit or loss 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.

5.3.18 Transaction costs

Transaction costs (including loan origination costs) are incremental costs that are directly attributable to the acquisition of share capital and financial liabilities. Transaction cost includes fees paid to advisors and levies by regulatory agencies, including taxes and duties. Transaction costs incurred towards:

i. Issuance of share capital and debentures is expensed to the profit and loss account.

ii. Acquisition of borrowings is expensed to the profit and loss account in the year in which they are incurred.

5.3.19 Leases

Operating leases
Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased asset, are classified as operating leases. Operating lease payments are recognised as an expense in the Profit and Loss Account on a straight-line basis over the lease term.

5.3.20 Cash and cash equivalents

Cash and cash equivalents for the purposes of cash flow statement comprises of cash in hand, balances with the RBI, balances with other banks and money at call and short notice.

5.3.21 Segment reporting

The disclosure relating to segment information is in accordance with AS-17, Segment Reporting and as per guidelines issued by the RBI.
Business segments have been identified and reported taking into account, the customer profile, the nature of products and services, the differing risks and returns, the organisation structure and the guidelines prescribed by RBI. The Bank operates in the following segments:

(a) Treasury
The treasury segment primarily consists of entire investment portfolio of the Bank.

(b) Corporate/Wholesale banking
Wholesale banking includes all advances to companies and statutory bodies, which are not included under retail banking.

(c) Retail banking
The retail banking segment serves retail customers through the branch network. Exposures are classified under retail banking taking into account the status of the borrower (orientation criterion), the nature of product, granularity of the exposure and the quantum thereof. Revenues of the retail banking segment are primarily derived from interest and fees earned on retail loans, interest on deposits placed as collateral with banks and financial institutions. Expenses of this segment primarily comprise interest expense on borrowings, deposits, infrastructure and premises expenses for operating the branch network, personnel costs and other direct overheads.

Since the business operations of the Bank are primarily concentrated in India, the Bank is considered to operate only in the domestic segment.

Annexures forming part of the Restated Summary Statement of Assets and Liabitities

(All amounts in ₹ million except otherwise stated)

Annexure 6 - Restated Statement of Share Capital	As at 31 December 2020	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018
Authorised capital[1]				
Equity Share of ₹ 10 each				
- Number of shares	100,000,000	100,000,000	100,000,000	50,000,000
- Amount in ₹	**1,000.00**	**1,000.00**	**1,000.00**	**500.00**
Issued, subscribed and fully paid-up capital[2]				
Equity Share of ₹ 10 each				
- Number of shares	63,610,481	63,610,481	56,435,981	37,459,354
- Amount in ₹	**636.10**	**636.10**	**564.36**	**374.59**

Notes

1 Pursuant to the approval of shareholders, the Bank has increased its authorised share capital during the years ended March 31, 2019 and March 31, 2018.

2 **Rights and preference of equity shareholders**
Each holder of an equity share is entitled to one vote per share. The Bank declares and pays dividends in Indian Rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except interim dividend. In the event of liquidation of the Bank, the holders of equity shares will be entitled to receive the remaining assets of the Bank, after distribution of all preferential amounts, if any. The distribution will be in proportion to the number of equity shares held by the shareholders.

Annexure 7 - Restated Statement of Reserves and Surplus	As at 31 December 2020	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018
I. Statutory reserve				
(Created pursuant to Section 17(2) of Banking Regulation Act, 1949)				
Opening balance	658.65	299.95	44.99	-
Transfer from statutory reserve	-	-	-	44.99
Additions during the period / year	-	358.70	254.96	-
Deductions during the period / year	-	-	-	-
	658.65	**658.65**	**299.95**	**44.99**
II. Statutory reserve				
(Created pursuant to Section 45 IC of Reserve Bank of India Act, 1934)				
Opening balance	-	-	-	44.99
Additions during the period / year	-	-	-	-
Transfer to statutory reserve (refer Annexure 7(I) above)	-	-	-	(44.99)
Deductions during the period / year	-	-	-	-
	-	**-**	**-**	**-**
Total	**658.65**	**658.65**	**299.95**	**44.99**
III. Share premium				
Opening balance	6,697.68	5,826.20	3,751.27	3,751.27
Additions during the period / year	-	871.48	2,074.93	-
Deductions during the period / year	-	-	-	-
	6,697.68	**6,697.68**	**5,826.20**	**3,751.27**
IV. General reserves				
Opening balance	0.05	0.05	0.05	0.05
Additions during the period / year	-	-	-	-
Deductions during the period / year	-	-	-	-
	0.05	**0.05**	**0.05**	**0.05**
V. Investment Fluctuation Reserve				
Opening balance	74.43	31.13	-	-
Additions during the period / year	7.47	43.30	31.13	-
Deductions during the period / year	-	-	-	-
	81.90	**74.43**	**31.13**	**-**
VI. Balance in profit and loss account	2,002.54	970.74	(61.75)	(795.46)
	2,002.54	**970.74**	**(61.75)**	**(795.46)**
Total Reserves and Surplus	**9,440.82**	**8,401.55**	**6,095.58**	**3,000.85**

Annexure 8 - Restated Statement of Deposits	As at 31 December 2020	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018
A. I. Demand deposits				
i) From banks	34.00	7.64	-	-
ii) From others	308.94	291.88	73.23	0.08
	342.94	**299.52**	**73.23**	**0.08**
II. Savings bank deposits	**10,116.07**	**5,251.08**	**2,164.04**	**367.51**
III. Term deposits				
i) From banks	14,767.66	16,702.32	7,437.58	4,736.12
ii) From others	27,539.78	24,286.41	10,757.27	2,167.27
	42,307.44	**40,988.73**	**18,194.85**	**6,903.39**
Total Deposits	**52,766.45**	**46,539.33**	**20,432.12**	**7,270.98**
B. I. Deposits of branches in India	52,766.45	46,539.33	20,432.12	7,270.98
II. Deposits of branches outside India	-	-	-	-
Total Deposits	**52,766.45**	**46,539.33**	**20,432.12**	**7,270.98**

Annexures forming part of the Restated Summary Statement of Assets and Liabitities

(All amounts in ₹ million except otherwise stated)

Annexure 9 - Restated Statement of Borrowings	As at 31 December 2020	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018
I. Borrowings in India				
i) Reserve Bank of India[1]	560.00	1,030.00	-	-
ii) Other banks[2]	-	300.00	1,231.81	3,388.23
iii) Other Institutions and agencies				
a) Government of India	-	-	-	-
b) Financial Institutions[2]	8,060.10	10,351.62	10,173.93	5,776.56
iv) Borrowings in the form of bonds and debentures (excluding sub-ordinated debts)	-	-	425.00	525.00
v) Unsecured redeemable debentures/bonds (sub-ordinated debt included in Tier 2 capital)	2,000.00	2,000.00	1,000.00	1,000.00
Total Borrowings in India	**10,620.10**	**13,681.62**	**12,830.74**	**10,689.79**
II. Borrowings outside India	-	-	-	-
Total Borrowings	**10,620.10**	**13,681.62**	**12,830.74**	**10,689.79**

1 Represents borrowings made under Liquidity Adjustment Facility (LAF).

2 Secured borrowings included in I above is ₹ 52.70 million, ₹72.40 million, ₹ 583.64 million, and ₹ 2,821.50 million as at December 31, 2020, March 31, 2020, March 31, 2019 and March 31, 2018 respectively.

Annexure 10 - Restated Statement of Other liabilities and provisions	As at 31 December 2020	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018
I. Bills payable	-	-	-	-
II. Inter-office adjustments (net)	-	-	-	-
III. Interests accrued	196.21	58.18	138.49	157.02
IV. General provision for standard assets (refer annexure 22.4E)	1,303.72	1,061.02	125.71	72.69
V. Others (including provisions)[1]	1,261.38	784.94	1,530.40	1,175.23
Total Other liabilities and provisions	**2,761.31**	**1,904.14**	**1,794.60**	**1,404.94**

1 **Others (including provisions)**	As at 31 December 2020	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018
Interest strip on securitisation/assignment of portfolio loans	-	47.73	282.22	355.43
Payable towards securitisation/assignment of loans	-	3.40	530.44	231.45
Provision for other contingencies	2.35	30.10	45.35	218.62
Tax deducted at source payable	37.65	53.86	34.76	15.07
Statutory liability payable	43.89	32.51	34.18	28.20
Accrued expenses	332.12	198.62	104.28	75.92
Accrued employee expenses	194.26	146.69	106.18	83.53
Provision for gratuity (refer annexure 22.15A)	18.86	41.07	46.81	18.26
Provision for compensated absences (refer annexure 22.15C)	98.32	75.53	45.24	28.33
Provision for tax (net of advance tax)	18.99	-	-	-
Other liabilities	514.94	155.43	300.94	120.42
	1,261.38	**784.94**	**1,530.40**	**1,175.23**

Annexure 11 - Restated Statement of Cash and balances with Reserve Bank of India	As at 31 December 2020	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018
I. Cash in hand (including foreign currency notes)[1]	267.56	180.69	75.93	51.70
II. Balances with Reserve Bank of India				
i) In current account	1,251.01	1,224.64	1,343.21	424.76
ii) In other account	6,820.00	9,180.00	-	-
Total Cash and balances with Reserve Bank of India	**8,338.57**	**10,585.33**	**1,419.14**	**476.46**

1 The Bank does not have any foreign currency note balances as on December 31, 2020, March 31, 2020, March 31, 2019 and March 31, 2018.

Annexure 12 - Restated Statement of Balances with banks and money at call and short notice	As at 31 December 2020	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018
I. In India				
i) Balances with banks				
a) In current accounts	495.33	167.30	527.96	381.79
b) In other deposit accounts[1]	41.05	76.43	1,619.03	356.84
ii) Money at call and short notice				
a) With banks	500.00	-	950.00	-
b) With other institutions	500.00	-	699.69	1,300.00
Total	**1,536.38**	**243.73**	**3,796.68**	**2,038.63**
II. Outside India				
i) In current accounts	-	-	-	-
ii) In other deposit accounts	-	-	-	-
iii) Money at call and short notice	-	-	-	-
Total	-	-	-	-
Grand Total (I+II)	**1,536.38**	**243.73**	**3,796.68**	**2,038.63**

1 Includes ₹ 25.00 million, ₹ 25.00 million, ₹ 47.63 million and ₹ 41.53 million as at December 31, 2020, March 31, 2020, March 31,2019 and March 31, 2018, respectively under lien marked towards term loans availed from banks and financial institutions and cash collateral amounting to ₹ Nil, ₹40.75 million, ₹ 251.42 million and ₹ 273.10 million as at December 31, 2020, March 31, 2020, March 31, 2019 and March 31, 2018, respectively.

Annexures forming part of the Restated Summary Statement of Assets and Liabitities

(All amounts in ₹ million except otherwise stated)

Annexure 13 - Restated Statement of Investments	As at 31 December 2020	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018
I. Investment in India in				
i) Government securities	12,510.56	10,069.60	7,008.60	2,727.12
ii) Other approved securities	-	-	-	-
iii) Shares	-	-	-	-
iv) Debentures and bonds	-	-	-	-
v) Subsidiaries and/or joint ventures	-	-	-	-
vi) Others	-	-	-	-
Total investments in India[1]	**12,510.56**	**10,069.60**	**7,008.60**	**2,727.12**
II. Investment outside India in				
i) Government securities (including local authorities)	-	-	-	-
ii) Subsidiaries and/or joint ventures aboard	-	-	-	-
iii) Others	-	-	-	-
Total investments outside India	**-**	**-**	**-**	**-**
Total investments[1]	**12,510.56**	**10,069.60**	**7,008.60**	**2,727.12**
III. Investments				
A. Investments in India				
Gross value of investments	12,510.60	10,070.39	7,008.60	2,727.12
Less: Aggregate of provision/depreciation/(appreciation)	(0.04)	(0.79)	-	-
Net investments	**12,510.56**	**10,069.60**	**7,008.60**	**2,727.12**
B. Investments outside India				
Gross value of investments	-	-	-	-
Less: Aggregate of provision/depreciation/(appreciation)	-	-	-	-
Net investments	**-**	**-**	**-**	**-**
Total investments[1]	**12,510.56**	**10,069.60**	**7,008.60**	**2,727.12**

1 Refer Annexure 22.2 - Investments.

Annexure 14 - Restated Statement of Advances (net of Provisions)	As at 31 December 2020	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018
A. i) Bill purchased and discounted	-	-	-	-
ii) Cash credits, overdrafts and loans replayable on demand[1]	232.26	166.11	85.20	15.79
iii) Term loans[1]	51,347.52	47,989.68	27,561.69	16,280.17
Total advances	**51,579.78**	**48,155.79**	**27,646.89**	**16,295.96**
B. i) Secured by tangible assets (including advances against book debts)	11,290.98	10,459.93	6,712.38	2,992.68
ii) Covered by banks/Government guarantees	-	-	-	-
iii) Unsecured	40,288.80	37,695.86	20,934.51	13,303.28
Total advances	**51,579.78**	**48,155.79**	**27,646.89**	**16,295.96**
C. I. Advances in India				
i) Priority sectors	43,705.79	40,386.78	22,225.12	13,279.97
ii) Public sector	-	-	-	-
iii) Banks	-	-	-	-
iv) Others	7,873.99	7,769.01	5,421.77	3,015.99
Total advances in India	**51,579.78**	**48,155.79**	**27,646.89**	**16,295.96**
II. Advances outside India				
- Due from banks	-	-	-	-
- Due from others	-	-	-	-
a) Bills purchased and discounted	-	-	-	-
b) Syndicated loans	-	-	-	-
c) Others	-	-	-	-
Total advances outside India	**-**	**-**	**-**	**-**
Total advances	**51,579.78**	**48,155.79**	**27,646.89**	**16,295.96**

1 Net of provision for non-performing assets aggregating to ₹ 840.04 million, ₹249.71 million, ₹ 263.99 million and ₹ 40.49 million as at December 31, 2020, March 31, 2020, March 31, 2019 and March 31, 2018, respectively and outstanding Inter-Bank Participation Certificate (IBPC) of ₹ 2,750.00 million, ₹4,368.00 million, ₹ 3,875.00 million and ₹ 2,000.00 million as at December 31, 2020, March 31, 2020, March 31, 2019 and March 31, 2018, respectively.

Annexures forming part of the Restated Summary Statement of Assets and Liabitities

(All amounts in ₹ million except otherwise stated)

Annexure 15 - Restated Statement of Fixed Assets	As at 31 December 2020	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018
A. Premises	-	-	-	-
Gross block				
Opening balance	-	-	-	-
Additions during the period / year	-	-	-	-
Deductions during the period / year	-	-	-	-
Closing balance	-	-	-	-
Less: Depreciation to date	-	-	-	-
Net Block	**-**	**-**	**-**	**-**
B. Other fixed assets (including furniture and fixtures)				
Gross block				
Opening balance	797.64	558.44	329.64	132.44
Additions during the period / year	69.41	243.32	230.68	207.21
Deductions during the period / year	(1.99)	(4.12)	(1.88)	(10.01)
Closing balance	**865.06**	**797.64**	**558.44**	**329.64**
C. Accumulated depreciation				
Opening balance	394.00	227.70	106.61	44.40
Charge for the period / year	122.16	169.04	121.93	70.24
Deductions during the period / year	(1.77)	(2.74)	(0.84)	(8.03)
Closing balance	**514.39**	**394.00**	**227.70**	**106.61**
Net Block[1]	**350.67**	**403.64**	**330.74**	**223.03**
Total fixed assets	**350.67**	**403.64**	**330.74**	**223.03**

1 Including capital work-in progress of Nil, Nil, ₹ 0.34 million and ₹ 4.69 million as at December 31, 2020, March 31, 2020, March 31, 2019 and March 31, 2018, respectively; and intangible assets of ₹ 11.86 million, ₹27.22 million, ₹ 28.86 million and ₹ 49.70 million as at December 31, 2020, March 31, 2020, March 31, 2019 and March 31, 2018, respectively.

Annexure 16 - Restated Statement of Other Assets	As at 31 December 2020	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018
I. Inter-office adjustments (net)	-	-	-	-
II. Interest accrued	1,017.81	963.69	457.66	276.68
III. Tax paid in advance / tax deducted at source (net)	-	2.30	47.64	54.96
IV. Stationery and stamps	-	-	-	-
V. Non-banking assets acquired in satisfaction of claims	-	-	-	-
VI. Others[1]	900.00	738.66	1,010.05	648.31
	1,917.81	**1,704.65**	**1,515.35**	**979.95**

1 Others	As at 31 December 2020	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018
Loans given as collateral towards securitisation transactions	32.66	64.69	343.92	145.23
Interest strip on securitisation / assignment of loans	-	47.73	282.22	355.43
Goodwill	-	-	-	47.10
Deferred tax asset (refer schedule 22.30)	532.36	401.86	96.87	-
MAT credit entitlement	-	-	105.86	-
Security deposits	120.71	113.23	88.11	45.56
Goods & Services Tax input credit	59.86	32.10	30.27	30.54
Other receivables	154.41	79.05	62.80	24.45
	900.00	**738.66**	**1,010.05**	**648.31**

Annexure 17 - Restated Statement of Contingent Liabilities	As at 31 December 2020	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018
I. Claims against the Bank not acknowledged as debts - taxes[1]	-	-	-	6.90
II. Claims against the Bank not acknowledged as debts - others[2]	32.66	183.67	1,147.53	948.81
III. Liability for partly paid investments	-	-	-	-
IV. Liability on account of outstanding forward exchange contracts	-	-	-	-
V. Guarantees given on behalf of constituents	-	-	-	-
a) In India	-	-	-	-
b) Outside India	-	-	-	-
VI. Acceptances, endorsements and other obligations	-	-	-	-
VII. Other items for which the Bank is contingently liable	-	-	-	-
Total contingent liabilities	**32.66**	**183.67**	**1,147.53**	**955.71**

1 Represents a show cause notice from the Commissioner of Customs, Central Excise and Service Tax in respect of a service tax matter for the financial years 2009-2012. Based on management's assessment, the Bank had made a provision in the books of accounts on a conservative basis during the year ended March 31, 2019 and hence is not disclosed under contingent liabilities as at March 31, 2019.

2 Claims against the Bank not acknowledged as debts-others	As at 31 December 2020	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018
i) Cash collateral	-	40.75	251.42	273.10
ii) Unfunded guarantee	-	30.47	269.97	175.05
iii) Principal subordination	32.66	64.72	343.92	145.23
iv) Interest subordination	-	47.73	282.22	355.43
	32.66	**183.67**	**1,147.53**	**948.81**

3 The Hon'ble Supreme Court had, in a recent decision dated February 28, 2019, ruled that special allowance would form part of basic wages for computing the Provident Fund (PF) contribution. The management has obtained a legal opinion to ascertain whether this is applicable to the Bank basis its wage structure and believes that it will not have any material adverse effect on the financial position and results of its operations.

Annexures forming part of the Restated Summary Statement of Profit and Loss

(All amounts in ₹ million except otherwise stated)

	Annexure 18 - Restated Statement of Interest Earned	Nine months ended 31 December 2020	Year ended 31 March 2020	Year ended 31 March 2019	Year ended 31 March 2018
I.	Interest/discount on advances/bills	8,612.71	9,445.78	5,199.29	2,659.77
II.	Income on investments	510.46	499.37	306.04	130.49
III.	Interest on balances with Reserve Bank of India and other inter-bank funds	256.24	343.21	59.28	57.60
IV.	Others[1]	16.07	414.20	486.90	291.78
	Total interest earned	**9,395.48**	**10,702.56**	**6,051.51**	**3,139.64**

1	**Others**	Nine months ended 31 December 2020	Year ended 31 March 2020	Year ended 31 March 2019	Year ended 31 March 2018
	Income from securitisation/assignment of loans	0.35	318.56	460.41	274.03
	Interest income on money market instruments	11.70	21.29	25.27	11.30
	Interest income on fixed deposit	-	-	0.32	6.45
	Interest income on Tri party repo lending	3.97	74.12	0.90	-
	Others	0.05	0.23	-	-
		16.07	**414.20**	**486.90**	**291.78**

	Annexure 19 - Restated Statement of Other Income	Nine months ended 31 December 2020	Year ended 31 March 2020	Year ended 31 March 2019	Year ended 31 March 2018
I.	Commission, exchange and brokerage	296.46	566.10	352.16	182.08
II.	Profit on sale of investments	14.33	12.41	15.90	56.58
	(Less): Loss on sale of investments	(8.96)	(1.26)	(2.64)	(20.98)
III.	Profit on revaluation of investments	-	-	-	-
	(Less): Loss on revaluation of investments	-	-	-	-
IV.	Profit on sale of land, buildings and other assets	0.24	0.23	0.04	0.03
	(Less): Loss on sale of land, buildings and other assets	(0.12)	(0.89)	(0.29)	(1.81)
V.	Profit on exchange/derivative transactions	-	-	-	-
	(Less): Loss on exchange/derivative transactions	-	-	-	-
VI.	Income earned by way of dividends from subsidiaries, companies and/or joint ventures abroad/in India	-	-	-	-
VII.	Miscellaneous income[1]	285.63	878.05	332.14	149.44
	Total other income	**587.58**	**1,454.64**	**697.31**	**365.34**

1	**Miscellaneous income**	Nine months ended 31 December 2020	Year ended 31 March 2020	Year ended 31 March 2019	Year ended 31 March 2018
	Income from sale of Priority Sector Lending Certificate	57.74	433.77	76.07	46.93
	Recovery against loans written off	14.31	27.59	46.70	85.84
	Income tax refund	-	-	-	1.69
	Debit card issue/maintenance charges	145.08	348.34	183.73	4.17
	Others	68.50	68.35	25.64	10.81
		285.63	**878.05**	**332.14**	**149.44**

	Annexure 20 - Restated Statement of Interest Expended	Nine months ended 31 December 2020	Year ended 31 March 2020	Year ended 31 March 2019	Year ended 31 March 2018
I.	Interest on deposits	3,151.06	3,019.48	1,171.62	237.44
II.	Interest on Reserve Bank of India/Inter-bank borrowings	175.46	408.12	381.31	488.69
III.	Others	861.35	1,087.44	737.81	463.01
	Total interest expended	**4,187.87**	**4,515.04**	**2,290.74**	**1,189.14**

	Annexure 21 - Restated Statement of Operating Expenses	Nine months ended 31 December 2020	Year ended 31 March 2020	Year ended 31 March 2019	Year ended 31 March 2018
I.	Payments to and provisions for employees	2,105.59	2,599.27	1,806.29	1,184.45
II.	Rent, taxes and lighting (refer annexure 22.31)	231.43	283.47	171.51	97.62
III.	Printing and stationery	38.23	90.64	66.08	20.98
IV.	Advertisement and publicity	37.10	102.93	64.80	19.16
V.	Depreciation on Bank's property	122.16	169.04	121.93	70.24
VI.	Directors' fees, allowances and expenses	9.27	9.74	7.66	6.76
VII.	Auditors' fees and expenses	4.95	8.37	5.28	4.03
VIII.	Law charges	0.58	2.42	2.67	1.54
IX.	Postage, telegrams, telephones, etc.	90.42	123.04	79.71	55.63
X.	Repairs and maintenance	40.57	69.77	80.13	32.47
XI.	Insurance	34.70	21.46	8.88	3.31
XII.	Professional fee	208.84	245.26	202.52	155.40
XIII.	Goodwill written off	-	-	47.10	-
XIV.	Other expenditure[1]	421.38	535.93	293.54	127.77
		3,345.22	**4,261.34**	**2,958.10**	**1,779.36**

(All amounts in ₹ million except otherwise stated)

Annexure 21 - Restated Statement of Operating Expenses (cont'd)

1 Other expenditure	Nine months ended 31 December 2020	Year ended 31 March 2020	Year ended 31 March 2019	Year ended 31 March 2018
Travelling and conveyance	29.60	99.33	88.39	54.36
Communication expenses	33.71	26.43	13.84	4.91
Contribution towards CSR expenses (refer schedule 22.36)	8.98	3.80	0.06	2.16
Bank charges	6.64	13.70	0.82	3.90
Loss on securitisation	6.97	-	59.98	-
ATM recycler charges	63.68	121.74	62.44	1.05
Credit Bureau charges	9.93	81.68	8.68	-
Business correspondence commission	134.57	55.19	1.48	-
Miscellaneous expense	127.30	134.06	57.85	61.39
	421.38	**535.93**	**293.54**	**127.77**

Fincare Small Finance Bank Limited

Annexure 22 - Notes forming part of the restated summary statements

(All amounts in ₹ million except otherwise stated)

The following disclosures have been made taking into account the requirements of Accounting Standards and Reserve Bank of India (RBI) guidelines

22.1 Capital

A. Capital to Risk Weighted Asset Ratio (CRAR)

The following table sets forth for the period / year indicated, computation of capital adequacy as per RBI guidelines (under Basel II):

Particulars	As at 31 December 2020	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018
Common equity tier 1 capital ratio (%)				
Tier 1 capital ratio (%)	25.22%	23.46%	21.48%	18.07%
Tier 2 capital ratio (%)	4.68%	5.82%	2.15%	5.23%
Total Capital Ratio (CRAR) (%)	**29.90%**	**29.28%**	**23.63%**	**23.30%**
Amount of equity capital raised (including share premium)	-	943.21	2,264.70	-
Amount of Additional Tier 1 capital raised; of which:				
Perpetual Non Cumulative Preference Shares (PNCPS)	-	-	-	-
Perpetual Debt Instruments (PDI)	-	-	-	-
Amount of Tier 2 capital raised; of which:				
Debt capital instruments (discounted value)[1]	1,300.00	1,700.00	750.00	950.00
Preference Share Capital Instruments: [Perpetual Cumulative Preference Shares (PCPS)/ Redeemable Non Cumulative Preference Shares (RNCPS)/ Redeemable Cumulative Preference Shares (RCPS)]	-	-	-	-

1 Subordinated debt (considered in Tier 2 capital) outstanding of ₹ 2,000 milliion, ₹2,000 million, ₹ 750 million and ₹ 1,000 million as at December 31, 2020, March 31, 2020, March 31, 2019, and March 31, 2018, respectively.

B. Capital infusion

The details of movement in the paid up equity share capital are as below:

Particulars	Nine months period ended 31 December 2020		Year ended 31 March 2020		Year ended 31 March 2019		Year ended 31 March 2018	
	Equity Shares	Amount	Equity Shares	Amount	Equity Shares	Amount	Equity Shares	Amount
Equity shares at the beginning of the period / year	63,610,481	636.10	56,435,981	564.36	37,459,354	374.59	37,459,354	374.59
Addition pursuant to equity shares issued during the period / year	-	-	7,174,500	71.74	18,976,627	189.77	-	-
Equity shares outstanding at the end of the period / year	**63,610,481**	**636.10**	**63,610,481**	**636.10**	**56,435,981**	**564.36**	**37,459,354**	**374.59**

22.2 Investments

The following table sets forth, for the periods indicated, the details of investments and the movement in provision held towards depreciation on investments of the Bank.

A. Particulars of Investments and movement in provision held towards depreciation on Investments

Particulars	As at 31 December 2020	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018
a) Value of investments:				
i) Gross value of investments				
a) In India	12,510.60	10,070.39	7,008.60	2,727.12
b) Outside India	-	-	-	-
	12,510.60	**10,070.39**	**7,008.60**	**2,727.12**
ii) Provision for depreciation				
a) In India	(0.04)	(0.79)	-	-
b) Outside India	-	-	-	-
	(0.04)	**(0.79)**	**-**	**-**
Iii) Net value of investments				
a) In India	12,510.56	10,069.60	7,008.60	2,727.12
b) Outside India	-	-	-	-
	12,510.56	**10,069.60**	**7,008.60**	**2,727.12**

Annexure 22 - Notes forming part of the restated summary statements
(All amounts in ₹ million except otherwise stated)

22.2 Investments (cont'd)

Particulars	As at 31 December 2020	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018
b) Movement of provisions held towards depreciation on investments:				
i) Opening balance	0.79	-	-	-
ii) Add: Provision made during the period / year	0.04	0.79	-	7.51
iii) Less: Write-off /write back of excess provision during the period / year	(0.79)	-	-	(7.51)
iv) Closing balance	**0.04**	**0.79**	**-**	**-**

Category wise details of investments (net of provision for depreciation):

Particulars	Nine months period ended 31 December 2020		Year ended 31 March 2020		Year ended 31 March 2019		Year ended 31 March 2018	
	HTM	AFS	HTM	AFS	HTM	AFS	HTM	AFS
i) Government securities	8,414.97	4,095.59	5,816.44	4,253.16	2,865.28	4,143.32	1,625.78	1,101.34
ii) Other approved securities	-	-	-	-	-	-	-	-
iii) Shares	-	-	-	-	-	-	-	-
iv) Debentures and bonds	-	-	-	-	-	-	-	-
v) Subsidiaries and/or joint ventures	-	-	-	-	-	-	-	-
vi) Others	-	-	-	-	-	-	-	-

B. Repurchase transactions

Tri - Party Repo

Particulars	Nine months ended 31 December 2020				Year ended 31 March 2020			
	Minimum outstanding during the nine months ended on December 31, 2020	Maximum outstanding during the nine months ended on December 31, 2020	Daily Average outstanding during the nine months ended on December 31, 2020	Outstanding as on 31 December 2020	Minimum outstanding during the year 2019-20	Maximum outstanding during the year 2019-20	Daily Average outstanding during the year 2019-20	Outstanding as on 31 March 2020
Securities sold under repo[1]								
i. Government securities	518.72	4,062.62	2,773.74	518.72	-	3,434.16	804.68	988.72
ii. Corporate debt securities	-	-	-	-	-	-	-	-
Securities purchased under reverse repo[1]						-	-	-
i. Government securities	3,225.86	13,251.93	8,534.45	5,962.82	-	11,552.99	6,138.66	8,590.83
ii. Corporate debt securities	-	-	-	-	-	-	-	-

1 Amount reported are based on the value of securities under Repo and Reverse Repo.

22.2 Investments (cont'd)

B. Repurchase transactions (cont'd)

Tri - Party Repo

Particulars	Year ended 31 March 2019			
	Minimum outstanding during the year 2018-19	Maximum outstanding during the year 2018-19	Daily Average outstanding during the year 2018-19	Outstanding as on 31 March 2019
Securities sold under repo[1]				
i. Government securities	105.12	105.12	105.12	-
ii. Corporate debt securities	-	-	-	-
Securities purchased under reverse repo[1]				
i. Government securities	50.34	700.14	429.91	700.14
ii. Corporate debt securities	-	-	-	-

1 Amounts disclosed are based on face value of securities under Repo and Reverse Repo.

Qualitative disclosure

During the year ended March 31, 2018, the Bank had not undertaken any repo/ reverse repo transactions. Hence, the disclosure related to repo/ reverse repo transaction has not been provided for the aforementioned period.

The Bank applied for the segment of Tri Party Repo ('TREP's) on November 30, 2018 and received the membership approval on March 05, 2019. The Bank has commenced the Treps borrowing and lending w.e.f. March 18, 2019 after requisite collateral and default funds were in place. The Bank was a participant in the segment for a total of 13 days in FY 2018-19.

The Bank has commenced the reverse repo borrowing and lending w.e.f. March 18, 2019 after requisite collateral and default funds were in place.

The Bank applied for the segment of Repo/Reverse repo post receipt of scheduled bank license from the RBI and received the approval for the said segment. The Bank has commenced the Repo and Reverse repo operation w.e.f. August 01, 2019 after requisite collateral and default funds were in place.

The securities provided/allotted to the Bank till date for reverse repo transactions are all issued by Government of India in the form of government securities, floating rate bonds and T-Bills.

C. Non-SLR investment portfolio

a) Issuer composition of Non-SLR investments

As at December 31, 2020, March 31, 2020, March 31, 2019 and March 31, 2018, respectively; there are no outstanding Non-SLR investments.

b) Non-performing Non-SLR investments

During the nine months period ended December 31, 2020 and the years ended March 31, 2020, March 31, 2019 and March 31, 2018, respectively; there are no non performing Non - SLR investments.

D. Sale and Transfer to/from HTM Category

During the nine months period ended December 31, 2020 and the years ended March 31, 2020, March 31, 2019 and March 31, 2018, respectively; there was no sale and transfer to/from HTM category.

22.3 Derivatives

During the nine months period ended December 31, 2020 and the years ended March 31, 2020, March 31, 2019 and March 31, 2018, respectively; the Bank has not undertaken any derivative transaction and there is no outstanding position as at the period / year end. Hence, disclosures related to forward rate agreement / interest rate swap and exchange traded interest rate derivatives are not provided.

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Annexure 22 - Notes forming part of the restated summary statements
(All amounts in ₹ million except otherwise stated)

22.4 Asset quality

A. Non-performing assets[1]

The following table sets forth, for the periods indicated, the details of movement of gross non-performing assets (NPAs), net NPAs and provisions.

Particulars	As at 31 December 2020	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018
(i) Net NPAs to Net Advances (%)	1.88%	0.41%	0.34%	0.72%
(ii) Movement of NPAs (Gross)				
(a) Opening balance	447.18	358.92	172.17	59.19
(b) Additions during the period/year	1,721.71	743.30	435.62	1,499.99
(c) Reductions during the period/year	356.58	(655.04)	(248.87)	(1,387.01)
(d) Closing balance	**1,812.31**	**447.18**	**358.92**	**172.17**
(iii) Movement of Net NPAs				
(a) Opening balance	197.47	94.93	131.68	28.69
(b) Additions during the period/year	908.51	453.82	249.89	1,133.18
(c) Reductions during the period/year	133.71	(351.28)	(286.64)	(1,030.19)
(d) Closing balance	**972.27**	**197.47**	**94.93**	**131.68**
(iv) Movement of provisions for NPAs (excluding provision on standard assets)				
(a) Opening balance	249.71	263.99	40.49	30.50
(b) Provision made during the period/year	884.24	484.62	400.70	403.08
(c) Write off/ write back of excess provision	293.91	(498.90)	(177.20)	(393.09)
(d) Closing balance	**840.04**	**249.71**	**263.99**	**40.49**

1 Non performing assets include only non performing advances as on December 31, 2020, March 31, 2020, March 31, 2019 and March 31, 2018.

Annexure 22 - Notes forming part of the restated summary statements

(All amounts in ₹ million except otherwise stated)

22.4 Asset quality (cont'd)

C. Details of financial assets sold to securitisation / reconstruction company for asset reconstruction

The Bank has not sold any financial assets during the nine months period ended December 31, 2020 and during the years ended March 31, 2020, March 31, 2019 and March 31, 2018, to securitisation / reconstruction company for asset reconstruction.

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

The Bank has not purchased or sold any non performing financial assets during the nine months period ended December 31, 2020 and during the year ended March 31, 2020, March 31, 2019 and March 31, 2018.

E. (i) Provisions towards standard assets

Particulars	As at 31 December 2020	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018
Provisions towards standard assets	1,303.72	1,061.02	125.71	72.69
	1,303.72	**1,061.02**	**125.71**	**72.69**

(ii) General provision for COVID 19 deferment cases as per the RBI COVID 19 Regulatory package

In accordance with the RBI guidelines relating to COVID-19 Regulatory Package dated March 27, 2020 and April 17, 2020, the Bank granted a moratorium of three months on the payment of all instalments and / or interest, as applicable, falling due between March 01, 2020 and May 31, 2020, to all eligible borrowers. In line with the additional Regulatory Package guidelines dated May 23, 2020, the Bank granted a second phase of three months moratorium on instalments and / or interest, as applicable, falling due between June 01, 2020 and August 31, 2020.

The Bank holds provisions as at December 31, 2020 as per the COVID-19 Regulatory Package and the details for such accounts and provisions made by the Bank are as following:

The quantitative disclosures as required by RBI circular dated April 17, 2020 for the period ended December 31, 2020 and March 31, 2020 are given below:

Particulars	As at 31 December 2020	As at 31 March 2020
- Respective amounts in SMA/overdue categories, where the moratorium/deferment was extended in terms of paragraph 2 and 3 of the circular (as of 29 February 2020)	478.68	478.68
- Of the above, respective amounts where asset classification benefits is extended	357.59	408.31
- Provision made in terms of paragraph 5 of the COVID-19 Regulatory Package during the period / year		
- In Q4 FY2020	26.80	26.80
- In Q1 FY 2021	26.80	-
- Provision adjusted against slippages during the period / year in terms of paragraph 6 of the COVID 19 Regulatory Package	53.60	-
- Residual provision held at the period / year ended	-	26.80

(iii) Higher provision for COVID 19

In management's view providing moratorium to borrowers at a mass scale based on the RBI directives, by itself is not considered to result in a significant increase in credit risk for such borrowers. The full extent of impact of the pandemic on the Bank's operations and financial metric (including impact on provision for loan portfolio will depend on future developments including the second wave that has significantly increased the number of cases in India, governmental and regulatory measures and the Bank's responses thereto, which are uncerta in at this time.

The Bank had made an additional provision amounting to ₹ 825.00 million owing to the probable impact of Covid-19 ("Covid-19 related provision" during the year ended March 31, 2020. Further, the Bank made Covid-19 related provision amounting to ₹ 719.02 million during the nine months period ended December 31, 2020.

(iv) Update on Supreme Court of India order

The Supreme Court, in a writ petition through its interim order dated September 03, 2020, had directed that accounts which were not declared as NPA till August 31, 2020 shall not be declared as NPA till further orders. Basis the said interim order, the Bank had not classified any account which was not NPA as of August 31, 2020 as per the RBI norms, as NPA after August 31, 2020. However, the Bank had made a contingency provision for such borrower accounts not classified as non-performing and included such provision in above mentioned Covid-19 related provision.

The interim order granted to not declare accounts as NPA stood vacated on March 23, 2021 vide the judgement of the Hon'ble SC in the matter of Small Scale Industrial Manufacturers Association vs. UOI & Ors. and other connected matters. In this connection, the RBI vide its circular dated April 07, 2021 has provided extant instructions to all lending institutions for asset classification of all borrower accounts subsequent to the above mentioned judgement. The Bank has accordingly classified these borrower accounts as per the extant IRAC norms with effect from September 01, 2020 and utilised the above Covid-19 related provision towards provision on these accounts. Accordingly, as at December 31, 2020, the Bank held an aggregate Covid-19 related provision of ₹950.80 million (included in General provision for standard assets).

22.5 Provisioning coverage ratio

Particulars	As at 31 December 2020	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018
The provisioning coverage ratio of the Bank computed in terms of the RBI guidelines after considering technical write off	74.82%	91.14%	94.42%	23.55%

Annexure 22 - Notes forming part of the restated summary statements

(All amounts in ₹ million except otherwise stated)

22.6 Business ratios

Particulars	As at 31 December 2020	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018
(i) Interest income as a percentage to working funds[1]	12.02%	18.18%	19.74%	18.32%
(ii) Non interest income as a percentage to working funds[1]	0.75%	2.47%	2.27%	2.13%
(iii)Operating profit[2] as a percentage to working funds[1]	3.14%	5.74%	4.89%	3.13%
(iv) Return on assets (average)[3]	1.33%	2.44%	3.33%	(5.69%)
(v) Business[3] per employee[4] (₹ in million)	115.54	9.62	6.18	4.32
(vi) Profit per employee[4] (₹ in million)	1.43	0.23	0.21	(0.27)

1 For the purpose of computing the ratio, working funds represent the monthly average of total assets computed for reporting dates of Form X submitted to the RBI under Section 27 of the Banking Regulation Act, 1949.
2 Operating profit is net profit for the period / year before provisions and contingencies.
3 Business is monthly average of advances and deposits (net of inter bank deposits) as reported to the RBI in Form X under section 27 of the Banking Regulation Act, 1949.
4 Productivity ratios are based on average number of employees.

Annexure 22 - Notes forming part of the restated summary statements

(All amounts in ₹ million except otherwise stated)

22.4 Asset quality (cont'd)

B. Particulars of accounts restructured for nine months ended December 31, 2020

Type of Restructuring		Under CDR Mechanism					Under SME Debt Restructuring Mechanism					Others					Total				
Asset Classification		**Standard**	**Sub-Standard**	**Doubtful**	**Loss**	**Total**	**Standard**	**Sub-Standard**	**Doubtful**	**Loss**	**Total**	**Standard**	**Sub-Standard**	**Doubtful**	**Loss**	**Total**	**Standard**	**Sub-Standard**	**Doubtful**	**Loss**	**Total**
Restructured Accounts as on April 1 of the nine months period ended December 31, 2020 (opening figures)	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	49	-	15	64	-	49	-	15	64
	Amount Outstanding	-	-	-	-	-	-	-	-	-	-	-	0.17	-	0.11	0.28	-	0.17	-	0.11	0.28
	Provision there-on	-	-	-	-	-	-	-	-	-	-	-	0.09	-	0.11	0.19	-	0.09	-	0.11	0.19
Fresh restructuring during the nine months period ended December 31, 2020	No. of borrowers[1]	-	-	-	-	-	-	-	-	-	-	185	5,932	-	-	-	185	5,932	-	-	6,117
	Amount Outstanding	-	-	-	-	-	-	-	-	-	-	6.88	230.59	-	-	-	6.88	230.59	-	-	237.47
	Provision there-on	-	-	-	-	-	-	-	-	-	-	1.79	57.74	-	-	-	1.79	57.74	-	-	59.53
Upgradations to restructured standard category during the nine months period ended December 31, 2020	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount Outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Provision there-on	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the nine months period ended December 31, 2020 and hence need not be shown as restructured standard advances at the beginning of the next period	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount Outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Provision there-on	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Downgradations of restructured accounts during the nine months period ended December 31, 2020	No. of borrowers[2]	-	-	-	-	-	-	-	-	-	-	(23)	23	-	-	-	(23)	23	-	-	-
	Amount Outstanding	-	-	-	-	-	-	-	-	-	-	(0.89)	0.89	-	-	-	(0.89)	0.89	-	-	-
	Provision there-on	-	-	-	-	-	-	-	-	-	-	(0.30)	0.30	-	-	-	(0.30)	0.30	-	-	-
Write-offs of restructured accounts during the nine months period ended December 31, 2020	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	(9)	-	(10)	(19)	-	(9)	-	(10)	(19)
	Amount Outstanding	-	-	-	-	-	-	-	-	-	-	-	(0.04)	-	(0.10)	(0.14)	-	(0.04)	-	(0.10)	(0.14)
	Provision there-	-	-	-	-	-	-	-	-	-	-	-	(0.02)	-	(0.10)	(0.12)	-	(0.02)	-	(0.10)	(0.12)
Movement in accounts	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	(28)	-	(5)	(33)	-	(28)	-	(5)	(33)
	Amount	-	-	-	-	-	-	-	-	-	-	-	(0.07)	-	(0.01)	(0.08)	-	(0.07)	-	(0.01)	(0.08)
	Provision there	-	-	-	-	-	-	-	-	-	-	-	(0.04)	-	(0.01)	(0.04)	-	(0.04)	-	(0.01)	(0.04)
Restructured Accounts as on December 31 of the nine months period ended (closing figures)	No. of borrowers	-	-	-	-	-	-	-	-	-	-	162	5,967	-	-	6,129	162	5,967	-	-	6,129
	Amount Outstanding	-	-	-	-	-	-	-	-	-	-	5.98	231.55	-	-	237.53	5.98	231.55	-	-	237.53
	Provision there-on	-	-	-	-	-	-	-	-	-	-	1.50	58.07	-	-	59.57	1.50	58.07	-	-	59.57

1 Out of 5,932 accounts, 5,918 restructured accounts have been provided additional finance as a part of resolution plan which was initially classified as standard as per Prudential Framework for resolution of stressed assets dated June 07, 2019. The amount outstanding and provision thereon, towards such additional finance is ₹ 146.46 million and ₹ 36.65 million, respectively as on December 31, 2020.

Subsequently, borrower accounts which included additional finance were downgraded to sub-standard during the period ended December 31, 2020, which had an amount outstanding and provision thereon of ₹ 4.18 million and ₹ 1.08 million respectively.

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Annexure 22 - Notes forming part of the restated summary statements

(All amounts in ₹ million except otherwise stated)

B. Particulars of accounts restructured during the year ended March 31, 2020

Type of Restructuring		Under CDR Mechanism					Under SME Debt Restructuring Mechanism					Others					Total				
Asset Classification		**Standard**	**Sub-Standard**	**Doubtful**	**Loss**	**Total**	**Standard**	**Sub-Standard**	**Doubtful**	**Loss**	**Total**	**Standard**	**Sub-Standard**	**Doubtful**	**Loss**	**Total**	**Standard**	**Sub-Standard**	**Doubtful**	**Loss**	**Total**
Restructured Accounts as on April 1 of the FY (opening figures)	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	164	-	-	164	-	164	-	-	164
	Amount Outstanding	-	-	-	-	-	-	-	-	-	-	-	1.63	-	-	1.63	-	1.63	-	-	1.63
	Provision there-on	-	-	-	-	-	-	-	-	-	-	-	0.82	-	-	0.82	-	0.82	-	-	0.82
Fresh restructuring during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount Outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Provision there-on	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Upgradations to restructured standard category during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount Outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Provision there-on	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the year and hence need not be shown as restructured standard advances at the beginning of the next year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount Outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Provision there-on	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Downgradations of restructured accounts during the FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	(15)	-	15	-	-	(15)	-	15	-
	Amount Outstanding	-	-	-	-	-	-	-	-	-	-	-	(0.11)	-	0.11	-	-	(0.11)	-	0.11	-
	Provision there-on	-	-	-	-	-	-	-	-	-	-	-	(0.06)	-	0.06	-	-	(0.06)	-	0.06	-
Write-offs of restructured accounts during the FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	(23)	-	-	(23)	-	(23)	-	-	(23)
	Amount Outstanding	-	-	-	-	-	-	-	-	-	-	-	(0.24)	-	-	(0.24)	-	(0.24)	-	-	(0.24)
	Provision there-on	-	-	-	-	-	-	-	-	-	-	-	(0.12)	-	-	(0.12)	-	(0.12)	-	-	(0.12)
Movement in accounts	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	(77)	-		(77)	-	(77)	-	-	(77)
	Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	(1.11)	-		(1.11)	-	(1.11)	-	-	(1.11)
	Provision there on	-	-	-	-	-	-	-	-	-	-	-	(0.56)	-		(0.56)	-	(0.56)	-	-	(0.56)
Restructured Accounts as on March 31 of the FY (closing figures)	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	49	-	15	64	-	49	-	15	64
	Amount Outstanding	-	-	-	-	-	-	-	-	-	-	-	0.17	-	0.11	0.28	-	0.17	-	0.11	0.28
	Provision there-on	-	-	-	-	-	-	-	-	-	-	-	0.09	-	0.11	0.20	-	0.09	-	0.11	0.20

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(All amounts in ₹ million except otherwise stated)

B. Particulars of accounts restructured during the year ended March 31, 2019

Type of Restructuring		Under CDR Mechanism					Under SME Debt Restructuring Mechanism					Others					Total				
Asset Classification		**Standard**	**Sub-Standard**	**Doubtful**	**Loss**	**Total**	**Standard**	**Sub-Standard**	**Doubtful**	**Loss**	**Total**	**Standard**	**Sub-Standard**	**Doubtful**	**Loss**	**Total**	**Standard**	**Sub-Standard**	**Doubtful**	**Loss**	**Total**
Restructured Accounts as on April 1 of the FY (opening figures)	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount Outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Provision there-on	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fresh restructuring during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	164	-	-	164	-	164	-	-	164
	Amount Outstanding	-	-	-	-	-	-	-	-	-	-	-	1.63	-	-	1.63	-	1.63	-	-	1.63
	Provision there-on	-	-	-	-	-	-	-	-	-	-	-	0.82	-	-	0.82	-	0.82	-	-	0.82
Upgradations to restructured standard category during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount Outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Provision there-on	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the year and hence need not be shown as restructured standard advances at the beginning of the next year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount Outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Provision there-on	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Downgradations of restructured accounts during the FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount Outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Provision there-on	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs of restructured accounts during the FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount Outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Provision there-on	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restructured Accounts as on March 31 of the FY (closing figures)	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	164	-	-	164	-	164	-	-	164
	Amount Outstanding	-	-	-	-	-	-	-	-	-	-	-	1.63	-	-	1.63	-	1.63	-	-	1.63
	Provision there-on	-	-	-	-	-	-	-	-	-	-	-	0.82	-	-	0.82	-	0.82	-	-	0.82

The Bank has not restructured any accounts during the year ended March 31, 2018. Therefore, no disclosure has been provided the same.

Annexure 22 - Notes forming part of the restated summary statements

(All amounts in ₹ million except otherwise stated)

22.4 Asset quality (cont'd)

C. Particulars of accounts restructured for the nine months period ended December 31, 2020 as per the RBI notification on Resolution framework for COVID-19- related stress dated August 06, 2020

Type of borrower	(A) Number of accounts where resolution plan has been implemented under this window	(B) Exposure to accounts mentioned at (A) before implementation of the plan[2]	(C) Of (B), aggregate amount of debt that was converted into other securities	(D) Additional funding sanctioned, if any, including between invocation of the plan and implementation	(E) Increase in provisions on account of the implementation of the resolution plan
Personal Loans	-	-	-	-	-
Corporate persons[1]	-	-	-	-	-
Of which, MSMEs	-	-	-	-	-
Others	14,025	171.60	-	382.84	104.36
Total	**14,025**	**171.60**	**-**	**382.84**	**104.36**

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

2 This amount does not include interest accrued as on the date of implementation of the plan.

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Annexure 22 - Notes forming part of the restated summary statements
(All amounts in ₹ million except otherwise stated)

22.7 Asset liability management (ALM)

i) Assets and liabilities are classified in the maturity buckets as per the guidelines issued by the RBI. The following table sets forth, the maturity pattern of assets and liabilities of the Bank as at December 31, 2020

	Day 1	2 to 7 days	8 to 14 days	15 to 30 days	31 days to 2 months	2 months to 3 months	Over 3 month & up to 6 month	Over 6 Month & up to 1 year	Over 1 year & up to 3 years	Over 3 years & up to 5 years	Over 5 years	Total
Deposits	461.61	572.44	645.80	1,063.83	1,057.34	2,341.42	2,925.05	11,431.93	29,292.78	2,973.62	0.63	52,766.45
Advances[2, 3]	149.06	513.63	793.12	1,901.01	3,649.82	3,692.69	8,488.85	13,673.54	14,435.94	2,561.81	1,720.31	51,579.78
Investments	3,742.47	198.88	87.24	302.54	267.34	125.81	632.82	1,640.93	4,811.96	700.40	0.17	12,510.56
Borrowings[1]	42.00	-	180.00	-	263.40	583.30	310.43	1,432.76	5,014.64	2,691.04	102.53	10,620.10
Foreign currency assets	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Foreign currency liabilities	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA

ii) The following table sets forth, the maturity pattern of assets and liabilities of the Bank as at March 31, 2020

	Day 1	2 to 7 days	8 to 14 days	15 to 30 days	31 days to 2 months	2 months to 3 months	Over 3 month & up to 6 month	Over 6 Month & up to 1 year	Over 1 year & up to 3 years	Over 3 years & up to 5 years	Over 5 years	Total
Deposits	112.20	696.33	523.10	862.98	953.48	1,783.33	8,447.06	6,347.32	26,169.18	642.23	2.12	46,539.33
Advances[2, 3]	-	17.89	11.66	136.33	172.54	2,386.94	8,107.77	14,618.38	19,308.00	1,937.19	1,459.09	48,155.79
Investments	2,781.92	146.17	92.69	292.56	214.64	161.83	1,275.00	1,017.18	3,786.71	151.51	149.39	10,069.60
Borrowings[1]	-	-	367.50	-	-	243.77	1,610.40	1,898.63	6,211.32	2,350.00	1,000.00	13,681.62
Foreign currency assets	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	N.A.
Foreign currency liabilities	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	N.A.

iii) The following table sets forth, the maturity pattern of assets and liabilities of the Bank as at March 31, 2019

	Day 1	2 to 7 days	8 to 14 days	15 to 30 days	31 days to 2 months	2 months to 3 months	Over 3 month & up to 6 month	Over 6 Month & up to 1 year	Over 1 year & up to 3 years	Over 3 years & up to 5 years	Over 5 years	Total
Deposits	120.04	274.71	202.30	339.01	482.53	863.83	1,753.60	5,385.17	11,001.95	7.10	1.88	20,432.12
Advances[2, 3]	46.18	229.82	330.31	736.57	1,409.42	1,430.42	4,534.10	7,749.63	9,336.28	1,138.90	705.26	27,646.89
Investments	3,345.06	165.98	88.87	136.33	141.82	102.20	341.33	880.50	1,632.56	55.02	118.93	7,008.60
Borrowings[1]	8.78	-	267.50	72.14	173.16	341.93	1,466.22	2,207.19	4,800.12	2,743.70	750.00	12,830.74
Foreign currency assets	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Foreign currency liabilities	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.

iv) The following table sets forth, the maturity pattern of assets and liabilities of the Bank as at March 31, 2018

	Day 1	2 to 7 days	8 to 14 days	15 to 30 days	31 days to 2 months	2 months to 3 months	Over 3 month & up to 6 month	Over 6 Month & up to 1 year	Over 1 year & up to 3 years	Over 3 years & up to 5 years	Over 5 years	Total
Deposits	2.63	293.82	414.07	663.62	1,014.53	268.70	355.39	1,603.45	2,652.65	1.91	0.21	7,270.98
Advances[2, 3]	0.13	162.31	204.49	432.61	864.90	891.96	2,621.29	4,186.76	6,047.29	673.82	210.40	16,295.96
Investments	424.04	400.63	78.58	292.90	34.68	141.32	166.96	133.25	947.92	106.64	0.20	2,727.12
Borrowings[1]	37.08	2.22	52.06	132.46	471.00	342.70	1,208.99	1,957.22	5,180.92	555.14	750.00	10,689.79
Foreign currency assets	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Foreign currency liabilities	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.

Notes:

1 The above borrowings exclude interest accrued and due and interest accrued but not due.
2 The advances comprise of portfolio loan and does not include interest accrued and not due.
3 Includes interest bearing loans only.
4 Classification of assets and liabilities under the different maturity buckets is based on the estimates and assumptions used by the Bank for compiling the structural liquidity statement submitted to the RBI. This has been relied upon by the auditor.

Annexure 22 - Notes forming part of the restated summary statements

(All amounts in ₹ million except otherwise stated)

22.8 - Segment reporting

Business segments have been identified and reported taking into account, the customer profile, the nature of products and services, the differing risks and returns, the organisation structure and the guidelines prescribed by RBI. The Bank operates in the following segments:

a) Treasury
The treasury segment primarily consists of entire investment portfolio of the Bank.

b) Corporate/Wholesale banking
Wholesale banking includes all advances to companies and statutory bodies, which are not included under Retail banking.

c) Retail banking
The retail banking segment serves retail customers through the branch network. Exposures are classified under retail banking taking into account the status of the borrower (orientation criterion), the nature of product, granularity of the exposure and the quantum thereof. Revenues of the retail banking segment are primarily derived from interest and fees earned on retail loans, interest on deposits placed as collateral with banks and financial institutions. Expenses of this segment primarily comprise interest expense on borrowings, deposits, infrastructure and premises expenses for operating the branch network, personnel costs and other direct overheads.

d) Other banking operations
Other Banking operations include other items not attributable to any particular business segment.

e) Unallocated
All items which are reckoned at an enterprise level are classified under this segment. This includes other unallocable assets and liabilities.

Geographical segments
The business operations of the Bank are concentrated in India hence the Bank is considered to operate only in domestic segment.

Business segments	Treasury		Corporate/Wholesale Banking		Retail Banking		Other Banking Operations		Total	
Particulars	**31 December 2020**	**31 March 2020**	**31 December 2020**	**31 March 2020**	**31 December 2020**	**31 March 2020**	**31 December 2020**	**31 March 2020**	**31 December 2020**	**31 March 2020**
Revenue	788.95	949.20	184.02	331.60	9,010.09	10,876.40	-	-	9,983.06	12,157.20
Result	416.98	300.47	47.90	173.00	1,720.84	2,596.80	-	-	2,185.72	3,070.27
Unallocated expenses		-		-		-			836.79	1,043.04
Operating profit		**-**		**-**		**-**			**1,348.93**	**2,027.23**
Income taxes		-		-		-			309.66	592.74
Net profit		**-**		**-**		**-**			**1,039.27**	**1,434.49**
Other information:										
Segment assets	22,548.44	21,034.20	1,185.07	2,560.10	51,844.67	46,765.70	-	-	75,578.18	70,360.00
Unallocated assets		-		-		-			655.59	802.74
Total assets		**-**		**-**		**-**			**76,233.77**	**71,162.74**
Segment liabilities	3,896.60	5,723.00	348.10	1,030.70	61,553.14	54,352.50	-	-	65,797.84	61,106.20
Unallocated liabilities		-		-		-			10,435.93	10,056.54
Total liabilities		**-**		**-**		**-**			**76,233.77**	**71,162.74**

Business segments	Treasury		Corporate/Wholesale Banking		Retail Banking		Other Banking Operations		Total	
Particulars	**31 March 2019**	**31 March 2018**	**31 March 2019**	**31 March 2018**	**31 March 2019**	**31 March 2018**	**31 March 2019**	**31 March 2018**	**31 March 2019**	**31 March 2018**
Revenue	405.20	192.20	223.10	64.39	6,121.64	3,249.53	-	-	6,749.94	3,506.12
Result	(57.43)	0.62	107.80	(175.00)	2,096.44	(144.78)	-	-	2,146.81	(319.16)
Unallocated expenses									1,043.79	579.22
Operating profit									1,103.02	(898.38)
Income taxes									83.22	77.12
Net profit									1,019.80	(975.50)
Other information:										
Segment assets	12,263.24	5,308.94	2,574.14	1,603.88	26,339.67	15,088.18	-	-	41,177.05	22,001.00
Unallocated assets									540.35	740.15
Total assets									**41,717.40**	**22,741.15**
Segment liabilities	7,063.81	2,609.53	1,497.16	6,376.17	26,249.24	8,975.08	-	-	34,810.21	17,960.78
Unallocated liabilities									6,907.19	4,780.37
Total liabilities									**41,717.40**	**22,741.15**

Note:

1 The Bank does not have any operations under the "Other Banking Operations" segment in the nine months period ended December 31, 2020 and years ended March 31, 2020, March 31, 2019 and March 31, 2018. Hence the same has not been disclosed in the table above.

2 In computing the above disclosure, certain assumptions and estimates are made by the management which have been relied upon by the auditor.

Annexure 22 - Notes forming part of the restated summary statements

(All amounts in ₹ million except otherwise stated)

22.9 - Related party disclosure

A. *Description of relationship*	*Nature of relationship*
i) Parties where control exists	
Fincare Business Services Limited *(formerly Fincare Business Services Private Limited)*	Holding Company (w.e.f September 16, 2016)
ii) Key management personnel	
Mr. Rajeev Yadav	Managing Director and Chief Executive Officer (w.e.f. May 01, 2017)
Mr. Keyur Doshi	Chief Financial Officer (w.e.f May 01, 2017)
Ms. Shefaly Kothari	Company Secretary (w.e.f February 23, 2017)
Mr. Vivek Kothari	Chief Financial Officer (resigned w.e.f May 01, 2017)
Mr. Sameer Nanavati	Whole Time Director (resigned w.e.f. June 24, 2017)
iii) Other related parties	
Lok Management Services Private Limited[1]	Entities under common control and shareholder
Mr. Rakesh Rai, Ms. Komal Keyur Doshi, Mr. Parth Keyur Doshi, Mr. Gopalbhai Doshi, Ms. Sarojben Doshi, Dr. Poonam Yadav, Mr. Viraj Yadav, Ms. Nysa Yadav, Ms. Saroj Khola and Mr. H S Khola.	Relatives of key management personnel

Note:

1 Lok Management Services Private Limited had applied to the National Company Law Tribunal (NCLT) for amalgamation with Fincare Business Services Limited with an appointed date of the scheme is April 01, 2019. On obtaining the NCLT order dated March 05, 2020, Lok Managember Services Private Limited ceased to exist and has merged with Fincare Business Services Limited.

B. ***The transactions with related parties during the period/year :***

Nature of transaction	Relationship	Nine months ended 31 December 2020	For the year ended 31 March 2020	For the year ended 31 March 2019	For the year ended 31 March 2018
Issue of equity shares					
Fincare Business Services Limited *(formerly Fincare Business Services Private Limited)*	Holding company	-	57.43	161.48	-
Lok Management Services Private Limited	Entities under common control and shareholder	-	10.61	19.17	-
Securities premium on equity shares					
Fincare Business Services Limited *(formerly Fincare Business Services Private Limited)*	Holding company	-	697.57	1,488.95	-
Lok Management Services Private Limited	Entities under common control and shareholder	-	128.93	490.83	-
Managerial remuneration/remuneration for KMP					
Mr. Rajeev Yadav	MD & Chief Executive Officer (w.e.f. 01 May 2017)	21.45	39.06	30.19	30.10
Mr. Keyur Doshi	Chief Financial Officer (w.e.f 01 May 2017)	8.96	12.46	10.71	10.21
Ms. Shefaly Kothari	Company Secretary (w.e.f 23 February 2017)	1.67	2.22	2.01	1.81
Mr. Sameer Nanavati	Whole Time Director (resigned w.e.f. 24 June 2017)	-	-	-	1.53
Mr. Vivek Kothari	Chief Financial Officer (resigned w.e.f 01 May 2017)	-	-	-	2.43

Annexure 22 - Notes forming part of the restated summary statements

(All amounts in ₹ million except otherwise stated)

22.9 - Related party disclosure (cont'd)

B. *The transactions with related parties during the period/year (cont'd) :*

Nature of transaction	Relationship	Nine months ended 31 December 2020	For the year ended 31 March 2020	For the year ended 31 March 2019	For the year ended 31 March 2018
Sub-debt raised					
Fincare Business Services Limited *(formerly Fincare Business Services Private Limited)*	Holding Company	-	-	-	750.00
Term deposits made with the Bank [1]					
Fincare Business Services Limited *(formerly Fincare Business Services Private Limited)*	Holding company	631.04	-	738.40	983.45
Lok Management Services Private Limited	Entities under common control and shareholder	-	0.07	1,296.50	403.31
Ms. Shefaly Kothari	Key Management Personnel	-	-	0.34	1.30
Mr. Keyur Doshi	Key Management Personnel	-	-	-	0.10
Mr. Rajeev Yadav	Key Management Personnel	-	0.58	-	1.52
Relative of key management personnel	Relative of key management personnel	21.03	8.36	2.75	6.90
Term deposits matured [1]					
Fincare Business Services Limited *(formerly Fincare Business Services Private Limited)*	Holding company	631.58	-	738.40	983.45
Lok Management Services Private Limited	Entities under common control and shareholder	-	0.07	1,499.18	402.86
Mr. Rajeev Yadav	Key Management Personnel	-	0.60	-	1.02
Ms. Shefaly Kothari	Key Management Personnel	-	0.25	1.39	-
Relative of key management personnel	Relative of key management personnel	4.03	2.26	-	4.90
Interest expense on term deposits					
Mr. Rajeev Yadav	Key management personnel	0.04	0.06	0.10	0.03
Mr. Keyur Doshi	Key management personnel	0.01	0.01	0.01	0.01
Ms. Shefaly Kothari	Key management personnel	-	0.02	0.03	0.02
Fincare Business Services Limited *(formerly Fincare Business Services Private Limited)*	Holding Company	0.54	-	3.06	10.35
Lok Management Services Private Limited	Entities under common control and shareholder	-	-	10.46	5.72
Fincare Business Services Limited	Entities under common control and shareholder	-	-	-	0.72
Relative of key management personnel	Relative of key management personnel	1.97	1.04	0.19	0.28
Interest expense on Sub Debts					
Fincare Business Services Limited *(formerly Fincare Business Services Private Limited)*	Holding Company	9.28	31.56	60.69	2.55
Management Fees					
Fincare Business Services Limited *(formerly Fincare Business Services Private Limited)**	Holding Company	-	-	-	(1.95)
*credit note					
Professional services					
Fincare Business Services Limited (formerly Fincare Business Services Private Limited)*	Holding Company	1.39	-	-	-
Lok Management Services Private Limited	Entities under common control and shareholder	-	-	8.54	-
Receipt towards other receivable					
Fincare Business Services Limited *(formerly Fincare Business Services Private Limited)*	Holding Company	-	-	1.20	-

1 Deposits made with the Bank and deposits matured during the nine months period ended December 31, 2020 and financial years ended March 31, 2020, March 31, 2019 and March 31, 2018, exclude reinvestment transactions.

Fincare Small Finance Bank Limited

Annexure 22 - Notes forming part of the restated summary statements

(All amounts in ₹ million except otherwise stated)

22.9 - Related party disclosure (cont'd)

C. ***Closing balance of the transactions with related parties :***

Nature of transaction	Relationship	As at 31 December 2020	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018
Other receivable					
Fincare Business Services Limited *(formerly Fincare Business Services Private Limited)*	Holding Company	-	-	-	1.18
Deposit balance (savings and term deposit)					
Lok Management Services Private Limited	Entities under common control and shareholder	-	-	-	202.69
Mr. Rajeev Yadav	Key management personnel	0.80	0.80	0.75	0.81
Mr. Keyur Doshi	Key management personnel	0.22	0.18	0.33	0.13
Ms. Shefaly Kothari (December 31, 2020 : ₹ 3,522)	Key management personnel	0.00	0.20	0.95	1.32
Relative of key management personnel	Relative of key management personnel	65.40	19.76	7.52	5.77
Interest expense payable on deposit balance (savings and term deposit)					
Lok Management Services Private Limited	Entities under common control and shareholder	-	-	-	0.43
Mr. Rajeev Yadav	Key management personnel	-	-	-	0.03
Ms. Shefaly Kothari	Key management personnel	-	-	-	0.02
Mr. Keyur Doshi	Key management personnel	-	-	-	-
Relative of key management personnel	Relative of key management personnel	-	-	-	0.24
Sub-debt payable					
Fincare Business Services Limited *(formerly Fincare Business Services Private Limited)*	Holding Company	6.90	186.90	288.40	750.00
Interest payable on Sub-debt					
Fincare Business Services Limited *(formerly Fincare Business Services Private Limited)*	Holding Company	0.21	0.52	0.80	2.55
Current account balance					
Fincare Business Services Limited *(formerly Fincare Business Services Private Limited)*	Holding Company	2.59	0.16	53.98	-
Lok Management Services Private Limited	Entities under common control and shareholder	-	0.09	5.09	-
Other receivable					
Fincare Business Services Limited *(formerly Fincare Business Services Private Limited)*	Holding Company	-	-	-	1.18
Deposit balance (savings and term deposit)					
Lok Management Services Private Limited	Entities under common control and shareholder	-	0.07	442.59	202.69
Fincare Business Services Limited *(formerly Fincare Business Services Private Limited)*	Holding Company	631.58	-	448.56	373.63
Mr. Rajeev Yadav	Key management personnel	1.20	2.45	4.38	0.83
Mr. Keyur Doshi	Key management personnel	2.32	2.96	10.20	0.44
Ms. Shefaly Kothari	Key management personnel	0.57	1.74	2.32	0.61
Relative of key management personnel	Relative of key management personnel	79.42	26.41	55.46	13.22
Interest expense payable on deposit balance (savings and term deposit)					
Lok Management Services Private Limited	Entities under common control and shareholder	-	-	2.59	0.43
Fincare Business Services Limited *(formerly Fincare Business Services Private Limited)*	Holding Company	-	-	0.15	0.43
Mr. Rajeev Yadav (December 31, 2020: ₹ 3,349, March 31, 2020: ₹ 1,163)	Key management personnel	0.00	0.00	0.02	0.01
Mr. Keyur Doshi (December 31, 2020: ₹ 1,746, March 31, 2020: ₹ 9,237; March 31, 2018: ₹ 2,619)	Key management personnel	0.00	0.00	0.01	0.00
Ms. Shefaly Kothari (December 31, 2020 : ₹ 2,911, March 31, 2018: ₹ 4,313)	Key management personnel	0.00	0.01	0.01	0.00
Relative of key management personnel	Relative of key management personnel	0.42	0.04	0.30	0.16

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Annexure 22 - Notes forming part of the restated summary statements
(All amounts in ₹ million except otherwise stated)

22.9 - Related party disclosure (cont'd)

D. *Maximum outstanding during the period/year*

Nature of transaction	Relationship	As at 31 December 2020	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018
Sub-debt payable					
Fincare Business Services Limited *(formerly Fincare Business Services Private Limited)*	Holding Company	186.90	288.40	750.00	750.00
Interest on Sub-debt payable					
Fincare Business Services Limited *(formerly Fincare Business Services Private Limited)*	Holding Company	9.55	16.21	0.80	2.55
Current account balance					
Fincare Business Services Limited *(formerly Fincare Business Services Private Limited)*	Holding Company	2.59	873.30	1,404.39	453.41
Lok Management Services Private Limited	Entities under common control and shareholder	-	5.10	515.09	141.64

Annexure 22 - Notes forming part of the restated summary statements

(All amounts in ₹ million except otherwise stated)

22.10 - Concentration of deposits, advances, exposures and NPAs

A. Concentration of deposits

Particulars	As at 31 December 2020	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018
Total deposits of twenty largest depositors	8,506.37	8,401.85	6,229.83	5,765.30
Percentage of deposits of twenty largest depositors to total deposits of the Bank	16.12%	18.05%	30.49%	79.29%

B. Concentration of advances

Particulars -	As at 31 December 2020	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018
Total advances to twenty largest borrowers	1,190.84	2,078.94	2,186.60	1,728.82
Percentage of advances to twenty largest borrowers to total advances of the Bank	2.16%	3.94%	6.88%	9.43%

C. Concentration of exposures

Particulars	As at 31 December 2020	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018
Total exposure to twenty largest borrowers / customers	1,190.84	2,078.94	2,186.60	1,728.82
Percentage of exposures to twenty largest borrowers / customers to total exposure of the Bank on borrowers / customers	2.16%	3.94%	6.88%	9.43%

D. Concentration of NPAs

Particulars	As at 31 December 2020	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018
Total exposure to top four NPA accounts	108.49	9.96	5.26	4.01

E. Movement of non-performing assets[1]

Particulars	As at 31 December 2020	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018
(i). Movement of non-performing assets (Gross)				
Opening Balance	447.18	358.92	172.17	59.19
Additions: Fresh NPAs during the period/year	1,721.71	743.30	435.62	1,499.99
Sub total (A)	**2,168.89**	**1,102.22**	**607.79**	**1,559.18**
Less :-				
(i) Upgradations	69.31	159.34	121.59	-
(ii) Recoveries (excluding recoveries made from upgraded accounts)	7.98	41.34	25.71	93.12
(iii) Technical / Prudential Write offs	279.29	454.36	101.57	1,293.89
(iv) Write offs other than those under (iii) above	-	-	-	-
Sub-total (B)	**356.58**	**655.04**	**248.87**	**1,387.01**
Closing balance (A-B)	**1,812.31**	**447.18**	**358.92**	**172.17**
(ii). Movement in technical /prudential write off				
Opening balance of Technical / Prudential written off accounts as at 1 April	1,781.38	1,343.29	1,892.54	678.92
Add : Technical / Prudential write offs during the period/year	279.29	454.36	101.57	1,293.89
Sub total (A)	**2,060.67**	1,797.65	1,994.11	1,972.81
Less : Permanent write off[2]	-	-	607.21	-
Less : Recoveries made from previously technical / prudential written off accounts during the period/year (B)	12.38	16.27	43.61	80.27
Closing balance (A-B)	**2,048.29**	**1,781.38**	**1,343.29**	**1,892.54**

1 Non performing assets include only non performing advances as on December 31, 2020, March 31, 2020, March 31, 2019 and March 31, 2018.

2 The Bank had classified written off loans in the esrtwhile Loan Management System (LMS) amounting to ₹ 607.21 million as permanent write off, at the time of migration of all the loans disbursed in the erstwhile LMS to the Core Banking System (CBS), in March 2019.

Fincare Small Finance Bank Limited

Annexure 22 - Notes forming part of the restated summary statements

(All amounts in ₹ million except otherwise stated)

22.11 - Sector-wise advances

Sector[1]	As at 31 December 2020			As at 31 March 2020			As at 31 March 2019			As at 31 March 2018		
	Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to total advances in that sector	Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to total advances in that sector	Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to total advances in that sector	Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to total advances in that sector
A. Priority Sector												
Agriculture and allied activities	29,876.24	915.97	3.07%	27,952.59	208.90	0.75%	14,397.08	100.12	0.70%	7,389.30	47.70	0.65%
- Small & Marginal Farmers	24,239.32	723.79	2.99%	23,856.10	113.53	0.48%	10,203.80	25.90	0.25%	-	-	-
- Agriculture-Others	5,636.92	192.18	3.41%	4,096.49	95.37	2.33%	4,193.28	74.22	1.77%	-	-	-
Advances to industries sector eligible as priority sector lending	9.92	2.36	23.84%	10.48	2.74	25.71%	-	-	-	-	-	-
Services	6,838.92	425.82	6.23%	9,558.31	84.68	0.89%	5,867.52	83.28	1.42%	4,234.45	42.80	1.01%
Personal loans	7,686.80	139.19	1.81%	3,091.59	30.46	0.99%	2,183.80	88.59	4.06%	1,687.01	43.08	2.55%
Sub-total (A)	**44,411.88**	**1,483.34**		**40,612.96**	**326.78**		**22,448.40**	**271.99**		**13,310.76**	**133.58**	
B. Non Priority Sector												
Agriculture and allied activities	73.84	0.49	0.67%	0.74	-	0.00%	-	-	-	-	-	-
Industry	67.94	0.82	1.21%	14.33	0.49	3.50%	-	-	-	-	-	-
Services	415.85	7.27	1.75%	103.01	2.93	2.82%	2,653.77	-	0.00%	309.49	30.01	9.70%
Personal loans	7,450.31	320.39	4.30%	7,674.46	116.98	1.52%	2,808.71	86.93	3.09%	2,716.20	8.58	0.32%
Sub-total (B)	**8,007.94**	**328.97**		**7,792.54**	**120.40**		**5,462.48**	**86.93**		**3,025.69**	**38.59**	
Total (A+B)	**52,419.82**	**1,812.31**		**48,405.50**	**447.18**		**27,910.88**	**358.92**		**16,336.45**	**172.17**	

1 Gross of provision on Gross NPA amounting to ₹ 840.04 million as at December 31, 2020, ₹ 249.71 million as at March 31, 2020, ₹263.99 millon as at March 31, 2019 and ₹ 40.49 million as at March 31, 2018.

Fincare Small Finance Bank Limited

Annexure 22 - Notes forming part of the restated summary statements

(All amounts in ₹ million except otherwise stated)

22.12 - Liquidity coverage ratio

The table sets out Quantitative information on LCR for all the finnacial year ended March 31, 2020, March 31, 2019 and March 31, 2018 and the nine months ended December 31, 2020 as follows:

Particulars	Quarted ended 30 June 2020		Quarted ended 30 September 2020		Quarted ended 31 December 2020	
	Total Unweighted Value* (average)	Total Weighted Value * (average)	Total Unweighted Value * (average)	Total Weighted Value * (average)	Total Unweighted Value * (average)	Total Weighted Value * (average)
1) Total High Quality Liquid Assets (HQLA)	NA	20,534.22	NA	17,937.62	NA	20,321.94
Cash outflows						
2) Retail deposits and deposits from small business customers, of which:	-	-	-	-	-	-
- Stable deposits	-	-	-	-	-	-
- Less stable deposits	24,909.74	2,490.97	27,547.44	2,754.74	29,172.95	2,917.30
3) Unsecured wholesale funding, of which:	-	-	-	-	-	-
- Operational deposits (all counterparties)	5,963.13	5,963.13	8,111.28	8,111.28	6,818.95	6,818.95
- Non operational deposits (all counterparties)	-	-	-	-	-	-
- Unsecured debt	-	-	-	-	-	-
4) Secured wholesale funding	3,034.45	382.42	2,843.06	1,039.45	2,063.93	285.33
5) Additional requirements, of which	-	-	-	-	-	-
- Outflows related to derivative exposures and other collateral requirements	-	-	-	-	-	-
- Outflows related to loss of funding on debt products	-	-	-	-	-	-
- Credit and liquidity facilities	273.08	33.38	596.27	29.81	678.29	33.91
6) Other contractual funding obligations	-	-	-	-	-	-
7) Other contingent funding obligations	-	-	-	-	-	-
8) Total Cash Outflows	N.A.	8,869.90	N.A.	11,935.28	N.A.	10,055.49
Cash Inflows						
9) Secured lending (e.g. reverse repos)	12,726.81	-	6,800.61	-	9,110.43	-
10) Inflows from fully performing exposures	174.16	87.08	507.08	253.54	2,713.27	1,356.64
11) Other cash inflows	274.55	274.55	1,329.50	1,329.50	398.28	398.28
12) Total Cash Inflows	**13,175.52**	**361.63**	**8,637.18**	**1,582.54**	**12,221.98**	**1,754.92**
13) Total HQLA	N.A.	20,534.22	N.A.	17,937.62	N.A.	20,321.94
14) Total Net Cash Outflows	N.A.	8,508.27	N.A.	10,352.74	N.A.	8,300.57
15) Liquidity Coverage Ratio (%)	N.A.	241.34%	N.A.	173.26%	N.A.	244.83%

*The disclosure is arrived taking into account simple average of each of the line item of LCR components over 90 days of each quarter of the nine months period ended December 31, 2020. In computing the above information, certain assumptions and estimate have been made by the management which have been relied upon by the auditor.

Fincare Small Finance Bank Limited

Annexure 22 - Notes forming part of the restated summary statements
(All amounts in ₹ million except otherwise stated)

22.12 - Liquidity coverage ratio (cont'd)

The table sets out Quantitative information on LCR for the three months ended March 31, 2020 as follows:

Particulars	Quarted ended 30 June 2019		Quarted ended 30 September 2019		Quarted ended 31 December 2019		Quarted ended 31 March 2020	
	Total Unweighted Value* (average)	Total Weighted Value * (average)	Total Unweighted Value * (average)	Total Weighted Value * (average)	Total Unweighted Value * (average)	Total Weighted Value * (average)	Total Unweighted Value * (average)	Total Weighted Value * (average)
1) Total High Quality Liquid Assets (HQLA)	NA	8,547.47	NA	14,182.06	NA	14,222.14	NA	14,187.19
Cash outflows								
2) Retail deposits and deposits f								
- Stable deposits	-	-	-	-	-	-	-	-
- Less stable deposits	9,577.20	957.72	12,552.15	1,255.22	16,126.84	1,612.68	20,863.72	2,086.37
3) Unsecured wholesale funding, of which:								
- Operational deposits (all counterparties)	2,716.61	2,716.61	3,916.23	3,916.22	4,478.58	4,478.58	5,637.41	5,637.41
- Non operational deposits (all counterparties)	-	-	-	-	-	-	-	-
- Unsecured debt	-	-	-	-	-	-	-	-
4) Secured wholesale funding	849.82	845.79	571.40	535.00	2,919.08	788.64	1,660.25	500.98
5) Additional requirements, of which								
- Outflows related to derivative	-	-	-	-	-	-	-	-
- Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
- Credit and liquidity facilities	322.90	258.90	268.00	192.56	332.98	98.98	264.70	57.61
6) Other contractual funding obligations								
7) Other contingent funding obligations								
8) Total Cash Outflows	**N.A.**	**4,779.02**	**N.A.**	**5,899.00**	**N.A.**	**6,978.88**	**N.A.**	**8,282.37**
Cash Inflows								
9) Secured lending (e.g. reverse repos)	1,785.57	-	7,566.94	-	9,238.50	-	7,310.20	-
	-	-	-	-	-	-	-	-
10) Inflows from fully performing exposures	1,483.54	741.77	1,845.43	922.72	2,112.89	1,056.43	2,577.56	1,288.75
11) Other cash inflows	1,910.53	1,910.53	987.77	987.77	1,659.00	1,659.00	587.60	587.60
12) Total Cash Inflows	**5,179.64**	**2,652.30**	**10,400.14**	**1,910.49**	**13,010.39**	**2,715.43**	**10,475.36**	**1,876.35**
13) Total HQLA	**N.A.**	**8,547.47**	**N.A.**	**14,182.06**	**N.A.**	**14,222.14**	**N.A.**	**14,187.19**
14) Total Net Cash Outflows	**N.A.**	**2,126.72**	**N.A.**	**3,988.51**	**N.A.**	**4,263.45**	**N.A.**	**6,406.02**
15) Liquidity Coverage Ratio (%)	**N.A.**	**401.91%**	**N.A.**	**355.57%**	**N.A.**	**333.58%**	**N.A.**	**221.47%**

*The disclosure is arrived taking into account simple average of each of the line item of LCR components over 90 days of each quarter of year ended March 31, 2020. In computing the above information, certain assumptions and estimate have been made by the management which have been relied upon by the auditor.

Annexure 22 - Notes forming part of the restated summary statements
(All amounts in ₹ million except otherwise stated)

22.12 - Liquidity coverage ratio (cont'd)

The table sets out Quantitative information on LCR for all four quarters of the financial year ended March 31, 2019 as follows:

Particulars	Quarted ended 30 June 2018		Quarted ended 30 September 2018		Quarted ended 31 December 2018		Quarted ended 31 March 2019	
	Total Unweighted Value* (average)	Total Weighted Value * (average)	Total Unweighted Value * (average)	Total Weighted Value * (average)	Total Unweighted Value * (average)	Total Weighted Value * (average)	Total Unweighted Value * (average)	Total Weighted Value * (average)
1) Total High Quality Liquid Assets (HQLA)	N.A.	2,106.21	N.A.	3,359.51	N.A.	4,004.32	N.A.	5,726.88
Cash outflows								
2) Retail deposits and deposits from small business customers, of which:								
- Stable deposits	-	-	-	-	-	-	-	-
- Less stable deposits	1,926.28	192.63	3,623.60	362.36	4,834.64	483.46	7,018.45	701.85
3) Unsecured wholesale funding, of which:								
- Operational deposits (all counterparties)	2,190.12	2,190.12	3,207.43	3,207.43	4,051.12	4,051.12	2,916.30	2,916.30
- Non operational deposits (all counterparties)	-	-	-	-	-	-	-	-
- Unsecured debt	-	-	-	-	-	-	-	-
4) Secured wholesale funding	N.A.	180.26	N.A.	202.94	N.A.	109.47	N.A.	217.98
5) Additional requirements, of which								
- Outflows related to derivative exposures and other collateral requirements	-	-	-	-	-	-	-	-
- Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
- Credit and liquidity facilities	175.04	175.04	195.17	195.17	267.47	241.86	320.90	272.53
6) Other contractual funding obligations	-	-	-	-	-	-	-	-
7) Other contingent funding obligations	-	-	-	-	-	-	-	-
8) Total Cash Outflows	N.A.	2,738.05	N.A.	3,967.90	N.A.	4,885.91	N.A.	4,108.66
Cash Inflows								
9) Secured lending (e.g. reverse repos)	-	-	-	-	-	-	-	-
10) Inflows from fully performing exposures	1,189.90	594.97	1,058.90	529.45	1,280.78	640.38	1,169.67	584.83
11) Other cash inflows	814.54	814.54	1,028.14	1,028.14	749.77	749.77	1,372.20	1,372.20
12) Total Cash Inflows	2,004.44	1,409.51	2,087.04	1,557.59	2,030.55	1,390.15	2,541.87	1,957.03
13) Total HQLA	N.A.	2,106.21	N.A.	3,359.51	N.A.	4,004.32	N.A.	5,726.88
14) Total Net Cash Outflows	N.A.	1,328.54	N.A.	2,410.31	N.A.	3,495.76	N.A.	2,151.63
15) Liquidity Coverage Ratio (%)	N.A.	158.54%	N.A.	139.38%	N.A.	114.55%	N.A.	266.17%

*The disclosure is arrived taking into account simple average of each of the line item of LCR components over 90 days of each quarter of year ended March 31, 2019. In computing the above information, certain assumptions and estimate have been made by the management which have been relied upon by the auditor.

22.12 - Liquidity coverage ratio (cont'd)

The table sets out Quantitative information on LCR for two quarters of the financial year ended March 31, 2018 as follows:

Particulars	Quarted ended 31 December 2017		Quarted ended 31 March 2018	
	Total Unweighted Value * (average)	Total Weighted Value * (average)	Total Unweighted Value * (average)	Total Weighted Value * (average)
1) Total High Quality Liquid Assets (HQLA)	N.A.	2,346.26	N.A.	1,667.10
Cash outflows				
2) Retail deposits and deposits from small business customers, of which:				
- Stable deposits	-	-	-	-
- Less stable deposits	395.24	39.52	977.58	97.76
3) Unsecured wholesale funding, of which:				
- Operational deposits (all counterparties)	1,592.50	1,592.50	1,667.64	1,667.64
- Non operational deposits (all counterparties)				
- Unsecured debt				
4) Secured wholesale funding	N.A.	386.28	N.A.	347.02
5) Additional requirements, of which				
- Outflows related to derivative exposures and other collateral requirements	-	-	42.01	42.01
- Outflows related to loss of funding on debt products				
- Credit and liquidity facilities				
6) Other contractual funding obligations	-	-	-	-
7) Other contingent funding obligations				
8) Total Cash Outflows	N.A.	2,018.30	N.A.	2,154.43
Cash Inflows				
9) Secured lending (e.g. reverse repos)	-	-	-	-
10) Inflows from fully performing exposures	897.81	448.90	1,060.71	569.61
11) Other cash inflows	998.13	499.06	666.86	333.43
12) Total Cash Inflows	1,895.94	947.96	1,727.57	903.04
21) Total HQLA	N.A.	2,346.26	N.A.	1,667.10
22) Total Net Cash Outflows	N.A.	1,070.34	N.A.	1,251.39
23) Liquidity Coverage Ratio (%)	N.A.	219.22%	N.A.	133.22%

*The disclosure is arrived taking into account simple average of each of the line item of LCR components over 90 days of each quarter of year ended March 31, 2018. In computing the above information, certain assumptions and estimate have been made by the management which have been relied upon by the auditor.

Annexure 22 - Notes forming part of the restated summary statements

(All amounts in ₹ million except otherwise stated)

22.12 - Liquidity coverage ratio (cont'd)

Qualitative Disclosure around LCR (cont'd)

(a) the main drivers of their LCR results and the evolution of the contribution of inputs to the LCR's calculation over time

The Bank has adopted the Basel III framework on liquidity standards as prescribed by the RBI for reporting LCR. The objective of LCR is to ensure that the Bank maintains an adequate stock of unencumbered HQLA to survive a significant liquidity stress lasting for a period of 30 days.

(b) intra period changes as well as changes over time

The LCR is calculated by dividing the amount of High Quality Liquid unencumbered Assets (HQLA) by the estimated net cash outflows over a stressed 30 calendar day period as per RBI Guidelines. Minimum LCR requirement for small finance banks is 90% with effect from 01 January 2020 with a requirement to achieve 100% by 01 January 2021.

The excess SLR has been reckoned in HQLA over and above the mandatory basis market value with effect from October 01, 2018 on a conservative basis. Prior to this date, excess SLR has been reckoned basis book value of eligible SLR securities.

(c) the composition of HQLA

HQLA comprises of cash in hand, excess CRR, excess SLR securities, maximum liquidity facility allowed by RBI under Marginal Standing Facility (MSF) and Facility to Avail Liquidity for Liquidity Coverage Ratio (FALLCR).

The net cash outflows are calculated by applying RBI prescribed outflow factors to the various categories of liabilities (deposits, borrowings including grandfathered borrowings), as well as contingent liabilities, partially offset by inflows from assets maturing within 30 days.

(d) concentration of funding sources

The major sources of funding is term deposits by retail customers as well as corporate and financial institutions, refinance borrowings, securitization and IBPC.

Reason for LCR in excess of minimum regulatory requirement are as follows:

The LCR percentage is above the minimum threshold prescribed for Small Finance Banks which indicates comfortable liquidity profile.

* As per the RBI guidelines, the minimum LCR required to be maintained by small finance bank shall be implemented in a phased manner from January 01, 2018, as given below:

Year	Till December 31, 2017	By January 01, 2018	By January 01, 2019	By January 01, 2020	By January 01, 2021
Min LCR	60%	70%	80%	90%	100%

(e) derivative exposures and potential collateral calls

Not applicable

(f) currency mismatch in the LCR

Not applicable

(g) a description of the degree of centralisation of liquidity management and interaction between the group's units

Not applicable

(h) other inflows and outflows in the LCR calculation that are not captured in the LCR common template but which the institution considers to be relevant for its liquidity profile

Not applicable

Annexure 22 - Notes forming part of the restated summary statements
(All amounts in ₹ million except otherwise stated)

22.13 - Exposures

A. Exposure to Real Estate Sector

The Bank has an exposure of ₹ 452.46 million as at December 31, 2020, ₹ 203.40 million as at March 31, 2020 and the Bank does not have any exposure to real estate sector as on March 31, 2019 and March 31, 2018.

B. Exposure to capital market

As at December 31, 2020, March 31, 2020, March 31, 2019 and March 31, 2018 the Bank does not have any exposure to capital market.

C. Risk category wise country exposure

The Bank's exposures are concentrated in India only, hence disclosure of country risk exposure as at December 31, 2020, March 31, 2020, March 31, 2019 and March 31, 2018 is Nil.

D. Details of single borrower limit (SGL) / group borrower limit (GBL) exceeded by the bank

During the nine months period ended December 31, 2020 and the years ended March 31, 2020, March 31, 2019 and March 31, 2018, the Bank's credit exposures to single borrowers and group borrowers are within the limits prescribed under extant RBI guidelines.

E. Unsecured advances

The Bank has not extended any advances where the collateral is an intangible asset such as a charge over rights, licenses, authorizations, etc. The unsecured advances of ₹ 40,288.80 million, ₹37,695.86 million, ₹ 20,934.51 million and ₹ 13,303.28 million as at December 31, 2020, March 31, 2020, March 31, 2019 and March 31, 2018, respectively, disclosed in Annexure 14B (iii) are without any collateral or security.

F. Intra group exposure

The Bank does not have any intra group advances, hence intra group exposure as at December 31, 2020, March 31, 2020, March 31, 2019 and March 31, 2018 is 'Nil'.

22.14 - Disclosure of penalties imposed by the RBI

A penalty of ₹ 0.10 million had been levied on the Bank by the RBI vide penalty order PDO.NDS.Bounce 980/08.03.000/2019-20 dated December 26, 2019, on account of a single instance of SGL bounce ocurred on December 10, 2019. No such penalty has been imposed by the RBI for the nine months period ended December 31, 2020 and during the years ended March 31, 2019 and March 31, 2018.
Appropriate control measures have been taken by the Bank internally to prevent such instances from reocurrance.

22.15 - Employee benefits

A. Gratuity

The Bank has a defined benefit gratuity plan. Every employee who has completed five years or more of service is eligible for gratuity on cessation of employment and it is computed at 15 days salary (last drawn salary) for each completed year of service. The scheme is funded with an insurance company in the form of a qualifying insurance policy.

The following tables summarise the components of net benefit expense recognised in the Profit and Loss account and the funded status and amounts recognised in the balance sheet for the gratuity plan.

Particulars	Nine months ended 31 December 2020	Year ended 31 March 2020	Year ended 31 March 2019	Year ended 31 March 2018
The amounts recognised in the Profit and Loss account are as follows:				
Service cost	26.67	31.69	19.15	10.72
Interest cost	4.69	4.53	2.30	1.34
Expected return on plan assets	(3.81)	(2.87)	(1.02)	(0.99)
Net actuarial loss on plan assets	(7.08)	10.88	8.58	2.04
Past service cost	0.07	0.08	1.24	-
Expense recognised in the Profit and Loss account	**20.54**	**44.31**	**30.25**	**13.11**

Particulars	As at 31 December 2020	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018
The amounts recognised in the Balance Sheet are as follows:				
Present value of the obligation as at the end of the period / year	125.83	105.76	61.06	32.67
Fair value of plan assets as at the end of the period / year	106.97	64.69	14.25	14.41
Net liability recognised in the Balance Sheet	**18.86**	**41.07**	**46.81**	**18.26**

Annexure 22 - Notes forming part of the restated summary statements
(All amounts in ₹ million except otherwise stated)

22.15 - Employee benefits (cont'd)

A. Gratuity (cont'd)

Particulars	As at 31 December 2020	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018
Changes in the present value of defined benefit obligation:				
Defined benefit obligation at the beginning of the period / year	105.76	61.06	32.67	19.99
Service cost	26.67	31.69	19.15	10.72
Interest cost	4.69	4.53	2.30	1.34
Actuarial (gain) / loss	(7.57)	11.77	8.64	1.34
Benefits paid	(3.72)	(3.29)	(1.70)	(0.72)
Defined benefit obligation at the end of the period / year	**125.83**	**105.76**	**61.06**	**32.67**
Changes in the fair value of plan assets:				
Fair value at the beginning of the period / year	64.69	14.25	14.41	13.53
Expected return on plan assets	3.81	2.88	1.02	0.99
Actuarial gain/(loss)	(0.49)	0.89	0.06	(0.70)
Contributions	42.75	50.04	1.70	1.31
Benefits paid	(3.72)	(3.29)	(1.70)	(0.72)
Admin expenses /taxes paid from plan assets	(0.07)	(0.08)	(1.24)	-
Fair value as at the end of the period / year	**106.97**	**64.69**	**14.25**	**14.41**
Assumptions used in the above valuations are as under:				
Discount rate	6.05%	6.03%	7.62%	7.21%
Expected return on plan assets	6.03%	7.62%	7.21%	7.21%
Future salary increase	10.00%	11.00%	11.00%	11.00%
Attrition rate	30.00%	30.00%	30.00%	30.00%
Retirement age (years)	60 Yrs	60 Yrs	60 Yrs	60 Yrs

Experience adjustments:

Particulars	Nine months ended 31 December 2020	Year ended 31 March 2020	Year ended 31 March 2019	Year ended 31 March 2018
Defined benefit obligation	125.83	105.76	61.06	32.67
Plan assets	106.97	64.69	14.25	14.41
Excess/(Deficit)	**18.86**	**41.07**	**46.81**	**18.26**
Experience adjustments on liabilities - (gain) / loss	(0.55)	0.10	(1.17)	3.04
Experience adjustments on assets - gain / (loss)	0.49	0.89	0.06	(0.70)

B. Defined contribution plan

The Bank makes contributions to the statutory provident fund as per the Employees' Provident Funds and Miscellaneous Provisions Act, 1952. This is a defined contribution plan as per Accounting Standard (AS) 15. Contributions made during the nine months period ended December 31, 2020: ₹ 91.94 million and during the years ended March 31, 2020: ₹ 106.70 million, , March 31, 2019: ₹ 66.42 million and March 31, 2018: ₹ 44.66 million.

C. Compensated absences

The actuarial liability in respect of privilege leave granted to employees of the Bank and outstanding of ₹ 98.32 million, ₹ 75.53 million, ₹ 45.24 million and ₹ 28.33 million as at December 31, 2020, March 31, 2020, March 31, 2019 and March 31, 2018, respectively.

Assumptions used in the above valuations are as under:	As at 31 December 2020	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018
Discount rate	6.05%	6.03%	7.62%	7.21%
Future salary increase	10.00%	11.00%	11.00%	11.00%

22.16 - Provisions and contingencies

Provision and contingencies recognised in the Profit and Loss Account comprise:

Particulars	Nine months ended 31 December 2020	Year ended 31 March 2020	Year ended 31 March 2019	Year ended 31 March 2018
Provision for income tax				
- current tax	440.16	791.89	285.95	-
- deferred tax (credit)/charge (refer annexure 23.31)	(130.50)	(304.99)	(96.87)	77.12
- MAT credit entitlement	-	105.86	(105.86)	-
Provision for standard assets[2]	100.57	935.28	53.02	(66.99)
Provision for non-performing assets [1, 2, 3]	841.89	440.70	324.25	1,303.88
Provision for restructured assets (refer Annexure 23.4B)	169.86	(0.62)	0.82	-
Provision for other contingencies	(11.28)	(21.79)	18.87	197.97
	1,410.70	**1,946.33**	**480.18**	**1,511.98**

22.16 - Provisions and contingencies (cont'd)

1 Includes bad debts written off for the nine months ended December 31, 2020: ₹ 279.29 million, for the year ended March 31, 2020: ₹ 454.36 million, March 31, 2019: ₹ 101.57 million and March 31, 2018: ₹ 1,293.89 million.

2 Consequent to the change in the accounting policy with regard to asset classification and provisioning, an aggregate provision on asset under management is higher by ₹ 177.77 million and net profit is lower by ₹ 177.77 million for the year ended March 31, 2018.

3 During the year ended March 31, 2020, the Bank has revised the accounting estimate for writing off loan portfolio in accordance with the resolution passed by the Board of Directors. As a result, the loans written off during the year ended March 31, 2020 is higher by ₹ 175.04 million. However, the same does not have an impact on the results for the year.

22.17 - Floating provision

During the nine months period ended December 31, 2020 and the years ended March 31, 2020, March 31, 2019 and March 31, 2018, respectively the Bank has not created any floating provision.

22.18 - Draw down from reserves

During the nine months period ended December 31, 2020 and the years ended March 31, 2020, March 31, 2019 and March 31, 2018, respectively, there were no drawdown from reserves.

22.19 - Disclosure of complaints

A. Customer complaints

Particulars	Nine months ended 31 December 2020	Year ended 31 March 2020	Year ended 31 March 2019	Year ended 31 March 2018
(a) No. of complaints pending at the beginning of the period / year	39	7	2	3
(b) No. of complaints received during the period / year	350	501	197	69
(c) No. of complaints redressed during the period / year	386	469	192	70
(d) No. of complaints pending at the end of the period / year	3	39	7	2

B. Awards passed by the Banking Ombudsman

Particulars	Nine months ended 31 December 2020	Year ended 31 March 2020	Year ended 31 March 2019	Year ended 31 March 2018
(a) No. of unimplemented awards at the beginning of the period / year	-	-	-	-
(b) No. of awards passed by the Banking Ombudsmen during the period / year	1	-	-	-
(c) No. of awards implemented during the period / year	1	-	-	-
(d) No. of unimplemented awards at the end of the period / year	-	-	-	-

C. ATM related complaints

Particulars	Nine months ended 31 December 2020	Year ended 31 March 2020	Year ended 31 March 2019	Year ended 31 March 2018
(a) No. of complaints pending at the beginning of the period / year	2	-	-	-
(b) No. of complaints received during the period / year	79	104	28	-
(c) No. of complaints redressed during the period / year	81	102	28	-
(d) No. of complaints pending at the end of the period / year	-	2	-	-

The above information is as certified by the Management and relied upon by the auditors.

22.20 - Letter of comfort

The Bank has not issued letter of comfort during the nine months period ended December 31, 2020 and the years ended March 31, 2020, March 31, 2019 and March 31, 2018.

22.21 - Insurance business

The fees or commission earned in respect of insurance/mutual fund broking business.

Particulars	Nine months ended 31 December 2020	Year ended 31 March 2020	Year ended 31 March 2019	Year ended 31 March 2018
Income for selling life insurance policies	49.79	59.56	23.72	-
Income from selling non-life insurance policies	4.33	3.09	0.12	-
Income from selling Mutual Fund Product	-	-	-	-

The Bank has not engaged in insurance mutual fund broking business during the year ended March 31, 2018.

22.22 - Overseas Assets, NPAs and Revenue

The Bank does not hold any overseas assets / NPAs as at December 31, 2020, March 31, 2020, March 31, 2019 and March 31, 2018 and also no overseas operations were undertaken during the respective periods. Hence, revenue from overseas operation in 'Nil'.

22.23 - Off Balance Sheet SPVs Sponsored (which are required to be consolidated as per accounting norms)

There are no off balance sheet SPVs sponsored by the Bank, which needs to consolidated as per accounting norms as on December 31, 2020, March 31, 2020, March 31, 2019 and March 31, 2018.

22.24 - Disclosure on Remuneration

A) Qualitative Disclosures

(a) Information relating to the composition and mandate of the Remuneration Committee.
The Nomination and Remuneration Committee (NRC) of the Board is the main body that sets the principles, parameters and governance framework of the remuneration policy and also assist the Board to fulfil its responsibility to ensure that remuneration policy and practices, reward, fairly and responsibly, in relation to the Bank and individual performance.

As on December 31, 2020, the NRC had four members of which three are Independent Directors. The functions of the committee include recommendation of appointment of Directors to the Board, evaluation of the performance of the Directors, approve remuneration for Directors, Key Management Personnel (KMP) viz. Managing Director & Chief Executive Officer, Chief Financial Officer and Company Secretary, as well as senior management personnel viz. Material Risk Takers (MRT) of the Bank.

External consultants whose advice has been sought, the body by which they were commissioned, and in what areas of the remuneration process

The Bank did not take any advise from an external consultant on any area of remuneration for the nine months ended December 31, 2020 and the years ended March 31, 2020, March 31, 2019 and March 31, 2018.

Scope of the Bank's remuneration policy (e.g. by regions, business lines), including the extent to which it is applicable to foreign subsidiaries and branches

The Compensation Policy of the Bank, approved by the Board on June 16, 2020, pursuant to the guidelines issued by RBI covers all employee of the Bank.

Type of employees covered and number of such employees
All permanent employees of the Bank, categorised into Whole Time Directors, Chief Executive Officer, MRT, Control function staff and Others, are covered under the policy. The total number of permanent employees of the Bank as at December 31, 2020 : 7,722, March 31, 2020 : 7,131, March 31, 2019 : 5,296; and March 31, 2018 : 4,357.

(b) Information relating to the design and structure of remuneration processes.
Key features and objectives of remuneration policy: The Bank has, under the guidance of the Board and the NRC, followed remuneration practices intended to drive meritocracy and performance based on a prudent risk management framework. The Compensation policy is aligned to the guidelines issued by the RBI vide notification RBI/2019-20/89 DOR.Appt.BC.No.23/29.67.001/2019-20 dated November 04, 2019 (the RBI guidelines).

The Remuneration policy of the Bank is designed with a view to
i. ensure that the level and composition of remuneration is in line with other companies in the industry, sufficient to attract and retain right talent, at all levels and keep them motivated enough to meet the organizational objectives.

ii. ensure that a reasonable balance is maintained in terms of composition of remuneration, both,
a. performance-linked - fixed and variable components
b. time horizon linked – immediate and long term retention components

iii. Ensure that remuneration is linked to nature of role played by the individual in the Bank (i.e., Whole Time Directors, Chief Executive Officer, MRT, Control function staff or Others)

Effective governance of compensation: The NRC has oversight over compensation to KMP as well as MRT.

Alignment of compensation philosophy with prudent risk taking: While the Bank seeks to achieve a mix of fixed and variable remuneration that is prudent, it currently has designed the remuneration composition based on role of the individual in the Bank.
-For Whole Time Directors, Chief Executive Officer and MRT, a balanced combination of fixed and variable pay (immediate and deferred) is used.
-For Control function staff and Others, the predominant component is fixed pay and variable pay is used for rewarding performance.

Also, the remuneration of employees in financial and risk control functions is not linked to business outcomes and solely depends on their individual/department quality and performance goal achievement. The Bank seeks to align remuneration with financial and non- financial performance indicators.

Whether the remuneration committee reviewed the Bank's s remuneration policy during the past period, and if so, an overview of any changes that were made: The Board/NRC has been appraised of the Bank's remuneration policy. The policy was revised in June 2020, to bring the same in line with the RBI guidelines and approved by the NRC / Board.

Discussion of how the Bank ensures that risk and compliance employees are remunerated independently of the businesses they oversee: The remuneration of employees in control functions such as Risk and Compliance depends solely on their individual/department performance and is not linked to any business outcomes.

c) Description of the ways in which current and future risks are taken into account in the remuneration processes.

Overview of the key risks that the Bank takes into account when implementing remuneration measures: The Board approves the overall risk management policy including risk framework, limits, etc. The Bank conducts all its business activities within this framework. The NRC while assessing the performance of the Bank, Whole Time Directors, Chief Executive Officer and MRT, considers adherence to the policies and accordingly make its recommendations to the Board.

Overview of the nature and type of key measures used to take account of these risks, including risks difficult to measure: The evaluation process incorporates both qualitative and quantitative aspects including asset quality, provisioning, increase in stable funding sources, refinement/improvement of the risk management framework, effective management of stakeholder relationships and continuity of key members of senior management.

Discussion of the ways in which these measures affect remuneration: In order to ensure alignment of remuneration with prudent practices, in addition to business performance, the NRC takes into account adherence to the risk & compliance framework .

Discussion of how the nature and type of these measures have changed over the past period and reasons for the changes, as well as the impact of changes on remuneration : With the adoption of new compensation policy in line with RBI guidelines, there is greater emphasis on linking variable pay of WTD and MRT to risk taking and to bring a reasonable balance in their fixed and variable pay. Also, the elements of Deferral, Malus and Clawback have been adopted for WTD and MRT.

22.24 - Disclosure on Remuneration

A) Qualitative Disclosures

d) Description of the ways in which the Bank seeks to link performance during a performance measurement period with levels of remuneration

Overview of main performance metrics for the Bank, top level business lines and individuals: The main performance metrics include reasonable business growth, asset quality, profitability, productivity and efficiency metrics, compliance, digital quotient and customer-centricity.

Discussion of how amounts of individual remuneration are linked to the Bank-wide and individual performance: The assessment of employees is based on parameters viz. Bank level goals, functional goals, individual competency assessment and subjective evaluation. The proposed weightage of performance parameters for MRT is Bank goals - 20%, Functional goals-40%, Competency Rating - 20% and Subjective Assessment - 20%

e) Discussion of the Bank's policy on deferral and vesting of variable remuneration and, if the fraction of variable remuneration that is deferred differs across employees or groups of employees, a description of the factors that determine the fraction and their relative importance: As per the Bank's policy, in general, 40% of non cash variable pay (wherever applicable) and cash variable pay (where it exceeds a specified threshold) of any employee of the Bank shall vest at the end of performance period and the remaining 60% shall be under deferral arrangement. The deferral period shall be for three years from the end of performance period. The deferral shall be on a pro-rata basis i.e.; 1/3rd of deferred component and shall vest at the end of each year for the next three years. Vesting shall take place on a yearly basis after a proper assessment of performance by the NRC and adjustments can be made based on actual results.

Discussion of the measures the Bank will in general implement to adjust remuneration in the event that performance metrics are weak, including the Bank's criteria for determining weak performance metrics : The variable compensation paid to Whole Time Directors, Chief Executive Officer and MRT is linked to the achievement of Bank level goals and functional goals. As per the Bank's policy, the deterioration in financial performance of the Bank shall lead to contraction in variable pay, which can even be reduced to zero. While deterioration on account of uncontrollable factors may not necessarily be considered for contraction in variable compensation, the NRC may take a decision on the percentage of contraction based on available information. Further deferred vesting, malus and clawback shall be applicable to variable pay component of Whole Time Directors, Chief Executive Officer and MRT to facilitate adjusting remuneration in the event that performance metrics are weak .

Description of the ways in which the Bank seeks to adjust remuneration to take account of the longer term performance: Adjustments to remuneration on account of long term performance is included in the Variable Pay philosophy. Variable Pay shall have a mix of cash and non cash components for Whole Time Directors, Chief Executive Officer and MRT. For other employees, eligibility for non cash variable pay shall be determined by the NRC on a case to case basis. The non cash component shall be in the form of Stock Options. As per policy, in general, 40% of non cash variable pay (wherever applicable) and cash variable pay (where it exceeds a specified threshold) of any employee of the Bank shall vest at the end of performance period and the remaining 60% shall be under deferral arrangement.

Discussion of the Bank's policy and criteria for adjusting deferred remuneration before vesting and (if permitted by national law) after vesting through claw back arrangements: As part of the new compensation policy, malus and clawback is applicable to all categories of staff. The variable shall be subject to malus and clawback arrangements in the event of subdued or negative financial performance. Malus shall cover future vesting only and shall not reverse vesting after it has already occurred. In the event of wilful and deliberate misrepresentation or misreporting of financial performance of the Bank in any year, clawback shall be applicable. The decision shall be taken by the NRC after taking into account all material facts. A lookback period of 3 years from the date of vesting shall be applicable to the clawback clause.

f) Description of the different forms of variable remuneration that the Bank utilises and the rationale for using these different forms

Overview of the forms of variable remuneration offered. A discussion of the use of different forms of variable remuneration and, if the mix of different forms of variable remuneration differs across employees or group of employees, a description of the factors that determine the mix and their relative importance:

The forms of variable remuneration used by the Bank are:

a. **Performance Incentives** – used for rewarding teams (primarily Business functions) for business growth, customer count/satisfaction, asset quality, audit score etc.

b. **Performance Pay** – used for rewarding performance against quarterly/yearly goals/key risk areas.
c. **Share-linked Instruments** - As per the Compensation policy of the Bank, variable pay shall have a mix of cash and non cash components for Whole Time Directors, Chief Executive Officer and MRT. For other employees, eligibility for non cash variable pay shall be determined by the NRC on a case to case basis. The non cash component shall be in the form of Stock Options.

d. **Long Term Retention Bonus (LTRB) –** a tool for retention and improved morale - While short-term retention bonus plan continues to be in use, LTRB is discontinued w.e.f. 01 March 2019.

B) Quantitative Disclosures

Particulars	Nine months ended 31 December 2020	Year ended 31 March 2020	Year ended 31 March 2019	Year ended 31 March 2018
a) i - Number of meetings held by the Remuneration Committee during the period/year	Eleven	Nine	Seven	Six
ii - remuneration paid to its members.	-	-	-	-
b) Number of employees having received a variable remuneration award during the period/year.	14 employees received Performance pay and 1 employee was granted employee stock options.	16 employees received Performance pay	10 employees received Performance pay	13 employees received Performance pay
c) Number and total amount of sign on awards made during the period/year.	-	-	-	-
d) Details of guaranteed bonus, if any, paid as joining / sign on bonus	-	-	-	₹ 0.48 million paid to two employees as joining bonus
e) Details of severance pay, in addition to accrued benefits, if any.	-	-	-	-
f) Total amount of outstanding deferred remuneration				
- Cash (₹ in million)	20.65	-	-	-
- Shares	-	-	-	-
- Share linked instruments (ESOPs)	123,484	-	-	-
- Others	-	-	-	-
g) Total amount of deferred remuneration paid out in the period / year.	-	-	-	-

22.24 - Disclosure on Remuneration (cont'd)

B) Quantitative Disclosures (cont'd)

Particulars	Nine months ended 31 December 2020	Year ended 31 March 2020	Year ended 31 March 2019	Year ended 31 March 2018
h) Breakdown of amount of remuneration awards for the period / year to show fixed and variable, deferred and non deferred.				
- Fixed pay	109.13	142.14	111.64	80.36
- Variable pay				
- Non deferred[1] (₹ in million)	13.64	27.37	12.81	21.27
- Deferred[2] (ESOPs)	123,484	-	-	-
i) Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and / or implicit adjustments.	-	-	-	-
j) Total amount of reductions during the period / year due to ex post explicit adjustments.	-	-	-	-
k) Total amount of reductions during the period / year due to ex post implicit adjustments.	-	-	-	-
l) Number of MRTs identified[3, 4]	15 employees	-	-	-
m) Number of cases where malus has been exercised [4]	-	-	-	-
n) Number of cases where clawback has been exercised [4]	-	-	-	-
o) Number of cases where both malus and clawback have been exercised [4]	-	-	-	-
p) The mean pay for the bank as a whole (excluding sub-staff) [4]	0.32	-	-	-
q) Deviation of the pay of Managing Director from the mean pay [4]	36.55	-	-	-

Notes

1 Details pertain to remuneration awards for the financial years ended March 31, 2020, March 31, 2019, March 31, 2018 and March 31, 2017 awarded during the nine months period ended December 31, 2020 and financial years ended March 31, 2020, March 31, 2019 and March 31, 2018, respectively. Remuneration award for the period ended December 31, 2020 are subject to the review and approval of the NRC.

2 The Bank had granted 48,188 options as at March 29, 2019 and 75,296 options as at January 22, 2020 to MD & CEO which has been accounted during the period after due approval received from the RBI. Further, the Bank has granted 187,500 options on December 07, 2020 to the MD & CEO under the scheme for which approval is awaited from the RBI. Therefore, the cost pertaining to this grant has not been accounted for in the financial statements.

3 Includes one MRT who resigned during the period ended December 31, 2020.

4 Reporting for these clauses is effective from April 01, 2020.

22.25 - Employee Share Based Payments

ESOP-2018-FSFB Plan:

At the general meeting held on May 10, 2019, the shareholders of the Bank passed a resolution approving amended "Fincare Small Finance Bank Stock Option Scheme" (hereinafter referred as 'the scheme') to create, offer, issue and allot in one or more tranches, to or for the benefit of employees including Managing Director and Whole Time Directors of the Bank, such number of employee options, not exceeding 10,00,000, that would eventually convert into equity shares of ₹ 10 each in the hands of the employees of Bank.

The eligible employees under this scheme are determined by the Nomination and Remuneration Committee (hereinafter referred as 'the NRC') at its sole discretion. The NRC would determine the vesting schedule of any grant made under this scheme and the same would be intimated to the eligible employee at the time of the grant. An eligible employee shall be entitled to exercise the vested option(s) and seek allotment of the shares of the Bank as per this scheme, within a period of five years from the vesting date at the exercise price intimated at the time of the grant.

a) The details of activity under ESOP-2018-FSFB Plan have been summarised below:

	Nine months ended 31 December 2020	
	No. of options	Weighted average exercise price
Outstanding at the beginning of the period	-	-
Granted during the period *	123,484	280.85
Forfeited during the period	-	-
Exercised during the period	-	-
Expired during the period	-	-
Options outstanding at the end of the period	123,484	280.85
Out of the above exercisable at the end of the period	15,902	265.00

* The Bank had granted 48,188 options as at March 29, 2019 and 75,296 options as at January 22, 2020 to MD & CEO which has been accounted during the period after due approval received from RBI. The options vest in a graded manner over a period of three years and are exercisable in one or more tranches within a period of five years from the date of vesting, failing which the options shall lapse.
Further, the Bank has granted 187,500 options on December 07, 2020 to the MD & CEO under the scheme for which approval is awaited from the RBI. Therefore, the cost pertaining to this grant has not been accounted for in the financial statements.

b) The details of exercise price for stock options outstanding at the end of the period are:

Range of exercise prices	No. of options outstanding	Weighted average remaining contractual life of options (years)	Weighted average exercise price (Rs.)
261-270	48,188	2.88	265
271-280	-	-	-
281-290	-	-	-
291-300	75,296	3.57	291
	123,484		

c) Fair value of Employee stock options

The fair value of the options is estimated using Black-Scholes options pricing model. The following table lists the inputs to the model used for determining fair value of the options.

	Nine months ended 31 December 2020
Weighted average exercise price (Rs.)	280.85
Weighted average share price (Rs.)	280.85
Expected volatility	33.50% - 36.40%
Life of the options granted (Vesting and exercise period)	
- At the grant date	3.50 yrs - 5.50 yrs
Risk free interest rate	6.48% -7.19%
Expected Dividend rate	-

As Fincare Small Finance Bank Limited is an unlisted company, so the Bank calculated the expected annual volatility of stock price using stock price volatility information of other peers from BSE for the latest historical period as per time to maturity.

d) Effect of the employee share-based payment plans on the Profit and Loss Account and on the financial position:

Nine months ended 31 December 2020	Amount
Total employee compensation cost pertaining to share-based payment plans	8.99
Compensation cost pertaining to equity-settled employee share-based payment plan included above	8.99
Liability for employee stock options outstanding as at period end	8.99

22.26 - Disclosures relating to securitisation

Particulars	As at 31 December 2020	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018
a) No of SPVs sponsored by the Bank for securitisation transactions	9	11	20	21
b) Total amount of securitised assets as per books of the SPVs sponsored by the bank	574.38	666.84	3,113.22	3,062.01
c) Total amount of exposures retained by the bank to comply with MRR as on the date of balance sheet				
i) Off-balance sheet exposures				
First loss	-	30.47	173.56	78.64
Others	-	-	-	-
ii) On-balance sheet exposures				
First loss	32.66	105.48	595.34	418.33
Others	-	-	-	-
d) Amount of exposures to securitisation transactions other than MRR				
a) Off-balance sheet exposures				
(i) Exposures to own securitisation				
First loss	-	-	96.41	96.41
Others	-	-	-	-
(ii) Exposures to third party securitisation				
First loss	-	-	-	-
Others	-	-	-	-
b) On-balance sheet exposures				
(i) Exposures to own securitisation	-	-	-	-
First loss	-	-	-	-
Others	-	47.73	282.22	355.43
(ii) Exposures to third party securitisation				
First loss	-	-	-	-
Others	-	-	-	-

22.27 - Credit Default Swaps

The Bank has not transacted in credit default swaps during the nine months period ended December 31, 2020 and the years ended March 31, 2020, March 31, 2019 and March 31, 2018.

22.28 - Depositor Education and Awareness Fund

During the nine months period ended December 31, 2020, and the years ended March 31, 2020, March 31, 2019 and March 31, 2018, respectively, no amount has been transferred to Depositor Education and Awareness Fund.

22.29 - Unhedged Foreign currency Exposure

The Bank does not have any unhedged foreign currency exposure as at December 31, 2020, March 31, 2020, March 31, 2019 and March 31, 2018.

22.30 - Deferred tax assets

Particulars	As at 31 December 2020	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018[1]
Deferred tax asset/(liability) arising on:				
Depreciation and amortisation	41.61	33.26	24.05	-
Provision for employee benefits:				
Compensated absences	24.50	19.00	13.16	-
Gratuity	7.51	10.34	13.63	-
Employee Bonus	11.94	4.86	6.10	-
Deferred rent	0.11	0.11	0.84	-
Provision on portfolio loans	446.15	329.89	36.39	-
Expenses disallowed under section 40(a)(ia)	0.54	4.40	2.70	-
	532.36	**401.86**	**96.87**	**-**

1 As at March 31, 2018, the Bank did not recognize deferred tax asset on the carried forward losses and unabsorbed depreciation aggregating to ₹ 1,016.60 million as a matter of prudence and on account of lack of virtual certainty as required by Accounting Standards (AS) 22, Accounting for Taxes on Income.

22.31 - Operating leases

The Bank's significant leasing arrangements are in respect of operating leases for office premises which are renewable on mutual consent at agreed terms. The aggregate lease rentals payable are charged to the Profit and Loss Account.

Head office, registered office and branch office premises are obtained on operating lease. The branch office premises are generally rented on cancellable term ranging from twelve months to thirty six months with escalation clause; however none of the branch lease agreement carries non-cancellable lease periods. There are no restrictions imposed by lease arrangements. There are no subleases. Certain offices of the Bank have non-cancellable lease arrangements and the minimum lease payments for such arrangements during the non-cancellable period have been disclosed below.

Lease payments during the period / year are charged to the Profit and Loss Account.

Particulars	Nine months ended 31 December 2020	Year ended 31 March 2020	Year ended 31 March 2019	Year ended 31 March 2018
Lease payments recognised in the profit and loss account.	193.49	223.64	133.87	79.51

The details of lease commitments in terms of minimum lease payments within the non-cancellable period are as follows:

Payments falling due within	31 December 2020	31 March 2020	31 March 2019	31 March 2018
Within 1 year	13.27	14.94	30.49	15.80
Later than one year but not later than five years	8.14	21.28	39.48	18.46
Later than 5 years	2.43	2.78	3.47	-

22.32 - Micro small and medium enterprises

Particulars	Nine months ended 31 December 2020	Year ended 31 March 2020	Year ended 31 March 2019	Year ended 31 March 2018
i) Principal amount remaining unpaid (but within due date as per the MSMED Act)	-	4.63	1.67	-
ii) Interest due thereon remaining unpaid	-	-	-	-
iii) Interest paid by the Bank 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 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	-	-	-	-

There are no delays in payments to micro and small enterprises as required to be disclosed under 'The Micro, Small and Medium Enterprises Development Act, 2006'. The determination has been made to the extent such parties were identified by the management based on the information available and are relied upon by the auditor.

22.33 - Disclosure of provision for fraud

Particulars	Nine months ended 31 December 2020	Year ended 31 March 2020	Year ended 31 March 2019	Year ended 31 March 2018
Number of frauds reported during the period / year to the RBI	26	47	37	76
Amount involved in such frauds	84.73	4.79	6.89	12.27
Provision made during the period / year (net of recovery)	83.79	3.80	4.72	4.31
Unamortised provision debited from other reserves	-	-	-	-

22.34 - Earnings per equity share

Particulars	Nine months ended 31 December 2020	Year ended 31 March 2020	Year ended 31 March 2019	Year ended 31 March 2018
Net profit/(loss) attributable to equity shareholders	1,039.27	1,434.49	1,019.80	(975.50)
Weighted average number of shares outstanding during the period / year used for computing basic and diluted earnings per share (nos)	63,610,481	58,705,378	45,498,832	37,459,354
Weighted average number of shares outstanding during the period / year used for computing Diluted earnings per share (nos)	63,591,916	-	-	-
Basic and diluted earnings per share	16.34	24.43	22.41	(26.04)

22.35 - Inter-Bank Participation Certificate (IBPC) transactions

During the nine months period ended December 31, 2020 and the years ended March 31, 2020, March 31, 2019 and March 31, 2018, the Bank has sold its advances through IBPCs. The details are as follows:

Particulars	Nine months ended 31 December 2020	Year ended 31 March 2020	Year ended 31 March 2019	Year ended 31 March 2018
i) Aggregate value of IBPCs transaction during the period/year[1]	3,550.00	8,278.00	5,625.00	2,000.00
ii) Aggregate consideration received	3,550.00	8,278.00	5,625.00	2,000.00
iii) Aggregate gain recorded	-	-	-	-
iv) IBPCs outstanding	2,750.00	4,368.00	3,875.00	2,000.00

1 Aggregate value of the own portfolio pool identified for IBPC transaction as at December 31, 2020: ₹ 8,875.00 million, March 31, 2020: ₹ 20,695.00 million, March 31, 2019: ₹ 14,062.50 million and March 31, 2018 : ₹ 5,000.00 million.

Annexure 22 - Notes forming part of the restated summary statements

(All amounts in ₹ million except otherwise stated)

22.36 - Corporate social responsibility (CSR)

a) Gross amount required to be spent by the Bank during the nine months period ended December 31, 2020 is ₹ 14.88 million, and the years ended March 31, 2020 is ₹2.24 million, March 31, 2019 is Nil and March 31, 2018 is ₹ 1.50 million under section 135 of the Companies Act, 2013.

b) Amount spent during the nine months period ended December 31, 2020

Particulars	In cash	Yet to be paid in cash	Total
i) Construction /acquisition of asset	-	-	-
ii) On purpose other than (i) above	8.98	-	8.98
	8.98	**-**	**8.98**

c) Amount spent during the year ended March 31, 2020

Particulars	In cash	Yet to be paid in cash	Total
i) Construction /acquisition of asset	-	-	-
ii) On purpose other than (i) above	3.80	-	3.80
	3.80	**-**	**3.80**

c) Amount spent during the year ended March 31, 2019

Particulars	In cash	Yet to be paid in cash	Total
i) Construction /acquisition of asset	-	-	-
ii) On purpose other than (i) above	0.06	-	0.06
	0.06	**-**	**0.06**

d) Amount spent during the year ended March 31, 2018

Particulars	In cash	Yet to be paid in cash	Total
i) Construction /acquisition of asset	-	-	-
ii) On purpose other than (i) above	2.16	-	2.16
	2.16	**-**	**2.16**

22.37 - Priority Sector Lending Certificate (PSLC) Income

During the nine months period ended 31 December 2020, the Bank sold PSLCs amounting to ₹ 750.00 million under agriculture category and ₹ 14,250 million under small and marginal farmers category . The income earned on the PSLCs sold and received during the nine months period ended December 31, 2020 is ₹ 251.27 million.

During the year ended March 31, 2020, the Bank sold PSLCs amounting to ₹ 2,000.00 million under agriculture category, ₹ 23,520.00 million under small and marginal farmers category and ₹1,010.00 million under Micro enterprises category. The income earned on the PSLCs sold during the year is ₹ 433.77 million.

During the year ended March 31, 2019, the Bank sold PSLCs amounting to ₹ 1,000.00 million under agriculture category and ₹ 6,900.00 million under small and marginal farmers category. The income earned on the PSLCs sold during the year is ₹ 76.07 million.

During the year ended March 31, 2018, the Bank sold PSLCs amounting to ₹ 1,650.00 million under agriculture category, ₹ 2,250.00 million under small and marginal farmers, ₹ 3,000.00 million under MSME category and ₹ 1,000.00 million under general category. The income earned on the PSLCs sold during the year is ₹ 46.93 million.

As per our report of even date.

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm Registration No: 001076N/N500013

Manish Gujral
Partner
Membership No.: 105117
Mumbai
04 May 2021

For and on behalf of the Board of Directors of
Fincare Small Finance Bank Limited

Rajeev Yadav
Director
DIN: 00111379
Bengaluru
04 May 2021

Pramod Kabra
Director
DIN: 02252403
Mumbai
04 May 2021

Vinay Baijal
Director
DIN: 07516339
Mumbai
04 May 2021

Keyur Doshi
Chief Financial Officer
Bengaluru
04 May 2021

Shefaly Kothari
Company Secretary
M No. F7698
Bengaluru
04 May 2021

OTHER FINANCIAL INFORMATION

The accounting ratios required under Clause 11 of Part A of Schedule VI of the SEBI ICDR Regulations are given below:

Particulars	As at/ for the nine-month period ended December 31, 2020*	As at/ for the financial year ended March 31, 2020	As at/ for the financial year ended March 31, 2019	As at/ for the financial year ended March 31, 2018
Basic Earnings per Equity Share (in ₹) (Refer to note 1)	16.34	24.43	22.41	(26.04)
Diluted Earnings per Equity Share (in ₹) (Refer to note 2)	16.34	24.43	22.41	(26.04)
Return on net worth (%) (Refer to note 3)	10.30%	15.87%	15.31%	(28.90%)
Net Asset Value per Equity Share (in ₹) (Refer to note 4)	158.56	142.08	118.01	90.11
EBITDA (in ₹ million) (Refer to note 5)	1,471.10	2,196.29	1,224.95	(828.14)

Not annualised

Notes: *The ratios have been computed as under:*

1. *Basic EPS (in ₹) = Net profit, after tax, as restated for the year/ period, attributable to equity shareholders/ Weighted average number of equity shares outstanding during the year/ period. The EPS calculations have been done in accordance with Accounting Standard 20 – "Earnings per Share" issued by ICAI*

2. *Diluted EPS (in ₹) = Net profit, after tax, as restated for the year/ period, attributable to equity shareholders/ Weighted average number of dilutive equity shares outstanding during the year/ period. The EPS calculations have been done in accordance with Accounting Standard 20 – "Earnings per Share" issued by ICAI*

3. *Return on Net Worth Ratio = Net profit after tax, as restated for the year/ period, attributable to equity shareholders/ Net worth (excluding revaluation reserve), as restated, at the end of the year/ period.*

4. *Net assets value per equity share (in ₹) = Net Worth, as restated, at the end of the period/ year/ Number of equity shares outstanding at the end of the year/ period*

5. *Earnings before interest, tax, depreciation and amortization (EBITDA) has been arrived at by adding back depreciation and tax expense to the net profit appearing in restated Summary Statement of Profit and Loss*

   Accounting and other ratios shall be based on the financial statements derived from the Restated Financial Information.

In accordance with the SEBI ICDR Regulations the audited financial statements of our Bank for the Fiscals ended March 31, 2020, 2019 and March 31, 2018, (collectively, the "**Audited Financial Statements**") are available on our website at www.fincarebank.com/investors-relations.

Our Bank is providing a link to this website solely to comply with the requirements specified in the SEBI ICDR Regulations. The Audited Financial Statements do not constitute, (i) a part of this Draft Red Herring Prospectus; or (ii) a prospectus, a statement in lieu of a prospectus, an offering circular, an offering memorandum, an advertisement, an offer or a solicitation of any offer or an offer document or recommendation or solicitation to purchase or sell any securities under the Companies Act, the SEBI ICDR Regulations, or any other applicable law in India or elsewhere. The Audited Financial Statements should not be considered as part of information that any investor should consider subscribing for or purchase any securities of our Bank and should not be relied upon or used as a basis for any investment decision. None of our Bank or any of its advisors, nor Managers or the Promoter Selling Shareholder, nor any of their respective employees, directors, affiliates, agents or representatives accept any liability whatsoever for any loss, direct or indirect, arising from any information presented or contained in the Audited Financial Statements, or the opinions expressed therein.

RELATED PARTY TRANSACTIONS

For details of the related party transactions, as per the requirements under applicable Accounting Standards, i.e., AS 18 'Related Party Disclosures' issued by the ICAI, read with the SEBI ICDR Regulations, during the nine months period ended December 31, 2020 and Fiscals 2020, 2019 and 2018, see "*Financial Statements – Annexure 22 - Notes forming part of the restated summary statements - 22.9 - Related party disclosure* " on page 267.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations should be read in conjunction with our Restated Financial Statements on page 234. The Restated Financial Statements have been derived from audited financial statements prepared in accordance with Indian GAAP as applicable to banks in India and restated in accordance with the SEBI Requirements.

Indian GAAP differs in certain material respects from Ind AS, U.S. GAAP and IFRS. See "Risk Factors – Significant differences exist between Indian GAAP and other accounting principles, such as Ind AS, U.S. GAAP and IFRS, which investors may be more familiar with and may consider material to their assessment of our financial condition" on page 45.

The discussion below may contain forward-looking statements and reflects our current views with respect to future events and financial performance. Actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, such as those set forth under "Risk Factors" and "– Factors Affecting our Results of Operations and Financial Condition" on pages 20 and 290, and those set forth elsewhere in this document.

Our fiscal year commences on April 1 and ends on March 31 of the immediately subsequent year, and references to a particular fiscal year are to the 12 months ended March 31 of that year. Unless otherwise indicated or the context otherwise requires, the financial information included herein is based on or derived from our restated Financial Statements included herein.

*Unless otherwise indicated, industry and market data used in this section has been derived from the report "Analysis of small finance banks and various retail loan products" issued in March 2021 (the "**CRISIL Report**") prepared and released by CRISIL Research and commissioned by us in connection with the Offer. Neither we, nor the Managers, nor any other person connected with the Offer has independently verified this information. Unless otherwise indicated, all financial, operational, industry and other related information derived from the Report and included herein with respect to any particular year refers to such information for the relevant calendar year.*

Overview

We are a "digital-first" SFB with a focus on unbanked and under-banked customers, especially in rural and semi-urban areas. According to CRISIL, among comparable SFB peers in India, we had the highest growth rate in advances over FY2018 to FY2020. We follow a business model focused on financial inclusion and aim to provide individuals and businesses with affordable financial products and services that meet their needs. Our business objective is to enhance access to savings, credit and other financial products for unbanked and underbanked individuals, MSMEs and unorganized entities, especially in rural areas, by leveraging technology and last-mile distribution. In FY2020, we had the best adjusted ROA and ROE (adjusted for COVID-19 provisions) among SFBs and, for the nine months ended December 31, 2020 and FY2020, we were one of India's most profitable SFBs, based on ROE and ROA *(Source: CRISIL Report)*. Our Gross Loan Portfolio ("**GLP**") grew from ₹ 21,543.77 million to ₹ 55,475.84 million, registering a CAGR of 41.05%, from March 31, 2018 to December 31, 2020. This growth was driven primarily by growth in borrowers from 1.02 million as of March 31, 2018 to 2.19 million as of December 31, 2020, a CAGR of 31.82%. Our ROE was 18.41% for FY2020 and 14.27% (annualized) for the nine months ended December 31, 2020. We had a total of 2.7 million customers (comprising borrowers and depositors) as of December 31, 2020.

We follow a business model focused on financial inclusion and aim to provide individuals and businesses with affordable financial products and services that meet their needs. Our business objective is to enhance access to savings, credit and other financial products for unbanked and underbanked individuals, MSMEs and unorganized entities, especially in rural areas, by leveraging technology and last-mile distribution. As of December 31, 2020, 92% of our customers were located in rural areas, and 40% were new to credit. We believe that our business model is profitable, sustainable and socially beneficial.

We have a deep understanding of unbanked and under-banked customers, especially rural customers, with over 14 years of experience in providing microloans. Our Bank operated as an NBFC-ND under the name 'Disha Microfin Limited' since 2010 and was registered as an NBFC-MFI in 2013. In 2016, upon receipt of the RBI In-Principle Approval, our Bank acquired the micro-finance operations of FFSPL (which started microfinance operations in 2007) and later changed its name to Fincare Small Finance Bank. While we are still committed to serving the credit needs of microfinance borrowers, our transition to an SFB in 2017 provided us with the opportunity to serve a broader customer base through new product segments. We have leveraged our understanding of unbanked and underbanked customers to offer new secured loan products, which we offer primarily in semi-urban areas. While we continue to have a strong organizational set up for microloans, we have invested in and built dedicated teams, requisite internal systems, processes and technology to drive our secured loan products.

Our "digital first" approach supports our extensive physical network and focuses on technology-led operations across all aspects of our banking operations. We have a dedicated team responsible for conceptualizing, developing and implementing digital solutions to ensure higher level of customer connect and facilitate greater convenience, better service and faster turnaround time. As a result of our digital focus, we benefit from reduced costs, greater customer satisfaction and improved employee productivity. For FY2020, we onboarded over 99.35% of our new customers (borrowers and depositors) using employee-assisted digital processes (including 99.97% for asset accounts and 99.70% for liability accounts), and all of our loan disbursement for microloans, loans against property and affordable housing loans were cashless. We consider "digital" to be a key pillar of our success, which is reflected in our wide array of digital solutions (101 and the Fincare Connect App), customer self-service (internet banking, mobile banking and customer communication channels including a WhatsApp banking bot), solutions for frontline staff (SmartBank, m-Care, m-Serve and LAP D.Lite), instant KYC programs and other digital initiatives. We have won numerous awards for our digital offerings, including "Celent's Model Bank 2019 Award for Financial Inclusion" for LAP D.Lite, a software application that we developed in order to streamline the process for loans against property. For information in relation to the awards won by our Bank, see "*History and Certain Corporate Information - Awards, accreditations and recognitions received by our Bank*" on page 183.

Our asset products cater to low-income mass retail individuals as well as to micro and small enterprises. Our asset products include microloans, loans against property, loans against gold, two-wheeler loans, affordable housing loans and institutional finance, which we tailor to suit the particular needs of our diverse customer segments. With our increased focus on secured lending, the share of our non-microloans increased from 16% of GLP as of March 31, 2018 to 21% of GLP as of December 31, 2020. For a break-up of our GLP based on loan type, please see "*Selected Statistical Information – Loan Portfolio – Gross Loan Portfolio*" on page 224.

Our suite of deposit products comprises term deposits, recurring deposits, current accounts and savings accounts. As of December 31, 2020, we had 2.68 million deposit accounts (including 0.25 million 101 accounts), covering both existing microloan customers and new customer segments (especially from urban areas). Our total deposits were ₹ 7,270.98 million, ₹ 20,432.12 million, ₹ 46,539.33 million and ₹ 52,766.45 million, as of March 31, 2018, 2019 and 2020 and December 31, 2020, respectively, representing a CAGR of 105.59% from March 31, 2018 to December 31, 2020. We had the second-highest deposit growth among SFBs in India in FY2020 *(Source: CRISIL Report)*. We believe that our focus on growing this business has helped us to quickly build a significant base of deposits, particularly retail term and wholesale term deposits (85% of wholesale deposits are non-callable as of December 31, 2020). Having initially focused on retail and wholesale term deposits, we are now focused on strengthening our CASA franchise and further increasing retail term deposits. Through these efforts, from March 31, 2018 to December 31, 2020, our credit-to-deposit ratio improved from 224.12% to 97.75%, our deposit-to-liability ratio (deposits over total liabilities) improved from 31.97% to 69.22%, our CASA ratio improved from 5.06% to 19.82%, our retail deposits as a percentage of total deposits improved from 25.86% to 91.11%, and our cost of funds improved from 9.95% to 8.86% (annualized).

In addition to deposits, we also use other sources of funding, including refinance assistance from specialist refinance institutions, IBPCs, interbank borrowings, Tier II debt instruments, securitizations and direct assignments. We have maintained a comfortable liquidity profile, with our Liquidity Coverage Ratio for the quarter ended December 31, 2020 being 244.83%, well above the regulatory requirement of 90%. Going forward, we aim to further increase our deposit base by focusing on CASA and retail deposits, which we will use to further expand our credit operations and other fee products, such as insurance, debit cards and lockers.

We have an extensive network of 528 banking outlets, 219 business correspondent outlets and 108 ATMs (of which 85 are cash recyclers) spread across 16 states and three union territories, covering 192 districts and 38,809 villages and which reached 2.7 million customers, as of December 31, 2020. We have created a network of banking outlets in urban and Tier 1 cities to focus on deposits mobilization, while maintaining our strong network in rural and semi-urban locations to drive our loan products. Our network is particularly strong in south and west India, where, according to CRISIL, states such as Karnataka and Gujarat have seen high real GDP growth. Our network includes banking outlets that are operated by us and those that are operated by business correspondents, with whom we enter into contractual arrangements to operate the banking outlets. All our banking outlets, including those of our business correspondents, work with digital tools. We tailor the type, size, location and product offerings of our banking outlets to suit the needs of our customers, with the aim of reaching them in a cost-effective manner. In this sense, banking outlets operated by us are of different types, including full service, basic banking and microbanking outlets, which cater to different customer segments.

We have a strong management team, with our senior management having experience in the banking/microfinance industry in India and having served with us for an average of five years. Our MD & CEO and CFO both have experience in the financial services industry and have worked with the Fincare group for nine years and 12 years, respectively. We have 8,114 employees as of December 31, 2020. Further, our Board comprises qualified and experienced personnel, with extensive knowledge and understanding of the microfinance and banking sectors. Of our directors, five are independent directors, and we have implemented a corporate governance policy that is independent of management to ensure sound corporate governance practices.

Our Bank and Promoter are backed by marquee investors, including True North Fund V LLP, Wagner Limited, Tata Opportunities Fund, LeapFrog Investments, SIDBI, Kotak Mahindra Life Insurance and Edelweiss Tokio Life Insurance.

We have a high-quality asset portfolio, which we attribute, among other things, to our target customer demographics, quality origination and credit assessment, technology and efficient collections. Amongst SFBs, we have one of the lowest GNPA Ratios for FY2020 *(Source: CRISIL Report)*. In FY2020, we had a GNPA Ratio (i.e., the ratio of Gross NPA to Gross Advances) of 0.92% and an NNPA Ratio of 0.41%. Further, we have a strong capital position, healthy balance sheet and prudent provisioning policy, with a provision coverage ratio ("**PCR**") of 74.82%, Tier 1 Capital Ratio of 25.22% and Tier II Capital Ratio of 4.68%, in each case as of December 31, 2020. We are in compliance with and meet the regulatory minimum thresholds prescribed by the RBI for all three ratios. As of December 31, 2020, our net worth was ₹ 10,085.91 million.

Our term loans from banks are rated A (stable outlook) by ICRA and CARE A (stable outlook) by CARE Ratings, our unsecured sub-ordinated debt is CARE A (stable outlook) by CARE Ratings and IND A- (stable outlook) by India Ratings, our fixed deposit program is rated MA+ (stable) by ICRA and our certificates of deposit are rated CRISIL A1+ by CRISIL Ratings.

In addition, we are also committed to integrating an ESG framework into our core business operations. For details, see "-*Environmental, Social and Ethical Governance*" on page 164.

The following table sets forth certain key financial measures for us as of/for the periods indicated:

Particulars	As of / for the				
	Financial Year ended March 31, 2018	**Financial Year ended March 31, 2019**	**Financial Year ended March 31, 2020**	**Nine months ended December 31, 2020 (Non-annualized)**	**Nine months ended December 31, 2020 (Annualized)**
	(₹ in millions)				
Net Interest Income	1,676.47	3,300.36	5,868.96	5,207.26	-
Profit After Tax	(975.50)[(1)]	1,019.80	1,434.49	1,039.27	-
GLP	21,543.77	35,302.04	53,418.25	55,475.84	-
Disbursements	20,667.60	32,210.23	49,497.11	27,822.90	-
ROE...............................	(24.76)% [(1)]	22.00%	18.41%	10.75%	14.27%
ROA	(5.68)% [(1)]	3.40%	2.52%	1.38%	1.83%
PCR	23.55%	94.42%	91.14%	74.82%	-
Cost to Income Ratio (%)[(2)]	87.15%	74.00%	58.19%	57.73%	-
Retail deposits %[(3)].........	25.86%	57.89%	76.90%	91.11%	-
Average shareholders' equity[(4)]..........................	3,939.83	4,634.70	7,791.07	9,667.11	-
GNPA (%)[(5)]..................	1.05%	1.29%	0.92%	3.46%	-
NNPA (%)[(6)]..................	0.72%	0.34%	0.41%	1.88%	-
COVID-19 related provisions (as on)............................	-	-	851.80	950.80	-
Total provisions held / Gross Advances[(7)]....................	0.69%	1.40%	2.71%	4.09%	-
Total Deposits	7,270.98	20,432.12	46,539.33	52,766.45	-
Profit after tax[(8)]	(975.50)	1,019.80	1,434.49	1,039.27	-
Profit after tax / Gross Advances.......................	(5.97%)	3.65%	2.96%	1.98%	2.63%

(1) *For explanations of why our Profit After Tax, ROE and ROA were negative in FY2018, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Selected Statistical Information" on pages 288 and 214, respectively.*

(2) *Cost to Income Ratio is calculated as the ratio of our Operating Expense to the sum of our Net Interest Income and Other Income.*

(3) *Retail deposits includes CASA and Retail Term Deposits.*

(4) *Average shareholder's equity referred to in the above table is defined as the average of monthly end balances of capital, reserves and surplus, and employee stock options outstanding.*

(5) *Calculated as Gross NPA over Gross Advances.*

(6) *Calculated as Net NPAs over Net Advances.*

(7) *Total provisions includes provisions towards standard assets, NPA provisions and COVID-19 related provisions.*

(8) *Profit after tax represents our restated profit for the period from continuing operations.*

Factors Affecting our Results of Operations and Financial Condition

General economic conditions in India and the impact of COVID-19

Our financial condition and results of operations are influenced by the general economic conditions prevalent in India. Overall economic growth and an increase in GDP are likely to result in an increase in demand for our products and services, thereby positively impacting our financial condition and results of operations. Conversely, a slowdown in the Indian economy could adversely affect our business and our borrowers and depositors, especially if such a slowdown were to be continued and prolonged. In late 2019, the outbreak of COVID-19 spread globally and on March 11, 2020 it was declared as a global pandemic by the World Health Organization. Governments and municipalities around the world instituted measures in an effort to control the spread of COVID-19, including quarantines, shelter-in-place orders, school closings, travel restrictions, closure of non-essential businesses and restrictions on essential businesses. By the end of March, the macroeconomic impacts became significant, exhibited by, among other things, a rise in unemployment, reduction in discretionary spending and market volatility.

We summarize below the areas of our business where we have seen an impact of the COVID-19 pandemic on our business and our approach on these areas going forward:

- ***Operations* and *business continuity***: The Government of India initiated a nationwide lockdown from March 25, 2020 for three weeks which was extended to May 31, 2020. In compliance with the lockdown orders announced by the Indian Government, as applicable to banks that were declared essential services, we temporarily closed certain of our banking outlets and initiated remote working for some of our employees. With the easing of the lockdown, we slowly resumed outlet-level business operations and all of our banking outlets are now operational. Further, for members of staff whose role permits, we have enabled them to work from home and some of them continue to do so. We have defined standard operating procedures for key processes in relation to our operations and business continuity. Operational measures that we implemented include conducting enhanced analysis of our microloan portfolio, enhanced data analysis of our credit bureau, adding additional staff at our banking outlets, tele calling our customers, conducting enhanced checks with our internal audit department and counselling clients. We have also implemented COVID-appropriate measures and sanitization at our banking outlets and provided our employees with allowances, reimbursement of medical costs, additional insurance coverage and financial support in case of hospitalization.

- ***Moratorium (granted by us to our customers), Disbursements and Collection Efficiencies***: Pursuant to RBI's directions, we granted moratorium on payment of instalments falling due between March 1, 2020 and August 31, 2020 (the "**Moratorium Period"**) to all eligible borrowers who requested for moratorium and/or as per our policy. The RBI also clarified that for all standard accounts as on February 29, 2020, the Moratorium Period will be excluded from days past-due ("**DPD"**) calculation for the purpose of asset classification under the IRAC norms.

  As of December 31, 2020, we had provisions amounting to ₹ 2,143.76 million for loans which includes provision for increased risk of deterioration of our loan portfolio on account of macroeconomic factors caused by the COVID-19 pandemic. The provision for the impact of COVID-19 has been determined by our management based on estimates using information available as of the reporting date. Given the unique nature and scale of the economic impact of this pandemic and given the timing of some provisions close to the end of the year, the provision is based on various variables and assumptions, which could result in actual credit loss being different than that being estimated. Further, the RBI has also allowed a one-time restructuring of loans impacted by COVID-19 to help lenders and customers reschedule repayment of instalments based on customers' present income and restoration of income in subsequent months. The restructuring under this guidance will limit the potential increase in NPAs out of restructured loan accounts.

- ***Liquidity and capital adequacy***: We have a strong liquidity position as of December 31, 2020, with cash and cash equivalents of ₹ 9,833.90 million.

Interest Rate Volatility

Our results of operations depend substantially on our net interest income (which is the difference between our interest earned and interest expended through finance costs) and our ability to maintain and improve our net interest margin, which is the ratio of our net interest income to our average interest-earning assets. Interest earned is the largest component of our total income, and represented 89.58%, 89.67%, 88.03% and 94.11% of our total income in the fiscal years ended March 31, 2018, 2019 and 2020 and the nine months ended December 31, 2020, respectively. Further, our net interest margin was 10.97%, 12.21%, 10.98% and 9.88% (annualized), in the fiscal years ended March 31, 2018, 2019 and 2020 and the nine months ended December 31, 2020, respectively.

Accordingly, the magnitude and timing of interest rate changes in the asset and liability markets as well as the relative gradient of the rate curves, have a significant impact on our net interest margin and our profitability. Movements in short and long-term interest rates affect our interest earned and interest expended. The interest rates of loans that we provide to our customers are based on a combination of external and internal factors that we review when we periodically update our rates. External factors include various benchmark rates such as the repo rate, money market and certificate of deposits rate, the interest rates of our competitors, our statutory reserve requirements and economic factors influencing interest rates, among other things. Internal factors include our deposit strategy, maturity profile of deposits, liquidity gaps arising from the maturity profile of our assets and liabilities and our targeted return on assets and equity, among other things. We pass on increases in our borrowing costs to our customers.

Prior to operating as an SFB, as an NBFC we met our funding requirements through a combination of term loans from banks and financial institutions, issuance of non-convertible debentures, refinancing arrangements, securitization/ assignment of receivables and our cash credit facility. On transitioning into an SFB, our borrowings are subject to inter-bank borrowing limits, at par with scheduled commercial banks prescribed by the RBI and thus our primary sources of funding have been deposits and refinancing from refinance institutions such as SIDBI and NABARD. As of December 31, 2020, the majority of our funding consisted of retail deposits, which accounted for 91.11% of our total deposits, with a CASA ratio of 19.82%. Considering the growth of our business, we will have a continuous requirement of funds for expanding our outreach and enhance our loan portfolio. Our ability to continue to meet customer demand for new loans will depend primarily on our ability to raise funds in a timely manner by creating a stable deposit base which in turn is function of suitable interest rates and terms. Our net interest income is affected by debt service costs and costs of funds, which depend on external factors such as the status of bank lending rates in India, in particular, interest rate movements, as well as internal factors such as changes in our credit rating based on our growth, performance and profitability.

We may also be affected by changes in RBI repo rates, which impact the interest rates charged on interest-earning assets and the interest rates paid on interest-bearing liabilities. Interest rates have a substantial effect on our cost of funding, our business volume and our profit margin. In addition, as there are varying maturity periods applicable to our interest-bearing assets and interest-bearing liabilities, a change in interest rates may result in an increase in interest expense relative to interest income leading to a reduction in our net interest income.

Operating Expenses and Productivity Levels

Our cost to income ratio (computed as the ratio of operating expense to net interest income and other income) for the fiscal years ended March 31, 2018, 2019 and 2020 and the nine months ended December 31, 2020 was 87.15%, 74.00%, 58.19% and 57.73%, respectively. Our ability to continue to improve our cost to income ratio largely depends on our ability to improve the productivity of our employees and to optimize the costs associated with our banking outlets. Our operating expense to income ratio has declined on account of greater utilization of our banking outlets resulting across our network while maintaining the number of employees and banking outlet costs over the same period.

Our network of banking outlets has grown from 314 banking outlets of March 31, 2018 to 747 banking outlets as of December 31, 2020. Our banking outlets are either operated by us or by business correspondents appointed by us, which provides us with a low-cost means of extending our distribution reach. In the past, we have opened our business correspondent outlets to provide inroads in a particular area; over time, we expand our presence through banking outlets owned by us. Through our efforts to optimize the mix of our banking outlets, we had one of the lowest operating expenses per banking outlet and one of the lowest cost-to-income ratios among SFBs in India in Fiscal 2020.

Further, we have also invested in our technology infrastructure which reflects our "digital-first" approach to banking services. We seek to consistently improve our productivity through rigorous monitoring and technology adoption. We have made progress in our digital onboarding of customers, seamless credit appraisals, reduction in the number of data entry staff and automation of account opening, requiring little manual intervention, all of which have helped us reduce resources deployed and integrate our applications. We use a combination of proprietary and third-party digital solutions, with the aim of developing in-house the digital solutions that are core to our business while buying solutions that are commoditized or non-core to our business. We have implemented automation across a number of areas including: (i) business intelligence and analytics, (ii) compliance and RBI reporting, (iii) credit underwriting, (iv) credit quality monitoring, (v) credit score modeling, (vi) document management, (vii) internal and external process and service requests, (viii) human resource management, including payroll, leave and employee life cycle management, (ix) sales and marketing dissemination, (x) customer onboarding, account opening and account servicing and (xi) payments.

Asset quality, NPAs and provisioning requirements

Our ability to manage the credit quality of our loans, which we measure in part through NPAs, is a key driver of our results of operations. In addition to requiring us to make a provision on standard assets, the RBI requires us to classify and, depending on the duration of non-payment, make a provision on loans that become NPAs, which are further sub-classified as sub-standard, doubtful and loss assets. As the number of our loans that become NPAs increases, the credit quality of our loan portfolio decreases. In accordance with RBI norms, we are required to classify loans that are over 90 days past due as an NPA. The following table illustrates our asset quality ratios as of the dates indicated:

Particulars	**As of March 31,**			**As of December 31,**
	2018	**2019**	**2020**	**2020**
NPA				
Gross NPA / Gross Advances (%)......................................	1.05%	1.29%	0.92%	3.46%
Net NPA / Net Advances (%)..	0.72%	0.34%	0.41%	1.88%

Our credit quality is dependent upon our credit appraisal processes and recovery mechanisms. With the growth of our business, our ability to manage the credit quality of our loans will be a key driver to our results of operations, as quality loans help reduce the risk of losses from loan impairment and write-offs.

We believe that the quality of our credit function, resulting in effective credit evaluation measures, as well as our systematic processes such as verification of borrower risk profile, source of repayment, underlying collateral and disbursement and collection processes, effective portfolio monitoring and timely corrective interventions have enabled us to maintain relatively low levels of NPAs. Our ability to reduce or contain the level of our NPAs is also dependent on a number of factors beyond our control, such as increased competition, adverse effect on the business and results of operations of our borrowers, a rise in unemployment, a sharp and sustained rise in interest rate, slow industrial and business growth, changes in customer behavior and demographic patterns, central and state government decisions (including agricultural loan waivers) and changes in regulations, including with respect to regulations requiring us to lend to certain sectors identified by the RBI. Any increase in the level of final credit losses or an inability to maintain our asset quality may adversely affect our NPA levels and require us to increase our provisions and write-offs.

Provisions for NPAs are created by a charge to our profit and loss account and are currently subject to minimum provisioning requirements, linked to ageing of NPAs. Our provision coverage ratio was 23.55%, 94.42%, 91.14% and 74.82% in the fiscal years ended March 31, 2018, 2019 and 2020 and the nine months ended December 31, 2020, respectively.

There can be no assurance that our provision coverage ratio will continue to increase or that it may not decline in the future. We may need to make further provisions if there is dilution / deterioration in the quality of our security or down-grading of the account or recoveries with respect to such NPAs do not materialize in time or at all. This increase in provisions may adversely impact our financial performance.

Competition

We have a limited history operating as an SFB and the success of our banking operations depends on a number of factors, including the demand for our services and our ability to compete with other banks and financial institutions effectively. The banking and financing sector in India is highly competitive and we face competition in all our principal areas of business. We face our most significant organized competition from other SFBs, NBFCs, microfinance institutions, cooperative banks, public sector banks, private sector banks, housing finance companies and other financial services companies in India. In addition, many of our potential customers in economically weaker segments do not have access to formal lending and rely on loans from informal sources, especially moneylenders, landlords, local shopkeepers and traders, at higher interest rates. Further, the RBI has issued Guidelines for On-Tap Licensing of SFBs in the Private Sector on December 5, 2019, which permits applicants to apply for SFB license to the RBI at any time, subject to fulfilment of certain eligibility criteria and other conditions. We anticipate that this will increase competition within small finance banks operating in India, including our Bank. Further, consolidation in the industry driven by the merger of other banks is likely to further increase competition by creating larger, more homogeneous and potentially stronger competitors in the market. Increase in operations of existing competitors or entry of additional banks offering similar or a wider range of products and services could also increase competition. Further, with the advent of technology-based initiatives and alternative modes of banking, we may face increased competition in this sector, which may in turn impact our revenues and profitability. We also face competition from specialized fintech companies who may disrupt our origination, sales and distribution process. Our inability to compete effectively may adversely affect our business, results of operations financial condition and cash flows.

Due to competitive pressures, we may be unable to successfully execute our growth strategy and offer products and services at reasonable returns and this may adversely impact our business, future financial performance and the trading price of the Equity Shares. See "*Risk Factors — As a result of our limited operating history, we may not be able to compete successfully in our newer product categories and it may be difficult to evaluate our business and future operating results on the basis of our past performance*" on page 23.

Regulatory Developments

Our results of operations and continued growth depend on stable government policies and regulation. The banking industry in India is subject to extensive regulation by governmental organizations and regulatory bodies such as the RBI. These regulations govern various aspects of our business including loans and advances, investments, deposits, risk management, foreign investment, corporate governance and market conduct, customer protection, foreign exchange management, capital adequacy, margin requirements, know-your customer and anti-money laundering, and provisioning for NPAs. In recent years, existing rules and regulations have been modified, new rules and regulations have been enacted and reforms have been implemented, with an objective to provide tighter control and more transparency in India's banking sector. As an SFB, we are required to comply with such rules and regulations, which affect our business, operations, cash flows, profitability and financial condition.

As an SFB, we are required to extend 75% of our ANBC as at the end of the corresponding quarter of the previous financial year to the sectors eligible for classification as PSL by the RBI, such as agriculture, MSMEs, export credit, education, housing, social infrastructure and renewable energy. Further, while 40% of our ANBC is required to be allocated to different sub-sectors under the extant PSL prescriptions such as small and marginal farmers, micro enterprises, agriculture and weaker sections, as an SFB we can allocate the balance of 35% to any one or more eligible sub-sectors under the PSL where we have a competitive advantage. The PSL requirements applicable to an SFB are significantly higher than the PSL limits applicable to universal banks, which could subject us to higher delinquency rates. The PSL requirements in the case of SFBs are monitored on a quarterly basis, and in case of any shortfall by us in meeting the PSL requirements for any financial year, we would subsequently be required to contribute the difference between the required lending level and the actual PSL targets to the Rural Infrastructure Development Fund established with NABARD, or with other funds with NABARD, NHB, SIDBI or MUDRA as decided by the RBI from time to time, which may earn lower levels of interest, compared to other interest bearing securities.

The SFB Licensing Guidelines mandate that SFBs will be subject to all prudential norms and regulations of the RBI as applicable to existing commercial banks including the requirement of maintenance of cash reserve ratio ("**CRR**") and statutory liquidity ratio ("**SLR**"). All scheduled commercial banks (other than regional rural banks) are required to comply with the statutory reserve requirements prescribed by the RBI. As at December 31, 2020, scheduled commercial banks are required to maintain a CRR of 3% of their net demand and time liabilities ("**DTL**") in a current account maintained with the RBI, on which no interest is paid. This was revised to 3.5% on March 27, 2021 and will subsequently be revised to 4% on May 22, 2021. Further, scheduled commercial banks are also required to maintain, under the current requirements, a SLR equivalent to 18% of their net demand and time liabilities to be invested in cash and Government or other RBI-approved securities. As an SFB, our net interest margin and return on net worth may be adversely affected, since we are required to set aside capital to meet the CRR and SLR requirements of the RBI. Further, until we scale up our deposit base, a significant portion of the CRR and SLR requirements will be met from our borrowings, which may be subject to interest rate variations and result in increased cost of borrowings, which may also adversely affect our net interest margin and return on net worth in the short to medium term.

Additionally, as per the SFB Guidelines, we are required under applicable laws and regulations to maintain certain minimum capital adequacy on a continuous basis, which is currently 15% of our risk weighted assets. As of March 31, 2018, 2019 and 2020, and December 31, 2020, our CRAR was 23.30%, 23.63%, 29.28% and 29.90%, respectively. As we continue to grow our loan portfolio and asset base, we may be required to raise additional capital in order to continue to meet applicable capital adequacy ratios with respect to our business.

Critical Accounting Policies

Basis of Preparation

Our Restated Summary Statement of Assets and Liabilities as at March 31, 2018, March 31, 2019, March 31, 2020 and December 31, 2020 and the related Restated Summary Statement of Profits and Losses and related Restated Summary Statement of Cash Flows for the years ended March 31, 2018, March 31, 2019 and March 31, 2020 and the period ended December 31, 2020 (herein collectively referred to as "**Restated Summary Statements**") have been compiled by our management from the then audited financial statements for the years ended March 31, 2018, March 31, 2019, March 31, 2020, and the period ended December 31, 2020 respectively which were originally approved by our Board of Directors at that relevant time. The accounting policies applied by us in preparation of the Restated Summary Statements are consistent with those adopted in the preparation of financial statements for the period ended December 31, 2020.

The audited financial statements as at year ended March 31, 2018, March 31, 2019, March 31, 2020 and the period ended December 31, 2020 have been prepared in accordance with requirements prescribed under the Third Schedule of the Banking Regulation Act, 1949. Our accounting and reporting policies used in the preparation of these audited financial statements conform to Generally Accepted Accounting Principles in India (Indian GAAP), the guidelines issued by the RBI from time to time and the Accounting Standards notified under Section 133 of the Companies Act, 2013 read together with paragraph 7 of the Companies (Accounts) Rules, 2014 to the extent applicable and practices generally prevalent in the banking industry in India. We follow the historical cost convention and accrual method of accounting, except in the case of interest and other income on NPAs which are recognized upon realization.

The Restated Summary Statements have been prepared specifically for inclusion in this Draft Red Herring Prospectus. The Restated Summary Statements have been prepared by us to comply in all material respects with the requirements of Sub-clause (i), (ii) and (iii) of clause (b) of Sub-section (1) of Section 26 of Chapter III of The Companies Act, 2013 read with rule 4 of Companies (Prospectus and Allotment of Securities) Rules, 2014 and (the Securities and Exchange Board of India Issue of Capital and Disclosure Requirements) Regulations, 2018 (the "**SEBI Guidelines**") issued by SEBI on September 11, 2018 as amended from time to time.

Set forth below is a discussion of our critical accounting policies:

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting periods. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates. Significant estimates used by management in the preparation of these financial statements include estimates of the economic useful lives of fixed assets, deferred tax, accrual for employee benefits and provision for standard and assets and NPA. Differences between the actual results and estimates are recognized in the period in which the results are known or are materialized. Any revision to accounting estimates is recognized prospectively in the current and future periods.

Revenue Recognition

1. Interest income on loans is recognized in the Profit and Loss Account as it accrues by applying the rate of interest as per the agreement. Interest income on non-performing assets is recognized only when realized. Any such income recognized before the asset became non-performing and remaining unrealized as on the date of being classified as non-performing asset is reversed, as per the income recognition and asset classification norms of the RBI. Interest on discounted instruments is recognized over the tenure of the instrument on a constant Yield to Maturity method.

2. Loan processing fees are recognized on an upfront basis when it becomes due.

3. We enter into transactions for the sale of Priority Sector Lending Certificates ("PSLCs"). In the case of sale transactions, we sell the fulfilment of priority sector obligations through the RBI trading platform. There is no transfer of risks or loan assets. We recognize the fees received from the sale of PSLCs under Miscellaneous Income within

Other Income on a straight-line basis over the tenure of the certificate. We recognize the fees charged on debit card issuance and renewal on an upfront basis.

4. Interest income on deposits with banks and financial institutions is recognized on a time proportion accrual basis, taking into account the amount outstanding and the applicable rate. Dividend income is recognized when the right to receive payment is established on the balance sheet date.

5. Some fees are accounted for on a receipt basis, including locker rentals and debit card issuances and renewals, late fees, bounce charges and other similar fees. All other fees are accounted for as and when they become due.

Advances

Classification

Advances are classified into performing and non-performing advances ("'**NPA**") based on the RBI guidelines and are stated net of specific provisions made towards NPAs. Further, NPAs are classified into sub-standard, doubtful and loss assets based on our NPA classification and provisioning policy, subject to the minimum classification and provisioning level prescribed by the RBI under the Income Recognition and Asset Classification ("**IRAC**") norms.

As per IRAC norms prescribed by the RBI, a loan or an advance is classified as NPA where the interest and/or instalment of principle remains overdue for a period of more than 90 days in respect of a term loan or where the account remains "out of order" in respect of an overdraft/cash credit facility.

In the case of micro-finance loans, rural micro enterprise loans, loans against gold, two-wheeler loans and CASA accounts with debit balances, NPAs are classified as sub-standard assets as per RBI guidelines. Further, such NPAs that become overdue for more than 180 days are classified as loss assets. In the case of secured institutional finance and secured overdraft against property, NPAs are classified as sub-standard and doubtful assets as per RBI guidelines. However, NPAs overdue for more than 820 days are classified as loss assets. In the case of loans against property with a registered mortgage, NPAs are classified as sub-standard and doubtful assets as per RBI guidelines. However, NPAs overdue for more than 1,185 days are classified as loss assets. "Overdue" refers to interest and / or instalment remaining unpaid from the day it becomes receivable.

Provisioning

General provision for standard assets made in accordance with RBI Guidelines is included under "Other Liabilities and Provision". Further, provision for sub-standard, doubtful and loss assets in case of loan portfolio are provided based on our management's best estimates, subject to minimum provisioning level prescribed by the RBI under IRAC norms.

Loan loss provisions in respect of NPAs are charged to the Profit and Loss Account and included under Provisions and Contingencies. NPAs that have been fully provided for are written off, based on our management's estimate and as per our NPA provisioning and write-off policy. Recoveries from bad debts written-off are recognized in the Profit and Loss Account and included under Miscellaneous income within Other Income.

Provision policy for securitized loans

Provisions for losses arising in respect of securitization/assignment of micro finance portfolio loan are made in accordance with the provisioning policy for micro finance own portfolio. In the case of other securitized portfolio loans, provisions are made in accordance with the provisioning policy for loans against property, own portfolio, subject to maximum guarantee (including cash collaterals and unfunded guarantee) given in respect of these arrangements.

Inter-bank participation certificate

We enter into inter-bank participation with risk sharing as the issuing bank and the aggregate amount of participation are reduced from aggregate advance outstanding.

Investments

Classification

In accordance with the RBI guidelines on investment classification and valuation, investments are classified on the date of purchase into "Held for Trading" ("**HFT**"), "Available for Sale" ("**AFS**") and "Held to Maturity" ("**HTM**") categories. Subsequent shifting among the categories is done in accordance with the RBI guidelines. Under each of these categories, investments are further classified under six groups:

(a) Government Securities, (b) Other Approved Securities, (c) Shares, (d) Debentures and Bonds, (e) Investments in Subsidiaries/Joint Ventures and (f) Other Investments. Purchase and sale transactions in respect of all securities are recorded under the 'Settlement Date' of accounting.

Basis of classification

Investments that are held principally for resale within 90 days from the date of purchase are classified under HFT category. Investments which we intend to hold till maturity are classified as HTM securities. Investments which are not classified in either of the above categories are classified under AFS category.

Acquisition cost

Brokerage, commission and broken period interest on debts instruments are recognized in the Profit and Loss Account and are not included in the cost of acquisition.

Disposal of investments

Profit/loss on sale of investments under the aforesaid three categories is recognized in the Profit and Loss Account. Cost of investments is based on the weighted average cost method. The profit from sale of investment under HTM category, net of taxes and transfer to statutory reserve, is appropriated from the Profit and Loss Account to Capital Reserve in accordance with the RBI Guidelines.

Valuation

Investments classified under AFS and HFT categories are marked to market as per the RBI guidelines.

Traded investments are valued based on the trades / quotes on the recognized stock exchanges, price list of the RBI or prices declared by Primary Dealers Association of India jointly with Fixed Income Money Market and Derivatives Association Financial Benchmark India Private Limited, periodically.

The market value of unquoted government securities which qualify for determining the Statutory Liquidity Ratio, included in the AFS and HFT categories, is computed as per the Yield-to-Maturity rates published by FIMMDA/FIBL.

Units of mutual funds are valued at the latest repurchase price / net asset value declared by the mutual fund.

Treasury bills, commercial papers and certificate of deposits being discounted instruments, are valued at carrying cost.

Net depreciation in the value, if any, compared to the acquisition cost, in any of the groups, is charged to the Profit and Loss Account. The net appreciation, if any, in any of the groups is not recognized except to the extent of depreciation already provided.

Investments classified under HTM category are carried at their acquisition cost and not marked to market. Any premium on acquisition is amortized over the remaining maturity period of the security on a constant yield-to-maturity basis. Such amortization of premium is adjusted against interest income under the head Income from investments as per the RBI guidelines.

Non-performing investments are identified and depreciation / provision is made thereon based on the RBI guidelines. The depreciation / provision on such non-performing investments is not set off against the appreciation in respect of other performing securities. Interest on non-performing investments is not recognized in the Profit and Loss Account until received.

Transfer and Servicing of Assets

We transfer loans through securitization/direct assignment transactions. The transferred loans are de-recognized when we surrender the rights to benefits specified in the underlying securitized/direct assignment loan contract.

Cash profit arising at the time of securitization/assignment of loan portfolio (Premium loan transfer transactions) is amortized over the life of the underlying loan portfolio and the unamortized amount is disclosed as Deferred Income within 'Other liabilities' on the balance sheet.

Contractual rights to receive a portion of interest ("Unrealized profits") arising at the time of securitization/ assignment of loan portfolio ("PAR transactions") is recorded at its present value and disclosed as 'Interest strip on securitization/ assignment of loan portfolio' within 'Other assets" on the balance sheet. In accordance with RBI guidelines, the unrealized profits in respect of securitized/ assigned loan portfolio that is not due for collection is recorded at its present value and disclosed as 'Interest strip on securitization/ assignment of loan portfolio' within 'Other liabilities" on the balance sheet. Income from interest strip (excess interest spread) is recognized in the profit and loss account, net of any losses, when redeemed in cash.

Fixed Assets

Fixed assets and capital work-in progress are stated at their original cost of acquisition less accumulated depreciation. Cost comprises purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

Subsequent expenditure related to an item of property, plant and equipment is added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard of performance. All other expenses on existing property, plant and equipment, including day-to-day repair and maintenance expenditure and cost of replacing parts, are charged to the profit and loss account for the period during which such expenses are incurred.

Advances paid towards the acquisition of tangible assets outstanding at each Balance Sheet date are disclosed as capital advances under Other Assets. The cost incurred towards tangible assets, but not ready for their intended use before each Balance Sheet date is disclosed as capital work-in-progress, if any.

Gains or losses arising from de-recognition of tangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the Profit and Loss Account when the asset is derecognized.

Intangible Assets

Intangible assets are amortized over their estimated useful lives on a straight-line basis, commencing from the date the asset is available to us for its use. Intangible assets include computer software, which is acquired, capitalized and amortized on a straight-line basis over the estimated useful life.

Depreciation and Amortization

Depreciation on tangible assets is calculated on a straight-line basis using the rates arrived at based on the useful lives estimated by the management. We have used the following rates to provide depreciation on its tangible assets:

Tangible Asset Description	Useful Life
Office Equipment	5 years
Computer Equipment	3 years
Furniture and Fixtures	10 years
Leasehold Improvements	Over the period of lease

Intangible assets are amortized, on a straight-line basis, commencing from the date the asset is available for its use, over their respective individual estimated useful lives as estimated by the management:

Intangible Asset Description	Useful Life
Computer Software	3 years

Depreciation / amortization is charged on a proportionate basis for all assets purchased and sold during the year.

Impairment of Assets

We assess at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, we estimate the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's ("**CGU**") net selling price and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining net selling price, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

Impairment losses of continuing operations are recognized in the profit and loss account. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, we estimate the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

Employee Benefits

Expenses and liabilities in respect of employee benefits are recorded in accordance with Accounting Standard 15, Employee Benefits.

<u>Provident fund</u>

We contribute to the statutory provident fund of the Regional Provident Fund Commissioner, in accordance with the Employees' Provident Fund and Miscellaneous Provisions Act, 1952. The plan is a defined contribution plan and contribution paid or payable is recognized as an expense in the period in which services are rendered by the employee.

Gratuity

Gratuity is a post-employment benefit and is a defined benefit plan. The liability recognized in our Balance Sheet represents the present value of the defined benefit obligation at the Balance Sheet date less the fair value of plan assets (if any), together with adjustments for unrecognized actuarial gains or losses and past service costs. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plan. Independent actuaries using the projected unit credit method calculate the defined benefit obligation annually.

Actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are credited or charged to the Profit and Loss Account in the year in which such gains or losses arise.

Compensated absences

Liability in respect of compensated absences that becomes due or is expected to be availed within one year from the balance sheet date is recognized on the basis of (i) the undiscounted value of the estimated amount required to be paid or (ii) the estimated value of benefit expected to be availed by employees. Liability/Asset in respect of earned leave becoming due or expected to be availed more than one year after the balance sheet date is estimated on the basis of an actuarial valuation as at the balance sheet date in a manner similar to the gratuity liability.

Other short-term benefits

Expenses in respect of other short-term benefits including performance incentives are recognized on the basis of the amount paid or payable for the period for which the employee renders services.

Other long-term employee benefits: deferred cash variable pay

As per our policy, in general, 40% of cash variable pay (where it exceeds a specified threshold) of any of our employees vests at the end of the performance period and the remaining 60% is under a deferral arrangement. The deferral period is for three years from the end of the performance period. The deferral is on a pro-rata basis, i.e., is one third of the deferred component, and it vests at the end of each year for the next three years. Vesting takes place on a yearly basis after a proper assessment of performance by the NRC, and adjustments can be made based on actual results.

The deferred cash variable pay has been recognized as a liability at the present value of the defined benefit obligation at the balance sheet date, as required by AS-15 on employee benefits. The present value has been determined using an actuarial valuation after factoring in assumptions of attrition and discounting.

Employee share-based payments: equity-settled scheme

The Employees Stock Option Scheme (the "**Scheme**") provides for grant of options on our equity shares to employees, including our Managing Director and Whole-Time Directors. The Scheme provides that employees may be granted an option to subscribe to our equity shares that will vest as per the vesting schedule determined by our Nomination and Remuneration Committee. The options, post vesting, may be exercised within a specified period. In accordance with the Guidance Note on Accounting for Employee share-based payments issued by The Institute of Chartered Accountants of India, the cost of equity-settled transactions is measured using the fair value method. Details regarding the determination of the fair value of the options are set out in Schedule 18.25. The fair value of the options determined as at the grant date is expensed on a straight-line basis over the vesting period, based on our estimate of equity instruments that will eventually vest, with a corresponding credit to the employee stock options outstanding account. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the employee stock options outstanding account.

The options that do not vest because of failure to satisfy vesting condition are reversed by a credit to employee compensation expenses in "Payment to and provision for employee", equal to the amortized portion of the cost of the lapsed option. In respect of the options that expire unexercised, the balance standing to the credit of employee stock options outstanding account is transferred to our General Reserve.

Taxes on Income

Tax expense comprises current and deferred tax. Current income-tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961 enacted in India.

Deferred income taxes reflect the impact of timing differences between taxable income and accounting income originating during the current year and reversal of timing differences of the earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted as at the reporting date.

Deferred tax liabilities are recognized for all taxable timing differences. Deferred tax assets are recognized for deductible timing differences only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. In situations where we have unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.

At each reporting date, we re-assess unrecognized deferred tax assets. It recognizes unrecognized deferred tax asset to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realized.

The carrying amount of deferred tax assets are reviewed at each reporting date. We write down the carrying amount of deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realized. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

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

Minimum alternate tax ("**MAT**") paid in a year is charged to the Profit and Loss Account as current tax. We recognize MAT credit available as an asset only to the extent that there is convincing evidence that we will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. In the year in which we recognize MAT credit as an asset in accordance with the Guidance Note on Accounting for Credit Available in respect of Minimum Alternate Tax under the Income Tax Act, 1961, the said asset is created by way of credit to the profit and loss account and shown as "MAT Credit Entitlement". We review the "MAT Credit Entitlement" asset at each reporting date and write down the asset to the extent we do not have convincing evidence that it will pay normal tax during the specified period.

Foreign Currency Transactions

<u>Initial recognition</u>

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

<u>Conversion</u>

Foreign currency monetary items are reported using the closing rate as at the Balance Sheet date. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

<u>Exchange differences</u>

Exchange differences arising on the settlement of monetary items or on reporting Bank's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise.

Provisions and Contingent Liabilities

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

A contingent liability is (i) a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond our control or (ii) a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. We do not recognize contingent liabilities but disclose their existence in our financial statements.

Borrowing Costs

Borrowing costs that are attributable to the acquisition and/or construction of qualifying assets are capitalized as part of the cost of such assets, in accordance with Accounting Standard (AS) 16, Borrowing Costs. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use. All other borrowing costs are charged to the profit and loss account as they are incurred.

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 year. The weighted average number of equity shares outstanding during the year is adjusted for any bonus issue, bonus element in a rights issue to existing shareholders, share split and reverse share split, i.e., a consolidation of shares.

For the purpose of calculating diluted earnings per share, the net profit or loss 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.

Transaction Costs

Transaction costs (including loan origination costs) are incremental costs that are directly attributable to the acquisition of share capital and financial liabilities. Transaction cost includes fees paid to advisors and levies by regulatory agencies, including taxes and duties. Transaction costs are incurred as follows:

(i) Issuance of share capital and debentures is expensed to the profit and loss account; and

(ii) Acquisition of borrowings is expensed to the profit and loss account in the year in which it is incurred.

Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term are classified as operating leases. Operating lease payments are recognized as an expense in the Profit and Loss Account on a straight-line basis over the lease term.

Cash and Cash Equivalents

Cash and cash equivalents for the purposes of the cash flow statement comprises cash in hand, balances with the RBI, balances with other banks and money at call and short notice.

Segment Reporting

The disclosure relating to segment information is in accordance with AS-17, Segment Reporting, as per guidelines issued by the RBI. Since the business operations of the Bank are primarily concentrated in India, the Bank is considered to operate only in the domestic segment.

Business segments have been identified and reported, taking into account the customer profile, the nature of products and services, the differing risks and returns, the organizational structure and the RBI guidelines. We operate in the following segments:

<u>Treasury</u>

The treasury segment primarily consists of our entire investment portfolio.

<u>Retail banking</u>

The retail banking segment serves retail customers through our banking outlet network. Exposures are classified under retail banking, taking into account the status of the borrower (orientation criteria), nature of the product, granularity of the exposure and the quantum thereof. Revenues of the retail banking segment are primarily derived from (i) interest and fees earned on retail loans and (ii) interest on deposits placed as collateral with banks and financial institutions. Expenses of this segment primarily comprise interest expense on borrowings, deposits, infrastructure and premises expenses for operating the banking outlet network, personnel costs and other direct overheads.

<u>Corporate/wholesale banking</u>

Wholesale banking includes all advances to companies and statutory bodies, which are not included under retail banking.

Changes in Accounting Policies

There have been no changes in our accounting policies during the fiscal years ended March 31, 2018, 2019 and 2020 and the nine months ended December 31, 2020, except for the changes as necessitated by applicable laws.

Principal Components of Income and Expenditure

Income

Interest Earned

Interest earned consists of interest/ discount on advances/ bills, income on investments, interest on balances with Reserve Bank of India and other inter-bank funds, and others. Others primarily comprises income from securitization/assignment of loans, interest income on money market instruments, interest income on fixed deposit and interest income on tri-party repo lending.

Other Income

Other income consists principally of (i) commission, exchange and brokerage, (ii) profit on the sale of investments (net), (iii) profit/ (loss) on sale of land, buildings and other assets (net), and (iv) miscellaneous income, which primarily includes income from the sale of PSL certificates, recoveries against loans written off and debit card issue/maintenance charges, among others.

Expenditure

Interest Expended

Interest expended include interest on deposits, interest on Reserve Bank of India/ inter-bank borrowings, and interest on others which comprises interest on term loans and borrowings from banks and other financial institutions.

Operating Expenses

Our operating expenses includes (i) payments to and provision for employees, (ii) rent, taxes and lighting, (iii) printing and stationery, (iv) advertisement and publicity, (v) depreciation on our property, (vi) directors' fees, allowances and expenses, (vii) auditors' fee and expenses, (viii) law charges, (ix) postage, telegrams, telephones, etc., (x) repairs and maintenance, (xi) insurance, (xii) professional fee, (xiii) goodwill written off and (xiv) other expenditure, which primarily includes traveling and conveyance, ATM recycler charges, communication expenses, contribution towards CSR expense, credit bureau charges, business correspondence commissions and miscellaneous expenses.

Provisions and Contingencies

Our provisions and contingencies consist of (i) provision for income tax (including current tax, deferred tax (credit)/charge and MAT Credit Entitlement), (ii) provision for standard assets, (iii) provision for non-performing assets, including bad debt write-offs, (iv) provision for restructured assets and (v) other provisions and contingencies, including provision for loss on our securitized portfolio, provision for fraud, provision for FLDG loss and contingent provision for COVID-19 which includes provision for standard assets.

Results of Operations

Nine months ended December 31, 2020

The following table sets forth certain information with respect to our results of operations for the nine months ended December 31, 2020:

Particulars	**For the nine months ended December 31,**	
	2020	
	(₹ million)	*Percentage of total income*
Income		
Interest earned	9,395.48	94.11%
Other income	587.58	5.89%
Total........	**9,983.06**	**100.00%**
Expenditure		
Interest expended........	4,187.87	41.95%
Operating expenses........	3,345.22	33.51%
Provisions and contingencies........	1,410.70	14.13%
Total........	**8,943.79**	**89.59%**
Profit		
Net profit for the period........	**1,039.27**	**10.41%**

Income

Total income amounted to ₹ 9,983.06 million in the nine months ended December 31, 2020.

Interest Earned

Interest earned amounted to ₹ 9,395.48 million in the nine months ended December 31, 2020.

Other Income

Other income amounted to ₹ 587.58 million in the nine months ended December 31, 2020.

Expenditure

Total expenditure amounted to ₹ 8,943.79 million in the nine months ended December 31, 2020.

Interest Expended

Interest expended amounted to ₹ 4,187.87 million in the nine months ended December 31, 2020.

Operating Expenses

Operating expenses amounted to ₹ 3,345.22 million in the nine months ended December 31, 2020.

Provisions and Contingencies

Provisions and contingencies amounted to ₹ 1,410.70 million in the nine months ended December 31, 2020.

Profit

As a result of the foregoing, net profit for the period was ₹ 1,039.27 million in the nine months ended December 31, 2020.

Fiscal year ended March 31, 2020 compared to the fiscal year ended March 31, 2019

The following table sets forth certain information with respect to our results of operations for the fiscal years ended March 31, 2020 and 2019:

Particulars	For the fiscal year ended March 31,			
	2019		2020	
	(₹ million)	*Percentage of total income*	*(₹ million)*	*Percentage of total income*
Income				
Interest earned	6,051.51	89.67%	10,702.56	88.03%
Other income	697.31	10.33%	1,454.64	11.97%
Total..	**6,748.82**	**100.00%**	**12,157.20**	**100.00%**
Expenditure				
Interest expended...	2,290.74	33.94%	4,515.04	37.14%
Operating expenses..	2,958.10	43.83%	4,261.34	35.05%
Provisions and contingencies.....................................	480.18	7.12%	1,946.33	16.01%
Total..	**5,729.02**	**84.89%**	**10,722.71**	**88.20%**
Profit				
Net profit for the year	**1,019.80**	**15.11%**	**1,434.49**	**11.80%**

Income

Total income increased by 80.14% from ₹ 6,748.82 million in the fiscal year ended March 31, 2019 to ₹ 12,157.20 million in the fiscal year ended March 31, 2020 primarily due to an increase in interest earned due to the reasons discussed below.

Interest Earned

Interest earned increased by 76.86% from ₹ 6,051.51 million in the fiscal year ended March 31, 2019 to ₹ 10,702.56 million in the fiscal year ended March 31, 2020, primarily due to an increase in interest/ discount on advances/ bills by 81.67% from ₹ 5,199.29 million in the fiscal year ended March 31, 2019 to ₹ 9,445.78 million in the fiscal year ended March 31, 2020 on account of an increase in advances. Our advances increased by 74.18% from ₹ 27,646.89 million in the fiscal year ended March 31, 2019 to ₹ 48,155.79 million in the fiscal year ended March 31, 2020, primarily on account of an increase in our borrowers from 1.62 million as of March 31, 2019 to 2.29 million as of March 31, 2020. Our yield on advances increased from 24.38% during the fiscal year ended March 31, 2019 to 24.65% during the fiscal year ended March 31, 2020. Both secured and unsecured products drove our increase in revenue. Income on investments also increased by 63.17% from ₹ 306.04 million in the fiscal year ended March 31, 2019 to ₹ 499.37 million in the fiscal year ended March 31, 2020, as a result of an increase in investments by 43.67% from ₹ 7,008.60 million in the fiscal year ended March 31, 2019 to ₹ 10,069.60 million in the fiscal year ended March 31, 2020. Interest on balances with the RBI and other inter-bank funds increased from ₹ 59.28 million in the fiscal year ended March 31, 2019 to ₹ 343.21 million in the fiscal year ended March 31, 2020, due to an increase in short-term money market lending activities, higher liquidity and excess money stored with the RBI on reverse repo.

The increases described above were partially offset by a decrease of 14.93% of other interest earned from ₹ 486.90 million in the fiscal year ended March 31, 2019 to ₹ 414.20 million in the fiscal year ended March 31, 2020, primarily due to a decrease in income from securitization/assignment of loans, which decreased by 30.81% from ₹ 460.41 million in the fiscal year ended March 31, 2019 to ₹ 318.56 million in the fiscal year ended March 31, 2020, primarily due to a lower securitization/assignment portfolio as compared to the previous year.

Other Income

Other income increased by 108.61% from ₹ 697.31 million in the fiscal year ended March 31, 2019 to ₹ 1,454.64 million in the fiscal year ended March 31, 2020, primarily due to an increase in commission, exchange and brokerage income and miscellaneous income.

Commission, exchange and brokerage increased by 60.75% from ₹ 352.16 million in the fiscal year ended March 31, 2019 to ₹ 566.10 million in the fiscal year ended March 31, 2020 on account of higher processing fees received due to an increase in disbursements from ₹ 32,210 million in the fiscal year ended March 31, 2019 to ₹ 49,497 million in the fiscal year ended March 31, 2020. Miscellaneous income, primarily comprising of income from sale of PSL certificates and debit card issue/maintenance charges, increased by 164.36% from ₹ 332.14 million in the fiscal year ended March 31, 2019 to ₹ 878.05 million in the fiscal year ended March 31, 2020. Income from sale of PSL certificates increased by 470.22% from ₹ 76.07 million in the fiscal year ended March 31, 2019 to ₹ 433.77 million in the fiscal year ended March 31, 2020 due to increased sales of PSL certificates as a result of higher PSL achievement in the fiscal year ended March 31, 2020, and debit card issue/maintenance charges increased from ₹ 183.73 million in the fiscal year ended March 31, 2019 to ₹ 348.34 million in the fiscal year ended March 31, 2020.

Expenditure

Total expenditure increased by 87.16% from ₹ 5,729.02 million in the fiscal year ended March 31, 2019 to ₹ 10,722.71 million in the fiscal year ended March 31, 2020 primarily on account of an increase in interest expensed, operating expenses and provisions and contingencies.

Interest Expended

Interest expended increased by 97.10% from ₹ 2,290.74 million in the fiscal year ended March 31, 2019 to ₹ 4,515.04 million in the fiscal year ended March 31, 2020, primarily due to a significant increase of 157.72% in interest on deposits from ₹ 1,171.62 million in the fiscal year ended March 31, 2019 to ₹ 3,019.48 million in the fiscal year ended March 31, 2020 on account of an increase in deposits. Deposits increased by 127.78% from ₹ 20,432.12 million in the fiscal year ended March 31, 2019 to ₹ 46,539.33 million in the fiscal year ended March 31, 2020 on account of an increase in banking outlets and addition of new customers. Interest on RBI / inter-bank borrowings which increased by 7.03% from ₹ 381.31 million in the fiscal year ended March 31, 2019 to ₹ 408.12 million on account of a 7.97% increase in inter-bank borrowings and borrowings from the RBI. Other interest also increased by 47.39% from ₹ 737.81 million in the fiscal year ended March 31, 2019 to ₹ 1,087.44 million in the fiscal year ended March 31, 2020 due to a ₹ 3,500 million refinance, ₹ 1,000 million subordinated debt and ₹ 8,875.00 million of IBPC borrowings during the fiscal year ended March 31, 2020.

Operating Expenses

Operating expenses increased by 44.06% from ₹ 2,958.10 million in the fiscal year ended March 31, 2019 to ₹ 4,261.34 million in the fiscal year ended March 31, 2020, primarily due to an increase of 43.90% in payments to and provisions for employees from ₹ 1,806.29 million in the fiscal year ended March 31, 2019 to ₹ 2,599.27 million in the fiscal year ended March 31, 2020 on account of an increase in number of employees from 5,498 employees as of March 31, 2019 to 7,363 employees as of March 31, 2020 due to an increase in the number of our banking outlets and strengthening of our IT and digital teams. Rent, taxes and lighting increased by 65.28% from ₹ 171.51 million in the fiscal year ended March 31, 2019 to ₹ 283.47 million in the fiscal year ended March 31, 2020 primarily due to an increase in the number of banking outlets from 569 as of March 31, 2019 to 711 as March 31, 2020. There was also an increase in advertisement and publicity expenses from ₹ 64.80 million in the fiscal year ended March 31, 2019 to ₹ 102.93 million in the fiscal year ended March 31, 2020.

Depreciation on our property increased by 38.64% from ₹ 121.93 million in the fiscal year ended March 31, 2019 to ₹ 169.04 million in the fiscal year ended March 31, 2020. Professional fee also increased by 21.10% from ₹ 202.52 million in the fiscal year ended March 31, 2019 to ₹ 245.26 million in the fiscal year ended March 31, 2020 due to an increase in outsourcing expenses and an increase in professional services taken for core banking solution, IT projects and recruitment. In addition, other expenditure, primarily comprising traveling and conveyance, ATM recycler charges and miscellaneous expense, increased significantly by 82.57% from ₹ 293.54 million in the fiscal year ended March 31, 2019 to ₹ 535.93 million in the fiscal year ended March 31, 2020, primarily on account of an increase in increased ATM recycler charges as a result of additional ATMs added in the fiscal year ended March 31, 2020 and an increase in commission expenses paid to banking correspondent partners and to KYC-related expenses.

Provisions and Contingencies

Provisions and contingencies increased by 305.33% from ₹ 480.18 million in the fiscal year ended March 31, 2019 to ₹ 1,946.33 million in the fiscal year ended March 31, 2020, primarily due to a significant increase in provision for standard assets from ₹ 53.02 million in the fiscal year ended March 31, 2019 to ₹ 935.28 million in the fiscal year ended March 31, 2020. Provisions for standard assets primarily increased on account of a COVID-19 provision of ₹ 851.80 million recorded under standard provision during the fiscal year ended March 31, 2020. Provision for income tax also increased by 612.28% from ₹ 83.22 million in the fiscal year ended March 31, 2019 to ₹ 592.76 million in the fiscal year ended March 31, 2020, primarily due to carry-forward losses in the fiscal year ended March 31, 2019 and both higher income and higher expense disallowances from additional COVID-19 provisions in the fiscal year ended March 31, 2020. In addition, provision for non-performing assets (including write-offs) increased by 35.91% from ₹ 324.25 million in the fiscal year ended March 31, 2019 to ₹ 440.70 million in the fiscal year ended March 31, 2020, primarily due to an increase in write-offs from growth in total advances by 74.18% over the period.

Profit

As a result of the foregoing, net profit for the year was ₹ 1,434.49 million in the fiscal year ended March 31, 2020 as compared to ₹ 1,019.80 million in the fiscal year ended March 31, 2019.

Fiscal year ended March 31, 2019 compared to the fiscal year ended March 31, 2018

The following table sets forth certain information with respect to our results of operations for the fiscal years ended March 31, 2018 and 2019:

Particulars	**The fiscal years ended March 31,**			
	2018		**2019**	
	(₹ million)	*Percentage of total income*	*(₹ million)*	*Percentage of total income*
Income				
Interest earned	3,139.64	89.58%	6,051.51	89.67%
Other income	365.34	10.42%	697.31	10.33%
Total...	**3,504.98**	**100.00%**	**6,748.82**	**100.00%**
Expenditure				
Interest expended...	1,189.14	33.93%	2,290.74	33.94%
Operating expenses..	1,779.36	50.76%	2,958.10	43.83%
Provisions and contingencies...............................	1,511.98	43.14%	480.18	7.12%
Total...	**4,480.48**	**127.83%**	**5,729.02**	**84.89%**
Profit				
Net profit (loss) for the year..............................	**(975.50)**	**(27.83)%**	**1,019.80**	**15.11%**

Income

Total income increased by 92.55% from ₹ 3,504.98 million in the fiscal year ended March 31, 2018 to ₹ 6,748.82 million in the fiscal year ended March 31, 2019 primarily due to an increase in interest earned due to the reasons discussed below.

Interest Earned

Interest earned increased by 92.75% from ₹ 3,139.64 million in the fiscal year ended March 31, 2018 to ₹ 6,051.51 million in the fiscal year ended March 31, 2019, primarily due to an increase in interest/ discount on advances/ bills by 95.48% from ₹ 2,659.77 million in the fiscal year ended March 31, 2018 to ₹ 5,199.29 million in the fiscal year ended March 31, 2019 on account of an increase in advances by 69.65% from ₹ 16,295.96 million to ₹ 27,646.89 million. Our Gross Loan Portfolio increased by 63.86% from ₹ 21.543.77 million in the fiscal year ended March 31, 2018 to ₹ 35,302.04 million in the fiscal year ended March 31, 2019, primarily on account of an increase in our borrowers from 1.05 million as of March 31, 2018 to 1.62 million as of March 31, 2019. Our yield on advances increased from 22.74% for the fiscal year ended March 31, 2018 to 24.38% for the fiscal year ended March 31, 2019. Our unsecured advances grew by 57.36% and our secured advances grew by 124.29% between the fiscal year ended March 31, 2018 and the fiscal year ended March 31, 2019. Income on investments also increased by 134.53% from ₹ 130.49 million in the fiscal year ended March 31, 2018 to ₹ 306.04 million in the fiscal year ended March 31, 2019, as a result of an increase in investments by 157.00% from ₹ 2,727.12 million in the fiscal year ended March 31, 2018 to ₹ 7,008.60 million in the fiscal year ended March 31, 2019. Interest on balances with the RBI and other inter-bank funds slightly increased from ₹ 57.60 million in the fiscal year ended March 31, 2018 to ₹ 59.28 million in the fiscal year ended March 31, 2019.

Other interest earned increased 66.87% from ₹ 291.78 million in the fiscal year ended March 31, 2018 to ₹ 486.90 million in the fiscal year ended March 31, 2019, primarily due to an increase in income from securitization/assignment of loans, which increased by 68.01% from ₹ 274.03 million in the fiscal year ended March 31, 2018 to ₹ 460.41 million in the fiscal year ended March 31, 2019.

Other Income

Other income increased by 90.87% from ₹ 365.34 million in the fiscal year ended March 31, 2018 to from ₹ 697.31 million in the fiscal year ended March 31, 2019, primarily due to an increase in commission, exchange and brokerage income and miscellaneous income.

Commission, exchange and brokerage increased by 93.41% from ₹ 182.08 million in the fiscal year ended March 31, 2018 to ₹ 352.16 million in the fiscal year ended March 31, 2019 on account of higher processing fees received due to an increase in disbursements from ₹ 20,668 million for the fiscal year ended March 31, 2018 to ₹ 32,210 million for the fiscal year ended March 31, 2019. Miscellaneous income, primarily comprising of income from sale of PSL certificates and debit card issue/maintenance charges, increased by 122.26% from ₹ 149.44 million in the fiscal year ended March 31, 2018 to ₹ 332.14 million in the fiscal year ended March 31, 2019. Income from sale of PSL certificates increased by 62.09% from ₹ 46.93 million in the fiscal year ended March 31, 2018 to ₹ 76.07 million in the fiscal year ended March 31, 2019 due to increased sales of PSL certificates as a result of higher PSL achievement in the fiscal year ended March 31, 2019, and debit card issue/maintenance charges increased from ₹ 4.17 million in the fiscal year ended March 31, 2018 to ₹ 183.73 million in the fiscal year ended March 31, 2019. This was partially offset by a decrease in recovery against loans written off by 45.60% from ₹ 85.84 million in the fiscal year ended March 31, 2018 to ₹ 46.70 million in the fiscal year ended March 31, 2019.

Expenditure

Total expenditure increased by 27.87% from ₹ 4,480.48 million in the fiscal year ended March 31, 2018 to ₹ 5,729.02 million in the fiscal year ended March 31, 2019 on account of an increase in interest expensed and operating expenses.

Interest Expended

Interest expended increased by 92.64% from ₹ 1,189.14 million in the fiscal year ended March 31, 2018 to ₹ 2,290.74 million in the fiscal year ended March 31, 2019, primarily due to a significant increase of 393.44% in interest on deposits from ₹ 237.44 million in the fiscal year ended March 31, 2018 to ₹ 1,171.62 million in the fiscal year ended March 31, 2019 on account of an increase in deposits. Deposits increased by 181.01% from ₹ 7,270.98 million in the fiscal year ended March 31, 2018 to ₹ 20,432.12 million in the fiscal year ended March 31, 2019 on account of an increase in banking outlets and addition of new customers. The average cost of deposits also increased from 8.08% for the fiscal year ended March 31, 2018 to 8.85% for the fiscal year ended March 31, 2019. Other interest expended also increased by 59.35% from ₹ 463.01 million in the fiscal year ended March 31, 2018 to ₹ 737.81 million in the fiscal year ended March 31, 2019 due to the refinancing of loans amounting to ₹ 6,500.00 million and ₹ 5,625.00 million of IBPC availed during the fiscal year ended March 31, 2019.

This was partially offset by a slight decrease in interest on RBI / inter-bank borrowings which decreased by 21.97% from ₹ 488.69 million in the fiscal year ended March 31, 2018 to ₹ 381.31 million in the fiscal year ended March 31, 2019 on account of a decrease in inter-bank borrowings and borrowings from the RBI.

Operating Expenses

Operating expenses increased by 66.25% from ₹ 1,779.36 million in the fiscal year ended March 31, 2018 to ₹ 2,958.10 million in the fiscal year ended March 31, 2019, primarily due to an increase of 52.50% in payments to and provisions for employees from ₹ 1,184.45 million in the fiscal year ended March 31, 2018 to ₹ 1,806.29 million in the fiscal year ended March 31, 2019 on account of an increase in number of employees from 4,357 employees as of March 31, 2018 to 5,498 employees as of March 31, 2019 due to the addition of new banking outlets. Rent, taxes and lighting increased by 75.69% from ₹ 97.62 million in the fiscal year ended March 31, 2018 to ₹ 171.51 million in the fiscal year ended March 31, 2019 primarily due to an increase in the number of banking outlets from 314 as of March 31, 2018 to 569 as March 31, 2019. There was also an increase in advertisement and publicity expenses by 238.20% from ₹ 19.16 million in the fiscal year ended March 31, 2018 to ₹ 64.80 million in the fiscal year ended March 31, 2019 primarily due to an increase in internal branding, outdoor advertisements, newspaper advertising and social media advertising.

Depreciation on our property increased by 73.59% from ₹ 70.24 million in the fiscal year ended March 31, 2018 to ₹ 121.93 million in the fiscal year ended March 31, 2019. In addition, other expenditure, primarily comprising traveling and conveyance, ATM recycler charges and miscellaneous expense, increased by 129.74% from ₹ 127.77 million in the fiscal year ended March 31, 2018 to ₹ 293.54 million in the fiscal year ended March 31, 2019, primarily on account of an increase in increased ATM recycler charges as a result of additional ATMs added in the fiscal year ended March 31, 2019.

Provisions and Contingencies

Provisions and contingencies decreased by 68.24% from ₹ 1,511.98 million in the fiscal year ended March 31, 2018 to ₹ 480.18 million in the fiscal year ended March 31, 2019, primarily due to a decrease of 75.13% in provision for non-performing assets (including write-offs) from ₹ 1,303.88 million in the fiscal year ended March 31, 2018 to ₹ 324.25 million in the fiscal year ended March 31, 2019, primarily due to the write-off of bad debts amounting to ₹ 1,293.89 million during the fiscal year ended March 31, 2018 as a result of demonetization, as compared with the write-off of bad debts amounting to ₹ 101.57 million during the fiscal year ended March 31, 2019. Provision for standard assets was ₹ (66.99) million in the fiscal year ended March 31, 2018 compared to ₹ 53.02 million in the fiscal year ended March 31, 2019. Provision for standard assets was negative in the fiscal year ended March 31, 2018 due to a revision to our provisioning norms as a result of our conversion to a SFB as well as a one-time adjustment to our standard asset provision. Provisions for standard assets primarily increased on account of an increase in our portfolio in the fiscal year ended March 31, 2019. Provision for income tax was ₹ 77.12 million in the fiscal year ended March 31, 2018 and was ₹ 83.22 million in the fiscal year ended March 31, 2019. Provision for other contingencies decreased by 90.47% from ₹ 197.97 million in the fiscal year ended March 31, 2018 to ₹ 18.87 million in the fiscal year ended March 31, 2019.

Profit

For the reasons discussed above, net profit for the year was ₹ 1,019.80 million in the fiscal year ended March 31, 2019 as compared to a net loss for the year of ₹ 975.50 million in the fiscal year ended March 31, 2018.

Financial Condition

Assets

The table below sets out the principal components of our assets as of the dates indicated:

Particulars	As of March 31,			As of December 31,
	2018	2019	2020	2020
	(₹ million)			
Cash and balances with the Reserve Bank of India	476.46	1,419.14	10,585.33	8,338.57
Balance with banks and money at call and short notice	2,038.63	3,796.68	243.73	1,536.38
Investments	2,727.12	7,008.60	10,069.60	12,510.56
Advances..	16,295.96	27,646.89	48,155.79	51,579.78
Fixed assets	223.03	330.74	403.64	350.67
Other assets	979.95	1,515.35	1,704.65	1,917.81
Total..	**22,741.15**	**41,717.40**	**71,162.74**	**76,233.77**

Total assets increased by 7.13% from ₹ 71,162.74 million as of March 31, 2020 to ₹ 76,233.77 million as of December 31, 2020. This increase was primarily due to an increase in advances by 7.11% from ₹ 48,155.79 million as of March 31, 2020 to ₹ 51,579.78 million as of December 31, 2020.

Total assets increased by 70.58% from ₹ 41,717.40 million as of March 31, 2019 to ₹ 71,162.74 million as of March 31, 2020. This increase was primarily due to an increase in advances by 74.18% from ₹ 27,646.89 million as of March 31, 2019 to ₹ 48,155.79 million as of March 31, 2020.

Total assets increased by 83.44% from ₹ 22,741.15 million as of March 31, 2018 to ₹ 41,717.40 million as of March 31, 2019. This increase was primarily due to an increase in advances by 69.65% from ₹ 16,295.96 million as of March 31, 2018 to ₹ 27,646.89 million as of March 31, 2019.

Advances

The following table sets forth a breakdown of total advances as of the dates indicated:

Particulars	As of March 31,			As of December 31,
	2018	2019	2020	2020
	(₹ million)			
Term loans(1)..	16,280.17	27,561.69	47,989.68	51,347.52
Cash credits, overdrafts and loans repayable on demand(1)	15.79	85.20	166.11	232.26
Total..	**16,295.96**	**27,646.89**	**48,155.79**	**51,579.78**
Secured by tangible assets (including advances against book debts)...	2,992.68	6,712.38	10,459.93	11,290.98
Unsecured...	13,303.28	20,934.51	37,695.86	40,288.80
Total..	**16,295.96**	**27,646.89**	**48,155.79**	**51,579.78**
Advances in India				
Priority sector	13,279.97	22,225.12	40,386.78	43,705.79
Public sector	-	-	-	-
Banks...	-	-	-	-
Others	3,015.99	5,421.77	7,769.01	7,873.99
Total...	**16,295.96**	**27,646.89**	**48,155.79**	**51,579.78**

(1) Net of provision for non-performing assets aggregating to ₹ 40.49 million, ₹ 263.99 million, ₹ 249.71 million and ₹ 840.04 million as at March 31, 2018, March 31, 2019 and March 31, 2020 and December 31, 2020, respectively, and outstanding IBPC of ₹ 2,000.00 million, ₹ 3,875.00 million, ₹ 4,368.00 million and ₹ 2,750.00 million as at March 31, 2018, March 31, 2019, March 31, 2020 and December 31, 2020, respectively.

Total advances were ₹ 51,579.78 million as of December 31, 2020. Total advances increased by 74.18% from ₹ 27,646.89 million as of March 31, 2019 to ₹ 48,155.79 million as of March 31, 2020 and by 69.65% from ₹ 16,295.96 million as of March 31, 2018 to ₹ 27,646.89 million as of March 31, 2019, primarily due to an increase in disbursements on account of improved productivity, opening of new banking outlets and increase in focus on new customer acquisition.

Balances with Banks and Money at Call and Short Notice

Balances with banks and money at call and short notice increased by 530.36% from ₹ 243.73 million as of March 31, 2020 to ₹ 1,536.38 million as of December 31, 2020.

Balances with banks and money at call and short notice decreased by 93.58% from ₹ 3,796.68 million as of March 31, 2019 to ₹ 243.73 million as of March 31, 2020. The decrease as of March 31, 2020 was primarily driven by a decrease in balances with banks in other deposit accounts which decreased from ₹ 1,619.03 million as of March 31, 2019 to ₹ 76.43 million as of March 31, 2020.

Balances with banks and money at call and short notice increased by 86.24% from ₹ 2,038.63 million as of March 31, 2018 to ₹ 3,796.68 million as of March 31, 2019. The increase as of March 31, 2019 was primarily driven by an increase in balances with banks in other deposit accounts which increased from ₹ 356.84 million as of March 31, 2018 to ₹ 1,619.03 million as of March 31, 2019, and an increase in money at call and short notice with banks which was NIL as of March 31, 2018 and amounted to ₹ 950.00 million as of March 31, 2019.

Investments

Our investments primarily represent investments in government securities.

Investments increased by 24.24% from ₹ 10,069.60 million as of March 31, 2020 to ₹ 12,510.56 million as of December 31, 2020, primarily due to purchases of securities to meet SLR requirements and maintain surplus liquidity in both SLR and non-SLR securities as part of our risk management.

Investments increased by 43.67% from ₹ 7,008.60 million as of March 31, 2019 to ₹ 10,069.60 million as of March 31, 2020, primarily due to an increase in investment in government securities to meet SLR requirements and maintain surplus liquidity maintained in SLR and non-SLR securities as part of risk management.

Investments increased by 157.00% from ₹ 2,727.12 million as of March 31, 2018 to ₹ 7,008.60 million as of March 31, 2019, primarily due to an increase in investment in government securities to meet SLR requirements and maintain surplus liquidity maintained in SLR and non-SLR securities as part of risk management.

Other Assets

Other assets primarily include interest accrued, tax paid in advance / tax deducted at source (net) and others, including deferred tax asset.

Other assets increased by 12.50% from ₹ 1,704.65 million as of March 31, 2020 to ₹ 1,917.81 million as of December 31, 2020. The increase as of December 31, 2020 was primarily driven by an increase in interest accrued by 5.62% from ₹ 963.69 million as of March 31, 2020 to ₹ 1,017.81 million as of December 31, 2020 on account of an increase in GLP. Deferred tax asset also increased by 32.47% from ₹ 401.86 million as of March 31, 2020 to ₹ 532.36 million as of December 31, 2020.

Other assets increased by 12.49% from ₹ 1,515.35 million as of March 31, 2019 to ₹ 1,704.65 million as of March 31, 2020. The increase as of March 31, 2020 was primarily driven by an increase in interest accrued by 110.57% from ₹ 457.66 million as of March 31, 2019 to ₹ 963.69 million as of March 31, 2020 on account of an increase in GLP. Deferred tax asset also increased from ₹ 96.87 million as of March 31, 2019 to ₹ 401.86 million as of March 31, 2020.

Other assets increased by 54.64% from ₹ 979.95 million as of March 31, 2018 to ₹ 1,515.35 million as of March 31, 2019. The increase as of March 31, 2019 was primarily driven by an increase in interest accrued by 65.41% from ₹ 276.68 million as of March 31, 2018 to ₹ 457.66 million as of March 31, 2019 on account of an increase in our GLP. Others also increased from ₹ 648.31 million as of March 31, 2018 to ₹ 1,010.05 million as of March 31, 2019 primarily on account of an increase in loans given as collateral towards securitization transactions, deferred tax asset and MAT credit entitlement.

Capital and Liabilities

The table below sets out the principal components of our shareholders' funds and liabilities as of the dates indicated:

Particulars	**As of March 31,**			**As of December 31,**
	2018	**2019**	**2020**	**2020**
	(₹ million)			
Capital	374.59	564.36	636.10	636.10
Employee stock options outstanding	-	-	-	8.99

Particulars	As of March 31,			As of December 31,
	2018	2019	2020	2020
	(₹ million)			
Reserves and surplus	3,000.85	6,095.58	8,401.55	9,440.82
Deposits..	7,270.98	20,432.12	46,539.33	52,766.45
Borrowings..	10,689.79	12,830.74	13,681.62	10,620.10
Other liabilities and provisions......................................	1,404.94	1,794.60	1,904.14	2,761.31
Total..	**22,741.15**	**41,717.40**	**71,162.74**	**76,233.77**

Total capital and liabilities increased by 7.13% from ₹ 71,162.74 million as of March 31, 2020 to ₹ 76,233.77 million as of December 31, 2020. Total capital and liabilities increased by 70.58% from ₹ 41,717.40 million as of March 31, 2019 to ₹ 71,162.74 million as of March 31, 2020, and by 83.44% from ₹ 22,741.15 million as of March 31, 2018 to ₹ 41,717.40 million as of March 31, 2019, primarily due to an increase in deposits and net worth (comprising capital, reserves and surplus, and ESOP reserves).

Deposits

The following table sets forth a breakdown of our Bank's deposits, as well as the percentage of total deposits that each item contributes, as of the dates indicated:

Particulars	As of March 31,						As of December 31,	
	2018		2019		2020		2020	
	Amount (₹ million)	*Percentage of total deposits (%)*	*Amount (₹ million)*	*Percentage of total deposits (%)*	*Amount (₹ million)*	*Percentage of total deposits (%)*	*Amount (₹ million)*	*Percentage of total deposits (%)*
Demand Deposits								
(i) from banks..	-	-	-	-	7.64	0.02	34.00	0.06
(ii) from others	0.08	0.00	73.23	0.36	291.88	0.63	308.94	0.59
Saving Bank Deposits	367.51	5.05	2,164.04	10.59	5,251.08	11.28	10,116.07	19.17
Term Deposits								
(i) from banks..	4,736.12	65.14	7,437.58	36.40	16,702.32	35.89	14,767.66	27.99
(ii) from others	2,167.27	29.81	10,757.27	52.65	24,286.41	52.18	27,539.78	52.19
Total...............	**7,270.98**	**100.00%**	**20,432.12**	**100.00%**	**46,539.33**	**100.00%**	**52,766.45**	**100.00%**

Deposits mainly comprise term deposits, savings bank deposits and demand deposits.

Deposits increased by 13.38% from ₹ 46,539.33 million as of March 31, 2020 to ₹ 52,766.45 million as of December 31, 2020, mainly due to an increased focus on savings bank deposits. Deposits increased by 127.78% from ₹ 20,432.12 million as of March 31, 2019 to ₹ 46,539.33 million as of March 31, 2020, mainly due to an increase in savings bank deposits and term deposits. Deposits increased by 181.01% from ₹ 7,270.98 million as of March 31, 2018 to ₹ 20,432.12 million as of March 31, 2019 due to an increase in the number of retail banking outlets as well as higher term deposit interest rates.

Borrowings

Borrowings primarily comprise borrowings from the RBI, other banks, other institutions and agencies, borrowings in the form of bonds and debentures and tier 2 capital in the form of unsecured redeemable debentures and bonds.

Our borrowings decreased by 22.38% from ₹ 13,681.62 million as of March 31, 2020 to ₹ 10,620.10 million as of December 31, 2020, primarily attributable to a decrease in borrowings from the RBI and repayment of existing borrowings.

Our borrowings increased by 6.63% from ₹ 12,830.74 million as of March 31, 2019 to ₹ 13,681.62 million as of March 31, 2020, primarily attributable to an increase in borrowings from the RBI as a result of a lower interest rate that was briefly available, from nil as of March 31, 2019 to ₹ 1,030.00 million as of March 31, 2020, and unsecured redeemable debentures/bonds from ₹ 1,000.00 million as of March 31, 2019 to ₹ 2,000.00 million as of March 31, 2020.

Our borrowings increased by 20.03% from ₹ 10,689.79 million as of March 31, 2018 to ₹ 12,830.74 million as of March 31, 2019, primarily attributable to an increase in borrowings from other institutions and agencies, from ₹ 5,776.56 million as of March 31, 2018 to ₹ 10,173.93 million as of March 31, 2019. This increase was partially offset by a decrease in borrowings from other banks from ₹ 3,388.23 million as of March 31, 2018 to ₹ 1,231.81 million as of March 31, 2019, primarily driven by new sources of borrowing such as deposits, IBPC and refinancing, the latter two of which offered funding at lower interest rates than loans from banks.

Other Liabilities and Provisions

Other liabilities and provisions represent bills payable, interest accrued, others (including provisions) and comprising contingent provisions against standard assets, and other liabilities.

Other liabilities and provisions increased by 45.02% from ₹ 1,904.14 million as of March 31, 2020 to ₹ 2,761.31 million as of December 31, 2020, primarily due to an increase in general provision for standard assets by 22.87% from ₹ 1,061.02 million as of March 31, 2020 to ₹ 1,303.72 million as of December 31, 2020. This was partially offset by an increase in other liabilities (including provisions) by 60.70% from ₹ 784.94 million as of March 31, 2020 to ₹ 1,261.38 million as of December 31, 2020 and interest accrued by 237.25% from ₹ 58.18 million as of March 31, 2020 to ₹ 196.21 million as of December 31, 2020.

Other liabilities and provisions increased by 6.10% from ₹ 1,794.60 million as of March 31, 2019 to ₹ 1,904.14 million as of March 31, 2020, primarily due to an increase in general provision for standard assets by 744.02% from ₹ 125.71 million as of March 31, 2019 to ₹ 1,061.02 million as of March 31, 2020 as a result of a COVID-19 provision of ₹ 851.80 million. This was partially offset by a decrease in other liabilities (including provisions) from ₹ 1,530.40 million as of March 31, 2019 to ₹ 784.94 million as of March 31, 2020.

Other liabilities and provisions increased by 27.73% from ₹ 1,404.94 million as of March 31, 2018 to ₹ 1,794.60 million as of March 31, 2019, primarily due to an increase in other liabilities (including provisions) from ₹ 1,175.23 million as of March 31, 2018 to ₹ 1,530.40 million as of March 31, 2019.

Liquidity and Capital Resources

The purpose of the liquidity management function is to ensure that we have funds available to extend loans to our customers across our various products, to repay principal and interest on our borrowings and deposits and to fund our working capital requirements. As of March 31, 2018, 2019 and 2020 and December 31, 2020, we had cash and cash equivalents available for use in our operations of ₹ 2,158.25 million, ₹ 3,596.79 million, ₹ 10,752.63 million and ₹ 9,833.90 million, respectively.

We manage our liquidity position by raising funds periodically. We regularly monitor our funding levels to ensure we are able to satisfy the requirements for loan disbursements and maturity of our liabilities. Further, some of the financing arrangements entered into by us include conditions that require us to obtain respective lenders' consent prior to carrying out certain activities and entering into certain transactions. See "*Risk Factors—We may face asset-liability mismatches, which could affect our liquidity and consequently may adversely affect our business, financial condition including liquidity, results of operations, cash flows and prospects*" on page 34.

Cash Flows

The following table sets forth certain information relating to our cash flows in the periods indicated:

Particulars	**For the year ended March 31,**			**For the nine months ended December 31,**
	2018	**2019**	**2020**	**2020**
	(₹ million)			
Net cash generated from/ (used in) operating activities	(4,515.22)	(2,746.46)	4,693.81	2,208.93
Net cash generated from/ (used in) investing activities	(150.77)	(216.80)	667.95	(66.14)
Net cash generated from/ (used in) financing activities.....	4,378.78	4,401.80	1,794.08	(3,061.52)
Net increase/ (decrease) in cash and cash equivalents	(287.21)	1,438.54	7,155.84	(918.73)
Cash and cash equivalents as at the beginning of the period/ year..	2,445.46	2,158.25	3,596.79	10,752.63
Cash and cash equivalents at the end of the period/ year...	2,158.25	3,596.79	10,752.63	9,833.90

Operating Activities

The nine months ended December 31, 2020

In the nine months ended December 31, 2020, net cash flow from operating activities was ₹ 2,208.93 million. Profit before taxes was ₹ 1,348.93 million in the nine months ended December 31, 2020 and adjustments to reconcile profit before taxes to operating profit before working capital changes primarily consisted of depreciation of fixed assets of ₹ 122.16 million, loan portfolio write-off of ₹ 279.29 million and provision for non-performing assets of ₹ 833.03 million. Operating profit before working capital changes was ₹ 2,606.53 million in the nine months ended December 31, 2020. The main working capital adjustments in the nine months ended December 31, 2020, included increase in advances of ₹ 4,293.61 million. This was significantly offset by an increase in deposits of ₹ 6,227.12 million. In the nine months ended December 31, 2020, cash generated from operations was ₹ 2,627.80 million and taxes on net income paid amounted to ₹ 418.87 million.

The fiscal year ended March 31, 2020

In the fiscal year ended March 31, 2020, net cash flow from operating activities was ₹ 4,693.81 million. Profit before taxes was ₹ 2,027.25 million in the fiscal year ended March 31, 2020 and adjustments to reconcile profit before taxes to operating profit before working capital changes primarily consisted of depreciation of fixed assets of ₹ 169.04 million, loan portfolio written-off of ₹ 454.36 million and provision for non-performing assets of ₹ 921.04 million. Operating profit before working capital changes was ₹ 3,561.16 million in the fiscal year ended March 31, 2020. The main working capital adjustments in the fiscal year ended March 31, 2020, included increase in advances of ₹ 20,948.98 million. This was significantly offset by an increase in deposits of ₹ 26,107.21 million. In the fiscal year ended March 31, 2020, cash generated from operations was ₹ 5,440.36 million and taxes on income paid, net amounted to ₹ 746.55 million.

The fiscal year ended March 31, 2019

In the fiscal year ended March 31, 2019, net cash flow used in operating activities was ₹ 2,746.46 million. Profit before tax was ₹ 1,103.02 million in the fiscal year ended March 31, 2019 and adjustments to reconcile profit before tax to operating profit before working capital changes primarily consisted of loan portfolio written-off of ₹ 101.57 million, provision for loan portfolio of ₹ 276.50 million and depreciation and amortization expenses of ₹ 121.93 million. Operating profit before working capital changes was ₹ 1,473.34 million in the fiscal year ended March 31, 2019. The main working capital adjustments in the fiscal year ended March 31, 2019, included increase in advances of ₹ 11,676.00 million and increase in investments of ₹ 4,286.94 million. This was significantly offset by an increase in deposits of ₹ 13,161.14 million. In the fiscal year ended March 31, 2019, cash used in operating activities was ₹ 2,470.46 million and taxes on income paid, net amounted to ₹ 276.00 million.

The fiscal year ended March 31, 2018

In the fiscal year ended March 31, 2018, net cash flow used in operating activities was ₹ 4,515.22 million. Loss before tax was ₹ 898.38 million in the fiscal year ended March 31, 2018 and adjustments to reconcile loss before tax to operating profit before working capital changes primarily consisted of loan portfolio written off of ₹ 1,293.89 million and provision for loan portfolio of ₹ 140.97 million. Operating profit before working capital changes was ₹ 577.04 million in the fiscal year ended March 31, 2018. The main working capital adjustments in the fiscal year ended March 31, 2018, included increase in advances of ₹ 9,827.88 million and increase in investments of ₹ 2,751.90 million, partially offset by an increase in deposits of ₹ 7,270.98 million. In the fiscal year ended March 31, 2018, cash used in operations was ₹ 4,501.05 million and taxes on income paid, net amounted to ₹ 14.17 million.

Investing Activities

The nine months ended December 31, 2020

Net cash used in investing activities was ₹ 66.14 million in the nine months ended December 31, 2020, primarily on account of proceeds from sale of investments in mutual funds of ₹ 1,802.86 million, partially offset by the purchase of investments in mutual funds of ₹ 1,799.93 million.

The fiscal year ended March 31, 2020

Net cash generated from in investing activities was ₹ 667.95 million in the fiscal year ended March 31, 2020, primarily on account of proceeds from sale of investments in mutual funds of ₹ 4,810.64 million and proceeds from term money lending of ₹ 899.90 million, partially offset by purchase of investments in mutual funds of ₹ 4,800.00 million.

The fiscal year ended March 31, 2019

Net cash used in investing activities was ₹ 216.80 million in the fiscal year ended March 31, 2019, primarily on account of purchase of investments in mutual funds ₹ 19,195.12 million and purchase of fixed assets of ₹ 230.68 million, partially offset by proceeds from sale of investments in mutual funds of ₹ 19,208.21 million.

The fiscal year ended March 31, 2018

Net cash used in investing activities was ₹ 150.77 million in the fiscal year ended March 31, 2018 on account of purchase of investments in mutual funds of ₹ 29,939.51 million and purchase of fixed assets of ₹ 207.21 million, offset by proceeds from sale of investments in mutual funds of ₹ 29,995.75 million.

Financing Activities

The nine months ended December 31, 2020

Net cash used in financing activities was ₹ 3,061.52 million in the nine months ended December 31, 2020 on account of proceeds from loans availed from banks and financial institutions of ₹ 200.00 million, partially offset by repayment of borrowing under the LAF segment of ₹ 470.00 million and repayment of loans availed from banks and financial institutions of ₹ 2,791.52 million.

The fiscal year ended March 31, 2020

Net cash flow generated from financing activities was ₹ 1,794.08 million in the fiscal year ended March 31, 2020 on account of proceeds from loans availed from banks and financial institutions of ₹ 4,249.93 million, proceeds from borrowing under the LAF segment of ₹ 1,030.00 million and proceeds from the issue of non-convertible debentures of ₹ 1,000.00 million, partially offset by repayment of loans availed from banks and financial institutions of ₹ 5,004.07 million.

The fiscal year ended March 31, 2019

Net cash flow generated from financing activities was ₹ 4,401.80 million in the fiscal year ended March 31, 2019 on account of proceeds from issue of equity securities of ₹ 2,264.70 million and proceeds from loans availed from banks and financial institutions of ₹ 6,500.00 million, partially offset by repayment of loans availed from banks and financial institutions of ₹ 4,259.09 million.

The fiscal year ended March 31, 2018

Net cash generated from financing activities was ₹ 4,378.78 million in the fiscal year ended March 31, 2018 on account of proceeds from loans availed from banks and financial institutions of ₹ 8,057.58 million and proceeds from issue of non-convertible debentures of ₹ 1,250.00 million, partially offset by repayment of loans availed from banks and financial institutions of ₹ 4,791.30 million.

Capital Adequacy

Our Bank is subject to the CRAR requirements prescribed by the RBI. As of December 31, 2020, we were required to maintain a minimum CRAR of 15.00%, based on the total capital to risk-weighted assets. The following table sets forth certain information relating to the CRAR of our Bank as of the periods indicated:

Particulars	**For the year ended March 31,**			**For the nine months ended December 31,**
	2018	**2019**	**2020**	**2020**
	(₹ million)			
Common Equity Tier I Capital	3,174.87	6,220.07	8,485.81	9.443.66
Tier I Capital	3,174.87	6,220.07	8,485.81	9.443.66
Tier II Capital	918.92	623.79	2,103.34	1,751.82
Total Capital	4,093.79	6,843.86	10,589.15	11,195.48
Total Risk Weighted Assets	17,573.77	28,962.64	36,167.66	37,450.93
Capital Adequacy Ratio	23.30%	23.63%	29.28%	29.90%
Common Equity Tier I Capital Ratio (as a percentage of Risk Weighted Assets)	18.07%	21.48%	23.46%	25.22%
Tier I Capital Ratio (as a percentage of Risk Weighted Assets)	18.07%	21.48%	23.46%	25.22%
Tier II Capital Ratio (as a percentage of Risk Weighted Assets)	5.23%	2.15%	5.82%	4.68%
Total Capital to Risk Weighted Asset Ratio (CRAR) (as a percentage of Credit Risk Weighted Assets)	23.30%	23.63%	29.28%	29.90%

Indebtedness

As of December 31, 2020, our total borrowings were ₹ 10,610.10 million.

Contractual Obligations and Commitments

The following table sets forth certain information relating to future payments due under known contractual commitments as of December 31, 2020, aggregated by type of contractual obligation:

Particulars	**As of December 31, 2020**			
	Payment due by period			
	Total	**Less than 1 year**	**1-5 years**	**More than 5 years**
	(₹ million)			
Estimated amount of Contracts remaining to be executed on capital account and not provided for (net of capital advance)	-	-	-	-
Operating lease payment[(1)]	23.84	13.27	8.14	2.43
IT related	-	-	-	-
Total Contractual Obligations...........	23.84	13.27	8.14	2.43

(1) The Bank has significant leasing arrangements in respect of operating leases for office premises which are renewable on mutual consent at agreed terms.

Securitization and Assignment Arrangements

The following table sets forth information regarding our securitization deals outstanding as of the dates presented:

Particulars (Securitization)		As of March 31,			As of December 31,
		2018	2019	2020	2020
		(₹ million)			
(i)	No. of SPVs sponsored by the Bank for securitization transactions	21	20	11	9
(ii)	Total amount of securitized assets as per books of the SPVs sponsored by the Bank	3,062.01	3,113.22	666.84	574.38
(iii)	Total amount of exposures retained by the Bank to comply with MRR as on the date of the balance sheet				
	(a) Off-balance sheet exposures – First Loss	78.64	173.56	30.47	-
	(b) On-balance sheet exposures – First Loss	418.33	595.34	105.48	32.66
(iv)	Amount of exposures to securitization transactions other than MRR	Nil	Nil	Nil	Nil
	(a) Off-balance sheet exposures – Exposures to third party securitization – First Loss	96.41	96.41	-	-
	(b) On-balance sheet exposures – Exposures to own securitization – Others...	355.43	282.22	47.73	-

Particulars (Direct Assignment Transactions)		As of March 31,			As of December 31,
		2018	2019	2020	2020
		(₹ million)			
(i)	No. of accounts transacted and outstanding	-	1	1	1
(ii)	Aggregate value of Pool sold to Assignee...............................	-	1,109.85	-	-
(iii)	Aggregate Consideration..	-	998.87	-	-
(iv)	Aggregate gain over net book value...	-	75.62	24.20	-

For further information, see "*Financial Statements*" on page 234.

Contingent Liabilities and Other Off-Balance Sheet Arrangements

The following is a summary table of our contingent liabilities as of December 31, 2020:

Particulars	As of December 31, 2020
	(₹ million)
Claims against the Bank not acknowledged as debts – others (Principal subordination)	32.66
Total..	**32.66**

Except as disclosed in this Draft Red Herring Prospectus, there are no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that we believe are material to investors.

Capital Expenditures / Additions to Fixed Assets

Our capital expenditure consists principally of expenditure relating to banking outlets and investment in technology infrastructure. In the nine months ended December 31, 2020, we incurred ₹ 68.95 million as capital expenditure (excluding software purchases). In the fiscal years ended March 31, 2018, 2019 and 2020, we incurred ₹ 155.80 million, ₹ 229.81 million and ₹ 218.89 million, respectively, as capital expenditure. In the nine months ended December 31, 2020, additions made to software amounted to ₹ 0.46 million. In the fiscal years ended March 31, 2018, 2019 and 2020, additions made to software amounted to ₹ 51.41 million, ₹ 0.87 million and ₹ 24.43 million, respectively.

Auditor's Observations

Except as set out below, there have been no reservations/ qualifications/ adverse remarks/ matters of emphasis highlighted by our Statutory Auditors in their auditor's reports on the Restated Financial Statements:

The Statutory Auditors' reports for the nine months period ended December 31, 2020 and for the year ended March 31, 2020 includes an emphasis of matter paragraph on impact of COVID 19 on operations of our Bank and for the year ended March 31, 2018 includes an emphasis of matter paragraph on change in accounting policies to ensure compliance with the relevant RBI guidelines consequent to receiving the small finance bank license from the RBI on May 12, 2017. For further information, see "*Financial Statements - Annexure - 4: Restated Statement of Material Adjustment and Regrouping - 4.2 Non adjusting items - (a) Emphasis of Matter in Auditor's Report*" on page 243.

Quantitative and Qualitative Disclosure about Market Risk

We are exposed to various types of market risks during the normal course of business such as credit risk, liquidity risk, operational and cash management risk, market and interest rate risk, information security and cyber risk, and reputational risk.

Credit Risk

Credit risk is the possibility of losses associated with diminution in the credit quality of borrowers or counterparties. We record losses in our portfolio from defaults that arise due to inability or unwillingness of a borrower or counterparty to meet commitments in relation to lending, trading, settlement and other financial transactions. The credit risk governance framework ensures that there is segregation of duties across the three lines of defense, i.e., (i) business units, which are responsible for implementing corrective actions to address process and control deficiencies as they retain accountability for managing the credit risks, (ii) credit risk function that independently manages the risk, provides policy guidance, recommendations, risk reporting and analysis and (iii) internal audit unit, which independently assesses the design and operational effectiveness of the entire credit risk management framework.

The credit risk function, with support from business units, is responsible for implementing processes for credit risk identification, assessment, measurement, monitoring and control. The key roles and responsibilities of the credit risk function include (i) stringent monitoring and management of specifically assigned problem accounts; (ii) monitor portfolio performance on a quarterly basis and identify associated risks; (iii) study the impact of various stress scenarios on different portfolios to complement the regular risk measurement methods; and (iv) implementation of internal audit recommendations specific to credit risk function.

Liquidity Risk

Liquidity risk can be due to funding risk and market liquidity risk. Funding liquidity risk is the risk of not being able to meet the expected and unexpected current and future cash flows and collateral needs without affecting daily operations or financial condition, due to reasons such as heavy withdrawal on account of alternative investment opportunities in market, change in market interest rates or strong loan growth. Market liquidity risk is the risk that we will be unable to easily offset or eliminate a position at prevailing market prices because of inadequate market depth or market disruption. We typically maintain adequate liquidity with a buffer to mitigate the risk of unanticipated large premature closure of deposits or to meet any other large unanticipated outflows. As of December 31, 2020, we maintained excess liquidity of ₹ 9,650.05 million in addition to mandatory SLR and CRR requirement and deployed primarily in SLR securities. We undertake periodic stress testing with various scenarios to determine the liquidity requirements under such conditions. Investments that are not categorized as HTM are in maintained as AFS. The securities held in excess of the mandatory SLR requirements are mostly sovereign securities which are to a large extent liquid or semi-liquid. These can be liquidated at short notice if required while also being eligible for repo operations as a source of funds at short notice. The extent and form of liquidity is periodically set out by the ALCO. Any requirements for enhancing or altering the liquidity profile in relation to institutional/ wholesale liabilities/ transactions is carried out by the Investment Committee.

Operational and Cash Management Risk

Operational risk is defined as the risk of losses resulting from inadequate or failed internal processes, people and systems or from external events. The RMCB reviews risk related to people, process and systems and monitors key risk through analysis of causative factors for operational loss events. All operational loss events / incidents are reported to the Risk Management Department by the divisions where they originate, immediately when they occur. Each loss event / incident is leveraged to modify existing controls or define new controls. We periodically and at least annually review our product and process notes to set-up corresponding control in line with evolving business environments. These are then reviewed by the Product Approval Committee, which comprises heads of all business and functional divisions before they are introduced. The new regulatory guidelines issued by the RBI, including with respect to highlighting the weaknesses observed in the process and system at an industry level, are analyzed to revisit internal processes and address the gaps, if any. For each Banking Outlet, cash retention limits are defined based on the requirement of cash and customer profile of the outlet. We also subscribe to insurance cover to mitigate risks arising out of handling of cash. We also set limits for withdrawals for various banking channels (internet banking, mobile banking, ATMs) for risk mitigation.

The primary means to mitigate operational risk include internal controls and internal audit. We have also set up operational risk limits for various processes, based on the measures of operational risk. The contingent processing capabilities are also used as a means to limit the adverse impacts of operational risk. We also have knowledge-building exercises for personnel at all levels focused on risk education to reduce operational risk. The internal control process is aimed at reducing instances of fraud, misappropriation and errors. The internal control process is focused on proper segregation of duties and ensuring non-allocation of conflicting responsibilities, availability of information systems, defining control activities at every business level accompanied by top level reviews, effective channel of communication for the staff and availability of BCP and DRP.

Market and Interest Rate Risk

Market risk is the risk that earnings or capital will be adversely affected by adverse changes in market factors such as interest rates, volatilities, credit spreads, and equity prices. We are exposed mainly to interest rate risk and liquidity risk. While we do not have any exposure to equity or equity related instruments, any significant impact on the global capital markets can affect us through other markets. Interest rate risk is the exposure of our financial conditions to adverse movements in interest rates. Interest rate risk can pose a significant threat to earnings and capital base. Interest rate risk arises from mismatches in re-pricing of interest rate sensitive assets, rate sensitive liabilities and rate sensitive off-balance sheet items. The interest rate risk is managed on a balance sheet level.

In order to manage interest rate risk, most of the interest rates on advances as well as liabilities are fixed in nature and not subject to market-related resets, to contain any adverse effects. In addition, majority of our advances are for medium-term tenures with monthly repayments in order to limit the period of impact, if any. A significant portion of our investments are in SLR securities / sovereign backed securities and are therefore exposed to limited credit risk.

The Asset Liability Management Committee (ALCO), which comprises heads of all business and functional divisions, meet regularly and at least once every month, to review the extent of exposure to movement in interest rates to the capital values as well as possible impact on our net interest income. The ALCO also reviews a range of parameters including compliance with various regulatory limits on treasury portfolio, interest rates offered on deposits, and movements in assets and liabilities. The Investment Committee and the ALCO function together to manage interest rate risk and maintain the investment portfolio.

Information Security and Cyber Risk

Cyber risk refers to any risk of financial loss, disruption or damage to the reputation of an organization resulting from the failure of its information technology systems. Cyber risk could materialize in several ways, including deliberate and unauthorized breaches of security to gain access to information systems; unintentional or accidental breaches of security; operational IT risks due to factors such as poor system integrity; and intentional or unintentional actions by employees/ personnel or third-party vendors.

The measures we have adopted to ensure the security and integrity of our data and IT systems include constant monitoring through our "Security Operations Centre", protection from malware attacks, data loss prevention, disaster recovery, firewalls, data encryption, multi-factor authentication, secured emailing systems, secured networks, usage of virtual private networks, change management processes, regular information security audits, application security testing, vulnerability assessments, penetration testing, information security awareness training for employees and vendors. The Management Information Security Steering Committee ("MISC"), which meets at regular intervals, reviews our preparedness to handle information security and cyber security and reports to IT Strategy Committee of the Board. The MISC comprises senior management and is responsible for approving and monitoring major information security projects and establishing information security priorities. It also approves standards and procedures, reviews positions of security incidents and status of information security awareness programs.

Reputational Risk

Reputation risk is the risk of the loss arising from the adverse perception of the image of our Bank by our customers, counterparties, investors or regulators. This is particularly relevant as our business involves ensuring customers that we are credible and can offer basic, secure services expected by the customers. This risk typically follows once other risks materialize. It compounds the effect of other risks, such as strategy, fraud and regulatory risks. Our ongoing risk review process takes into account reputational risk.

Reputational risks, if materialized, will affect our ability to establish new relationships or services or continue servicing existing relationships. This risk may expose us to litigation, financial loss, or a decline in our customer base. Reputational risk exposure is present throughout our Bank and includes the responsibility to exercise abundant caution in dealing with our customers and the community. We monitor reputational risk on an ongoing basis, by reviewing various relevant parameters including market perception, stakeholder satisfaction, business service disruption, process failure, employee satisfaction and financial performance.

Unusual or infrequent Events or Transactions

Except as described in this Draft Red Herring Prospectus, to our knowledge, there have been no unusual or infrequent events or transactions that have in the past or may in the future affect our business operations or future financial performance.

Known Trends or Uncertainties

Our business has been subject, and we expect it to continue to be subject, to significant economic changes arising from the trends identified above in "*—Factors affecting our Results of Operations and Financial Condition*" and the uncertainties described in "*Risk Factors*" on pages 290 and 20 respectively. To our knowledge, except as discussed in this Draft Red Herring Prospectus, there are no known trends or uncertainties that have or had or are expected to have a material adverse impact on our revenues or income.

Significant Economic Changes that Materially Affect or are Likely to Affect Income from Continuing Operation

Our business has been subject, and we expect it to continue to be subject, to significant economic changes that materially affect or are likely to affect income from continuing operations identified above in "*—Factors affecting our Results of Operations and Financial Condition*" and the uncertainties described in "*Risk Factors*" on pages 290 and 20, respectively.

New Products or Business Segments

Except as described in this Draft Red Herring Prospectus, we have not publicly announced any new products or business segments nor have there been any material increases in our revenues due to increased disbursements and the introduction of new products.

Future Relationship Between Cost and Income

Other than as described elsewhere in the sections "*Risk Factors*", "*Our Business*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" on pages 20, 133 and 288, respectively, to our knowledge, there are no known factors that will have a material adverse impact on our operations and financial condition.

Significant Dependence on a Single or Few Customers or Suppliers

Given the nature of our business operations, we do not believe our business is dependent on any single or a few customers.

Competitive Conditions

We operate in a competitive environment. See sections, "*Our Business*", "*Industry Overview*", "*Risk Factors— As a result of our limited operating history, we may not be able to compete successfully in our newer product categories and it may be difficult to evaluate our business and future operating results on the basis of our past performance*" and "*—Factors affecting our Results of Operations and Financial Condition – Competition*" on pages 133, 101, 23 and 290, respectively.

Seasonality/Cyclicality of Business

We experience some seasonality in our business, as demand by our customers for new microloans is primarily concentrated during the third and fourth quarters of the fiscal year owing to agricultural conditions, festive season demand and other factors. See "*Risk Factors - Our business is subject to seasonality, which may contribute to fluctuations in our results of operations and financial condition*" on page 46.

Significant Developments After December 31, 2020 that may Affect our Future Results of Operations

Except as disclosed below and in this Draft Red Herring Prospectus, there are no significant developments after December 31, 2020 that may affect our results of operations.

Our Bank has undertaken a rights issue on April 27, 2021 and a bonus issue on May 4, 2021. For details, see "*Capital Structure - Notes to the Capital Structure – (a) Equity Share Capital*" on 68.

CAPITALISATION STATEMENT

The following table sets forth our Bank's capitalization as at December 31, 2020, on the basis of our Restated Financial Statements, and as adjusted for the Offer. This table should be read in conjunction with the sections titled "*Management's Discussion and Analysis of Financial Condition and Results of Operations*", "*Financial Statements*" and "*Risk Factors*" on pages 288, 232 and 20, respectively.

(₹ *in million*)

Particulars	Pre-Offer as at December 31, 2020	As adjusted for the proposed Offer[1]
Borrowings (A) [2]	**10,620.10**	**[●]**
Shareholders' funds		
Share Capital		
Equity Shares Capital	**636.10**	**[●]**
Total Share Capital (B)	**636.10**	**[●]**
Reserves and Surplus		
Statutory reserve	658.65	[●]
Share premium	6,697.68	[●]
Investment Fluctuation Reserve	81.90	[●]
Balance in profit and loss account	2,002.59	[●]
Employees stock options outstanding	8.99	[●]
Total Reserves and Surplus (C)	**9,449.82**	**[●]**
Total Shareholder's fund (D = B+C)	**10,085.92**	**[●]**
Total debt/ Shareholder's fund (E = A/D)	**1.05**	**[●]**

(1) The corresponding post-Offer capitalization data for each of the amounts given in the above table is not determinable at this stage pending the completion of the Book Building process and hence the same have not been provided in the above statement.

(2) Borrowings represent borrowings as at December 31, 2020 as per Restated Financial Statement. It does not include deposits. .

FINANCIAL INDEBTEDNESS

Our Bank avails loans in the ordinary course of business for the purposes of onward lending, meeting working capital requirements and for general corporate purposes.

Our Shareholders have authorised our Board to borrow such sums of money as may be required for the purpose of the business of the Bank. For details regarding the borrowing powers of our Board, please see "*Our Management – Borrowing Powers of Board*" on page 192.

Set forth below is a brief summary of our aggregate borrowings as of March 31, 2021:

(₹ in million)

Category of borrowing	Sanctioned amount	Outstanding amount*
Refinance		
Secured	920.00	33.05
Unsecured	17,450.00	11,411.22
Subordinate debt (unsecured)@	2,000.00	2,000.00
Long Term Repo Operations (Secured)	1,030.00	560.00
Total	**21,400.00**	**14,004.27**

**As certified by Manian and Rao, Chartered Accountants pursuant to the certificate dated May 8, 2021*

@Our Bank has issued non-convertible debentures that are currently listed on the BSE. The relevant information memoranda in relation to such listed non-convertible debentures are available on the BSE website.

Off Balance Sheet Exposures

(₹ in million)

Category of borrowing	Sanctioned amount	Outstanding amount*
Inter-bank participation certificate	5,245.00	5,245.00
Total	**5,245.00**	**5,245.00**

**As certified by Manian and Rao, Chartered Accountants pursuant to the certificate dated May 8, 2021*

The following table sets forth the ISIN and scrip code of the non-convertible debentures issued by our Bank that are currently listed on BSE, as on March 31, 2021:

ISIN	Scrip Code	Status	Number of Debenture Holders	Name of Debenture Trustee	Outstanding Amount (in ₹ million)	Maturity
INE519Q08152	959025	Listed	1	Catalyst Trusteeship Limited	1,000.00	September 30, 2025
INE519Q08020	956462	Listed	307	Catalyst Trusteeship Limited	250.00	July 15, 2022
INE519Q08137	957863	Listed	615	Catalyst Trusteeship Limited	380.00	June 20, 2024
INE519Q08145	957864	Listed	17	Catalyst Trusteeship Limited	370.00	June 20, 2024

Principal terms of the subsisting borrowings availed by our Bank along with the off-balance sheet exposure:

1. ***Interest:*** The interest rates for the facilities availed by our Bank typically ranges from 3.15% per annum to 12.87% per annum. Further, for certain loans availed by our Bank, additional interest rates have been stipulated on the occurrence of certain events such as payment related default, breach of terms and conditions etc.

2. ***Tenor:*** The tenor of the borrowings and the off balance sheet exposures availed by our Bank typically ranges from 91 days to 10 years.

3. ***Security:*** Our secured loans are typically secured by way of our present and future assets including receivables, book debts, government securities etc. of our Bank. The nature of securities described herein is indicative and there may be additional requirements for creation of security under the various borrowing arrangements entered into by our Bank.

4. ***Pre-payment****:* Certain loans availed by our Bank have pre-payment provisions which allow for pre-payment of the outstanding loan by serving notice to the lender and subject to payment of such pre-payment penalties as may be prescribed. These pre-payment penalties typically range from 1% to 3.00% of the amount being prepaid. However, in respect of subordinated debts by us, we are restricted from pre-paying the loan without obtaining the prior approval of the majority debenture holders and prior approval of the RBI. Further, in certain instances, we are restricted from pre-paying the loan during the currency of the loan, except if the underlying assets are prepaid.

5. ***Re-payment:*** The repayment period for the facilities availed by us typically ranges from 90 days to 10 years.

6. ***Events of Default:*** Borrowing arrangements entered into by our Bank contain standard events of default, including among others:

a) Failure or inability to pay amount on due dates;

b) Cessation or change in business;

c) Cross default in any indebtedness beyond the grace period

d) Incorrect or misleading information;

e) Violation of any term of the relevant agreement or any other borrowing agreement;

f) Liquidation or dissolution of the Bank or appointment of a receiver or liquidator;

g) Erosion of the complete net worth of the Bank; and

h) Any other event or circumstance which could have a material adverse effect on the lender.

This is an indicative list and there may be additional terms that may amount to an event of default under the various borrowing arrangements entered into by our Bank.

7. ***Consequences of occurrence of events of default:*** In terms of our facility agreements and sanction letters, the following, among others, are the consequences of occurrence of events of default, whereby the lenders may:

a) Subject to prior approval of the RBI, if required, enforce all rights of the debenture trustee and debenture holders under the relevant transaction documents;

b) Charge additional interest and default interest; and

c) Accelerate redemption of debentures.

This is an indicative list and there may be such other additional terms under the various borrowing arrangements entered into by our Bank.

Additionally, some of our lenders have the right to appoint a nominee director on the Board.

For the purpose of the Offer, our Bank has obtained necessary consents from our lenders as required under the relevant loan documentations for undertaking activities relating to the Offer including consequent actions, such as change in our capital structure, change in the board composition, amendments to the Articles of Association of our Bank, etc.

SECTION VI: LEGAL AND OTHER INFORMATION

OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS

*Except as disclosed in this section, there are no outstanding (i) criminal proceedings; (ii) actions taken by regulatory or statutory authorities; (iii) litigation involving claims related to direct and indirect taxes (disclosed in a consolidated manner); and (iv) other pending litigation as determined to be material as per the policy dated April 28, 2021, approved by the Board of Directors, in each case involving our Bank, its Promoter and Directors ("**Relevant Parties**").*

For the purpose of material litigation in (iv) above, our Board has considered and adopted the following policy on materiality with regard to outstanding litigation pursuant to the Board resolution dated April 28, 2021:

All outstanding litigation, including any litigation involving the Relevant Parties, other than criminal proceedings, actions taken by regulatory authorities and statutory authorities, disciplinary action including penalty imposed by SEBI or stock exchanges against the Promoter in the last five financial years including any outstanding action and litigation involving claims related to direct and indirect taxes , would be considered 'material' if: (i) the monetary amount of claim by or against the entity or person in any such pending proceeding is in excess of 1% of the profit after tax of the Bank for Financial Year 2020 as per the latest Restated Financial Statements (i.e. ₹14.35 million); or (ii) where monetary liability is not quantifiable, the outcome of any such pending proceedings may have a material bearing on the business, operations, performance, prospects or reputation of the Bank.

Further, except as disclosed in this section, there are no disciplinary actions, including penalties imposed by SEBI or stock exchanges, against our Promoter in the last five financial years including any outstanding action.

It is clarified that for the above purposes, pre-litigation notices received by Relevant Parties have not been considered as litigation until such time that the Relevant Parties are impleaded as defendants in litigation proceedings before any judicial forum.

Except as stated in this section, there are no outstanding material dues to creditors of our Bank. For this purpose, our Board has, considered and adopted a policy of materiality for identification of material outstanding dues to creditors, by way of its resolution dated April 28, 2021. In terms of this materiality policy, outstanding dues to any creditor of the Bank having monetary value exceeding 5% of the total dues owed to creditors of the Bank as on the date of the latest Restated Financial Statements of our Bank included in this Draft Red Herring Prospectus, shall be considered as 'material'. Accordingly, for the purposes of this Draft Red Herring Prospectus, any outstanding dues as on December 31, 2020, exceeding ₹5.59 million have been considered as material. For outstanding dues to any micro, small or medium enterprise, the disclosure shall be based on information available with the Bank regarding the status of the creditor as defined under the Micro, Small and Medium Enterprises Development Act, 2006, as amended read with the rules and notifications thereunder.

Litigation involving our Bank

Litigation against our Bank

Civil Litigation

Nil

Criminal Litigation

Nil

Actions Taken by Regulatory and Statutory Authorities

Nil

Litigation by our Bank

Civil Litigation

1. Our Bank filed an application against Sambandh Finserve Private Limited ("**Respondent**") under section 19 of the Recovery of Debts and Bankruptcy Act, 1993 on December 7, 2020 before the Debt Recovery Tribunal, Bengaluru seeking from the Respondent to repay a sum of ₹90.44 million among other reliefs. Our Bank upon the request of the Respondent sanctioned three term loans of the following amounts, ₹75 million, ₹50 million and ₹55 million and the date of sanctions were March 22, 2019, September 27, 2019 and March 18, 2020, respectively, all having a repayment period of 24 months. The loans were advanced pursuant to RBI guidelines for income generation purposes for Micro Finance Borrowers. Our Bank claims that the Respondent had started breaching certain covenants of the loan agreements which the Bank considers as an event of default in terms of the loan agreement entered into. This matter is currently pending.

2. Our Bank filed an application against Western India Transport Finance Company Private Limited ("**Respondent**") under section 19 of the Recovery of Debts and Bankruptcy Act, 1993 on December 7, 2020 before the Debt Recovery Tribunal I, Bengaluru seeking from the Respondents to repay a sum of ₹27.98 million among other reliefs. Our Bank sanctioned a term loan of ₹50 million and the date of sanction was March 1, 2020. The Respondent defaulted in repayment of loan amount, consequently, the loan was classified as a nonperforming asset. Thereafter the Bank has filed this application for recovery of the outstanding amount in the term loan account of the Respondent, i.e. ₹27.98 million. This matter is currently pending.

3. Our Bank has filed an application against Jumbo Finvest (India) Limited ("**Respondent**") under section 19 of the Recovery of Debts and Bankruptcy Act, 1993 before the Debt Recovery Tribunal II, Bengaluru on June 30, 2020. Our Bank had sanctioned a term loan of ₹100 million on February 24, 2018 and another term loan of ₹65 million dated August 11, 2018. The Defendants started defaulting on the terms and conditions of the loan agreement pursuant to which the loans were availed. In furtherance to such default, our Bank issued a notice dated November 21, 2019 recalling a sum of ₹49.30 million, which was the total outstanding from both the term loans issued. The Defendants have repaid the sum of ₹35.24 million and a balance of ₹15.65 million was owed to our Bank as on June 1, 2020. This matter is currently pending.

Criminal Litigation

1. There are 424 cases filed by our Bank pending before various forums across the country for alleged violation of Section 138 of Negotiable Instruments Act, 1881, for recovery of amounts due to our Bank for which cheques issued in favour of our Bank by our borrowers have been dishonoured. The total pecuniary value involved in all these matters aggregates to ₹309.76 million.

2. There are 50 FIRs and 4 police complaints filed by our Bank against its employees and third parties in relation to alleged violations arising in the ordinary course of business operations of the Bank, including, among others, cases filed under the IPC alleging criminal breach of trust, robbery, cheating, forgery, criminal conspiracy, misappropriation of money and involved in embezzlement of money amongst others aggregating to ₹93.12 million.

Litigation involving our Promoter

Litigation against our Promoter

Civil Litigation

Nil

Criminal Litigation

Nil

Actions Taken by Regulatory and Statutory Authorities

Nil

Disciplinary action including penalties imposed by SEBI or stock exchanges, against our Promoter in the last five financial years preceding the date of this Draft Red Herring Prospectus, including any outstanding action against our Promoter

Nil

Litigation by our Promoter

Civil Litigation

Nil

Criminal Litigation

There are 54 cases filed by our Promoter pending before various forums across the country for alleged violation of Section 138 of Negotiable Instruments Act, 1881, for recovery of amounts due to our Promoter for which cheques issued in favour of our Promoter by our borrowers have been dishonoured. The total pecuniary value involved in all these matters aggregates to ₹17.32 million.

Tax Litigation involving our Promoter above the materiality threshold

Direct tax litigation

A notice was received from the Office of the PR. Commissioner of Income Tax, Bangalore for converting the limited scrutiny of our Bank to a complete scrutiny for the financial year 2015-2016 (“**Notice**”) dated December 19, 2017. Pursuant to the Notice**,** details of the share applicants and amount invested were submitted by our Promoter to the Income Tax Department for scrutiny. The Assessment Order dated December 30, 2017 (“**Assessment Order**”) issued by the Income Tax Department states that the initial limited scrutiny has been converted into a complete scrutiny. The Assessment Order alleges that the Promoter did not have a real source or capacity to invest in its associate companies barring the sum of ₹21.25 million received. The Assessment Order found our Promoter liable for concealment of income under section 271 (1) (c) of the Income Tax Act, 1961 (“**IT Act**”) and a balance of ₹150.15 million was the demand raised under the Assessment Order from our Promoter. Our Promoter had filed an appeal against the Assessment Order on January 23, 2018 (“Appeal”) to quash the order made under section 143(3) of the Income Tax Act, 1961 or addition under section 69 of the IT Act be deleted and consequential levy of interest under section 234B, 234C and 234D of the IT Act be cancelled or deleted. However, our Promoter via its various letters, has mentioned that they have paid 20% of the demanded amount and has further clarified that the allegation of not having a real source of income to make the investments was false and that the Assessment Order erred in concluding that the source of the purchases was through several ring entries and that no real money was available to invest. This matter is currently pending.

Litigation involving our Directors

Litigation against our Directors

Civil Litigation

Nil

Criminal Litigation

Nil

Actions Taken by Regulatory and Statutory Authorities

Nil

Litigation by our Directors

Civil Litigation

Nil

Criminal Litigation

Nil

Tax Claims

Except as disclosed below, as on the date of this Draft Red Herring Prospectus, there are no claims related to direct and indirect taxes, involving our Bank, Directors and Promoter.

Nature of case	Number of cases	Amount involved (₹ in million)
Bank		
Direct Tax	Nil	NA
Indirect Tax	Nil	NA
Directors		
Direct Tax	1	5.01
Indirect Tax	Nil	NA
Promoter		
Direct Tax	4	152.33
Indirect Tax	Nil	NA

Outstanding dues to Creditors

As of December 31, 2020, the total number of creditors of our Bank is 19 and the total outstanding dues to these creditors by our Bank was ₹111.87 million. As on December 31, 2020, our Bank did not owe any sum to micro, small and medium enterprises as defined under the Micro, Small and Medium Enterprises Development Act, 2006.

As per the materiality policy, creditors of our Bank to whom our Bank owes an amount exceeding 5% (i.e. ₹5.59 million) of the total dues owed to creditors as on December 31, 2020, have been considered to be ‘material’ creditors. As of December 31, 2020, there is one material creditor to whom our bank owes ₹107.00 million. The details pertaining to outstanding dues towards our material creditors are available on the website of our Bank at www.fincarebank.com/regulatory.

Details of outstanding dues owed to MSMEs and other creditors as of December 31, 2020 is set out below:

Types of Creditors	Number of creditors	Amount involved (₹ in million)
Micro, Small and Medium Enterprises	Nil	NA
Other creditors	19	118.87
Total Outstanding Dues	**19**	**111.87**

Material Developments

Other than as stated in "*Management's Discussion And Analysis of Financial Condition And Results Of Operations"* on page 288, there have not arisen, since the date of the last financial information disclosed in this Draft Red Herring Prospectus, any circumstances which materially and adversely affect, or are likely to affect, our trading, our profitability or the value of our assets or our ability to pay our liabilities within the next 12 months.

GOVERNMENT AND OTHER APPROVALS

Set out below an indicative list of approvals obtained by our Bank which are considered material and necessary for the purpose of undertaking its business activities. In view of these key approvals, our Bank can undertake this Offer and its business activities. In addition, certain of our key approvals may have expired or may expire in the ordinary course of business and our Bank has either already made an application to the appropriate authorities for renewal of such key approvals or is in the process of making such renewal applications.

Approvals in relation to our Bank

I. **Incorporation Details**

1. Certificate of incorporation dated April 5, 1995 issued to our Bank, under the name Banas Finlease Private Limited by the RoC;

2. Fresh certificate of incorporation dated March 26, 2010 issued by the RoC, consequent upon change of name of our Bank from Banas Finlease Private Limited to Disha Microfin Private Limited;

3. Fresh certificate of incorporation dated December 13, 2016 issued by the RoC, consequent upon change of name of our Bank on conversion to a public limited company from Disha Microfin Private Limited to Disha Microfin Limited;

4. Fresh certificate of incorporation dated June 14, 2017 issued by the RoC, consequent upon change of name of our Bank from Disha Microfin Limited to Fincare Small Finance Bank Limited; and

5. The CIN of our Bank is U67120GJ1995PLC025373.

II. **Approvals in relation to the Offer**

For details regarding the approvals and authorisations obtained by our Bank and the Promoter Selling Shareholder in relation to the Offer, see "*Other Regulatory and Statutory Disclosures - Authority for the Offer*" on page 327.

III. **Key approvals in relation to our Bank**

A. Regulatory approvals

1. Certificate of registration dated April 5, 2010 issued by the RBI to carry on business of non-banking financial institution without accepting deposits, in its former name, Disha Microfin Private Limited, in lieu of the certificate dated November 27, 1999 issued by RBI. The registration certificate also refers to our Bank being converted to an NBFC-MFI with effect from December 6, 2013;

2. In-principle approval issued by RBI dated October 7, 2015 to convert into a small finance bank in private sector under Section 22 of the Banking Regulation Act, 1949, in its former name, Disha Microfin Private Limited;

3. License issued by the RBI bearing number MUM:135 dated May 12, 2017, to carry on small finance bank business in India in terms of Section 22 (1) of the Banking Regulation Act, 1949;

4. The RBI has, pursuant to a no objection certificate dated November 3, 2017, has permitted our Bank to undertake distribution of insurance products on non-risk sharing basis;

5. Certificate of registration issued by the IRDAI, bearing number CA0552, dated April 17, 2021 to act as a corporate agent (composite);

6. The RBI has permitted our Bank to open:

    a. 110 general banking branches consisting of 54 branches in tier 1 centres and 56 branches in tier 2 and 6 centres which includes 34 branches in unbanked rural centres pursuant to its letter dated March 29, 2017.

    b. Six banking branches in the districts of Bangalore, Ahmedabad and Chittoor pursuant to its letter dated June 30, 2017.

    c. Four administrative offices (including the registered office and corporate office) and three centralised processing centres in districts of Ahmedabad, Bengaluru, Chittoor, Indore and Nagpur, pursuant to its letter dated July 5, 2017.

    d. 20 banking outlets in the districts of Anand, Vadodra, Vellore, Navsari, etc pursuant to its letter dated August 9, 2017.

    e. One banking outlet in the district of Chittoor pursuant to its letter dated September 20, 2017.

f. 51 banking outlets in the districts of Dohad, Madurai, Vellore, Navsari, etc pursuant to its letter dated December 19, 2017.

g. 94 banking outlets in districts of Vellore, Narmada, Sabar Kantha, Bharuch, Gandhinagar, Ahmedabad, etc pursuant to its letter dated January 5, 2018.

h. 132 banking outlets in districts of east Godavari, Guntur, Vishakhapatnam, Nalgonda, etc pursuant to its letter dated May 18, 2018.

i. 1 banking outlet in Mumbai, pursuant to its letter dated June 4, 2018

j. 149 banking outlets in the districts of Mysore, Chittoor, Surat, Vishakhapatnam, Mumbai, Pune, Ahmedabad, Gurgaon, Bellary, New Delhi, Agra, Hyderabad, etc, pursuant to its letter dated October 24, 2018.

k. 35 banking outlets in the districts of Chittoor, Thane, Kozhikode, Jaipur, Mumbai, etc pursuant to its letter dated March 05, 2019.

l. Eight banking outlets in the districts of Anuppur, Chindwara, Shahpura, Pali, Shahdol, Belgaum, Bidar and Davanagere pursuant to its letter dated May 13, 2019.

m. Seven banking outlets in the districts Prakasam, Sri Potti Srimulu Nellore and Rewa pursuant to its letter dated May 24, 2019.

n. 20 banking outlets in districts Kurnool, Prakasam, Nizamabad, Siddipet, Jagital, Kamareddy, Vikarabad, etc. pursuant to its letter dated June 3, 2019.

o. 15 banking branches were substituted pursuant to a letter dated July 22, 2019.

p. 3 banking outlets in districts Adilabad and Nirmal pursuant to its letter dated August 2, 2019.

q. 21 banking outlets in the districts of Kanpur, Guntur, Ajmer, Dhule, Bijapur, Tapi, etc pursuant to its letter dated November 18, 2019.

r. 38 banking outlets in the districts of Gwalior, Solapur, Nashik, Buldana, Surguja, west Godavari, etc pursuant to its letter dated February 4, 2020.

s. 24 banking outlets in the districts of Nalgonda, Jalor, Jhabua, east Godavari, etc pursuant to its letter dated March 2, 2020.

t. Extension of the validity period of authorisation letter dated March 5, 2019, in respect of two banking outlets in the districts of Gandhinagar and Bangalore, up to June 4, 2020 pursuant to its letter dated March 4, 2020.

u. 19 banking outlets in the districts Bangalore Urban, New Delhi, Allahabad, Meerut, Chennai, Jalandhar, Ludhiana, Amritsar, etc. pursuant to its letter dated March 18, 2020.

7. The RBI pursuant to its letter dated November 6, 2017 approved the ABOEP for financial year 2017-2018 of 485 banking outlets consisting of 256 outlets (converted from existing micro finance branches) and 229 new banking outlets. The tier-wise classification is as follows: 101 outlets in Tier 1 centres and 384 outlets in Tier 2 to Tier 6 centres including at least 132 outlet in URCs;

8. The RBI pursuant to its letter dated September 3, 2018 approved the ABOEP for financial year 2018-2019 of 238 banking outlets being 61 outlets in Tier 1 centres and 177 outlets in Tier 2 to Tier 6 centres including at least 70 outlets in URCs;

9. The RBI pursuant to its letter dated October 9, 2019 approved the ABOEP for Financial Year 2019-20 of 683 banking outlets consisting of 445 in Tier 1 centres, 238 in Tier 2 to Tier 6 centres including at least 151 in URCs;

10. The RBI has, pursuant to a letter dated July 6, 2017, granted our Bank approval to participate in the Centralised Payment Systems viz. RTGS and NEFT;

11. The RBI has, pursuant to a letter dated May 30, 2018 and the Clearcorp Dealing Systems (India) Limited pursuant to the letter dated July 20, 2018, granted our Bank membership of NDS – OM and has activated the membership;

12. The RBI has, pursuant to a letter dated August 14, 2017, granted our Bank membership of RTGS System in the 'Type A' category and a RTGS settlement account;

13. The RBI has, pursuant to the letter dated July 5, 2017, permitted our Bank to open one registered office in Ahmedabad, Gujarat one corporate office in Bengaluru, one CPC in Bengaluru and two CPCs in Chittoor and one state office in Indore and Nagpur, each;

14. The RBI has, pursuant to a letter dated July 20, 2017, granted our Bank approval to commence and operate mobile banking services, with flexible channels of registration for customers;

15. The DICGC has, pursuant to a letter dated August 10, 2017, granted our Bank registration as an insured bank in terms of the Deposit Insurance and Credit Guarantee Corporation Act, 1961;

16. The FIMMDA, pursuant to a letter dated July 30, 2017, has approved the membership of our Bank as a member. An annual membership fee has been made by our Bank on April 12, 2021 for the Financial Year 2021-22;

17. The Indian Banks' Association, pursuant to its letter dated December 2, 2017, has granted our Bank, an ordinary membership of the association;

18. The RBI has, pursuant to a letter dated June 6, 2019, intimated our Bank of its inclusion in the Second Schedule to the RBI Act, 1934, by way of its notification, dated March 28, 2019 published in the Gazette of India (Part III – Section 4) dated April 13, 2019;

19. The RBI has, pursuant to a letter dated July 18, 2017, permitted our Bank to open a current account with the RBI in the name of our Bank;

20. The RBI has, pursuant to an email dated August 1, 2017, issued a 3 digit Basic Statistical Return – BSR Code 215, to our Bank;

21. The RBI has, pursuant to a letter dated August 4, 2017, permitted our Bank to open a subsidiary ledger account in the name of our Bank;

22. The RBI has, pursuant to an e-mail dated August 2, 2017, allotted primary IFSC FSFB0000001, to our Bank;

23. The RBI has, pursuant to a letter dated September 19, 2017, granted our Bank membership of the Bankers Clearing House, Chennai;

24. The RBI has, pursuant to a letter dated September 25, 2017, granted our Bank membership of the Western Grid Bankers Clearing House;

25. The NPCI, pursuant to an agreement dated September 7, 2017, has granted RuPay membership to our Bank;

26. The RBI has, pursuant to a letter dated November 16, 2017, has granted our Bank membership of the Bankers' Clearing House, New Delhi as a member;

27. The RBI has, pursuant to a letter dated March 20, 2018, granted our Bank permission to set up one call centre in Chittoor, Andhra Pradesh and one call centre in Ahmedabad, Gujarat;

28. The RBI through various letters has allotted the MICR code to 594 banking outlets of our Bank

29. The CERSAI has, pursuant to an e-mail dated May 23, 2019, confirmed the registration of our Bank in the Central KYC Registry;

30. The Department of Telecommunication, Ministry of Communication and Information Technology, Government of India has, pursuant to certificates dated January 10, 2018, March 12, 2018 and June 5, 2020 granted our Bank license to set up DOSPs in Ahmedabad, Gujarat, Chittoor, Andhra Pradesh and Bangalore, Karnataka, respectively;

31. The Ministry of Electronic & Information Technology, Unique Identification Authority of India (Authentication Division) pursuant to a letter dated September 18, 2017, has granted our Bank to act as an authentication user agency and/or e-KYC user agency;

32. The Foreign Exchange Department, RBI has, pursuant to certificate dated August 24, 2018, authorised our Bank as an Authorized Dealer – Category II;

33. The NACH has, pursuant to various emails, granted our Bank membership;

34. The RBI has, pursuant to a letter dated September 3, 2018, permitted our Bank to open one CPC in Ahmedabad, Gujarat;

35. Our Bank has been in compliance with the Foreign Account Tax Compliance Act, 2010, pursuant to registration dated July 9, 2018;

36. The RBI has, pursuant to a letter dated July 14, 2017, granted the INFINET membership to our Bank;

37. The CCIL has, pursuant to a letter dated January 21, 2019, granted our Bank memberships to the CCIL under the Triparty Repo under the Securities Segment;

38. The Clearcorp Dealing Systems (India) Limited, pursuant to its letter dated March 6, 2019, has granted our Bank membership of the Negotiated Dealing System – Screen Based Quote Driven Dealing Systems for Call, Notice and Term Money Operation (NDS-CALL Version 4.2.0);

39. The RBI has, pursuant to a letter dated April 20, 2018, permitted our Bank to open NRO and NRE accounts in accordance with the Foreign Exchange Management (Deposit) Regulations, 2016;

40. The NPCI has, pursuant to a certificate dated February 9, 2021 has granted our Bank registration under the Aadhaar Enabled Payment System to use the AEPS (OffUS 2.5- Revised Flow) – Issuer only {BE,CW, FT, PT, MS} feature;

41. Our Bank has, pursuant to a certificate dated September 27, 2017, obtained the IMPS Specification (P2A & P2U) Version 1.6. The NPCI has authorised our Bank to use IMPS P2A (Remitter + Beneficiary) feature for the customers of our Bank;

42. The NPCI has, pursuant to a certificate dated May 30, 2019 has authorised our Bank to use UPI 2.0 'Issuer' for its customers;

43. Our Bank is registered as a member with the NPCI – National Financial Switch;

44. The Financial Intelligence Unit – India has, registered our Bank as a reporting entity bearing reporting entity number 215; and

45. The RBI has, pursuant to a letter dated September 29, 2020 given their 'In Principle' approval under the Payment and Settlement Systems Act, 2007, to operate as a Bharat Bill Payment Operating Unit.

B. Tax related approvals

Our Bank has obtained registrations under various central and state specific tax laws such as the Income Tax Act, 1961, goods and service tax acts, state specific service tax and profession tax acts. Our Bank has obtained the necessary licenses and approvals from the appropriate regulatory and governing authorities in relation to such tax laws.

1. The permanent account number of our Bank is AABCB6398N.

2. The tax deduction account number of our Bank is AHMF01283C.

3. The GST registration number of our Bank is 24AABCB6398N1Z6, for the state of Gujarat.

C. Labour related approvals

Our Bank has obtained registrations under various employee and labour related laws including the Employee State Insurance Act, 1948, the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 and the relevant shops and establishment legislations.

D. Key approvals obtained for the banking outlets

Our Bank has obtained registrations in the normal course of business for its banking outlets across various states in India including licenses for location of business issued by relevant municipal authorities under applicable laws, shops and establishments registrations issued under relevant state legislations and registration under the Employees Provident Fund and Miscellaneous Provisions Act, 1952 and the Employee State Insurance, Act, 1948. Our Bank has obtained goods and services tax registrations with the relevant authorities for our banking outlets. Certain approvals may have lapsed in their normal course and our Bank has either made an application to the appropriate authorities for renewal of such registration or is in the process of making such applications.

IV. Key approvals required, but not obtained or applied for

As on the date of this DRHP, there are no approvals which our Bank was required to obtain or apply for, but which has not been obtained or been applied for.

V. Intellectual property

As on the date of this DRHP, our bank does not have any registered intellectual property. For details, see "*Our Business – Intellectual Property*" and "*Risk Factors - We depend on our brand recognition, and failure to maintain and enhance awareness of our brand would adversely affect our ability to retain and expand our base of customers.*" on pages 157 and 38 and "*History and Certain Corporate Matters - License agreement dated December 14, 2016 entered into between our Promoter and our Bank (in the name and style of Disha Microfin Limited)"* on page 185.

OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Offer

Our Board has approved the Offer pursuant to the resolution passed at its meeting held on April 28, 2021 and our Shareholders have approved the Fresh Issue pursuant to a resolution dated May 1, 2021. This Draft Red Herring Prospectus has been approved by our Board pursuant to a resolution passed on May 8, 2021. Further, our Board has taken on record the approval for the Offer for Sale by the Promoter Selling Shareholder pursuant to its resolution dated May 4, 2021.

The Promoter Selling Shareholder has confirmed and approved its participation in the Offer for Sale pursuant to a resolution passed by its board dated April 27, 2021 and consent letter dated April 30, 2021.

Our Bank has received in-principle approvals from the BSE and the NSE for the listing of the Equity Shares pursuant to letters dated [●] and [●], respectively.

Pursuant to the RBI In-Principle Approval and the RBI Final Approval, the Equity Shares of our Bank are mandatorily required to be listed within a period of three years from the date of reaching a net worth of ₹5,000 million, i.e. by September 30, 2021.

Prohibition by SEBI or other Governmental Authorities

Our Bank, Promoter, Directors, the persons in control of the Bank and the persons in control of our Promoter are not prohibited from accessing the capital market or debarred from buying, selling or dealing in securities under any order or direction passed by SEBI or any securities market regulator in any other jurisdiction or any other authority/court.

None of the companies with which our Promoter or Directors or persons in control of the Bank are associated with as promoters, directors or persons in control have been debarred from accessing capital markets under any order or direction passed by SEBI or any other authorities.

Except for (i) Pramod Kabra, who is associated with True Noth Fund VI LLP (a category II AIF), and (ii) Sunil Gulati, who is associated with Merisis Advisors Private Limited (portfolio managers), none of our Directors are associated with securities market related business. There is no outstanding action initiated by SEBI in the past five years against Pramod Kabra and Sunil Gulati.

Our Bank, Promoter or Directors have not been declared as wilful defaulters by any bank or financial institution or consortium thereof in accordance with the guidelines on wilful defaulters issued by the RBI.

Our Promoter or Directors have not been declared as fugitive economic offenders under the Fugitive Economic Offenders Act, 2018.

Confirmation under Companies (Significant Beneficial Owners) Rules, 2018

Our Bank and the Promoter Selling Shareholder are in compliance with the Companies (Significant Beneficial Owners) Rules, 2018, to the extent applicable, as on the date of this Draft Red Herring Prospectus.

Eligibility for the Offer

Our Bank is eligible for the Offer in accordance with Regulation 6(2) of the SEBI ICDR Regulations, which states as follows:

"*An issuer not satisfying the condition stipulated in sub-regulation (1) shall be eligible to make an initial public offer only if the issue is made through the book-building process and the issuer undertakes to allot at least seventy-five per cent. of the net offer to qualified institutional buyers and to refund the full subscription money if it fails to do so.*"

We are an unlisted company, not satisfying the conditions specified in Regulation 6(1) of the SEBI ICDR Regulations and are therefore required to allot not less than 75% of the Net Offer to QIBs to meet the conditions as detailed under Regulation 6(2) of the SEBI ICDR Regulations. In the event that we fail to do so, the full application monies shall be refunded to the Bidders, in accordance with the SEBI ICDR Regulations.

Our Bank is in compliance with the conditions specified in Regulation 5 of the SEBI ICDR Regulations, to the extent applicable. Our Bank confirms that it is also in compliance with the conditions specified in Regulation 7(1) of the SEBI ICDR Regulations, to the extent applicable, and will ensure compliance with the conditions specified in Regulation 7(2) of the SEBI ICDR Regulations, to the extent applicable.

The Promoter Selling Shareholder confirms that the Equity Shares being offered by it in the Offer for Sale have been held by it for a period of at least one year prior to the filing of this Draft Red Herring Prospectus with SEBI and are eligible for sale in the Offer in accordance with Regulation 8 of the SEBI ICDR Regulations. Our Bank shall not make an Allotment if the number or prospective allottees is less than 1,000 in accordance with Regulation 49(1) of the SEBI ICDR Regulations.

DISCLAIMER CLAUSE OF SEBI

IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THIS DRAFT RED HERRING PROSPECTUS TO SEBI SHOULD NOT IN ANY WAY BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE OFFER IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THIS DRAFT RED HERRING PROSPECTUS. THE MANAGERS HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THIS DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH THE SEBI ICDR REGULATIONS. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED OFFER.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE BANK IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THIS DRAFT RED HERRING PROSPECTUS, THE MANAGERS ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE BANK DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE MANAGERS HAVE FURNISHED TO SEBI A DUE DILIGENCE CERTIFICATE DATED MAY 8, 2021 IN THE FORMAT PRESCRIBED UNDER SCHEDULE V(A) OF THE SEBI ICDR REGULATIONS.

THE FILING OF THIS DRAFT RED HERRING PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE BANK FROM ANY LIABILITIES UNDER THE COMPANIES ACT, 2013 OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY OR OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED OFFER. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP, AT ANY POINT OF TIME, WITH THE MANAGERS ANY IRREGULARITIES OR LAPSES IN THIS DRAFT RED HERRING PROSPECTUS.

All legal requirements pertaining to this Offer will be complied with at the time of filing of the Red Herring Prospectus with the Registrar of Companies in terms of Section 32 of the Companies Act, 2013, and the Prospectus with the Registrar of Companies in terms of sections 26, 32, 33(1) and 33(2) of the Companies Act, 2013.

Disclaimer clause of RBI

A license authorizing the Bank to carry on small finance bank business has been obtained from the Reserve Bank of India in terms of Section 22 of the Banking Regulation Act, 1949. It must be distinctly understood, however, that in issuing the license, the Reserve Bank of India does not undertake any responsibility for the financial soundness of the Bank or for the correctness of any of the statements made or opinion expressed in this connection.

Disclaimer from our Bank, the Promoter Selling Shareholder, our Directors and Managers

Our Bank, the Promoter Selling Shareholder, our Directors and the Managers accept no responsibility for statements made otherwise than in this Draft Red Herring Prospectus or in the advertisements or any other material issued by or at our instance and anyone placing reliance on any other source of information, including our Bank's website www.fincarebank.com, or the respective websites of our Promoter or any affiliate of our Bank would be doing so at his or her own risk.

The Managers accept no responsibility, save to the limited extent as provided in the Offer Agreement and as will be provided for in the Underwriting Agreement.

All information shall be made available by our Bank, the Promoter Selling Shareholder and the Managers to the Bidders and the public at large and no selective or additional information would be made available for a section of the investors in any manner whatsoever, including at road show presentations, in research or sales reports, at the Bidding Centres or elsewhere.

None among our Bank, the Promoter Selling Shareholder, or any member of the Syndicate shall be liable for any failure in (i) uploading the Bids due to faults in any software/ hardware system or otherwise or (ii) the blocking of Bid Amount in the ASBA Account on receipt of instructions from the Sponsor Bank on account of any errors, omissions or non-compliance by various parties involved in, or any other fault, malfunctioning or breakdown in, or otherwise, in the UPI Mechanism.

Bidders will be required to confirm and will be deemed to have represented to our Bank, the Promoter Selling Shareholder, the Underwriters and their respective directors, officers, agents, affiliates, and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire the Equity Shares and will not issue, sell, pledge, or transfer the Equity Shares to any person who is not eligible under any applicable laws, rules, regulations, guidelines and approvals to acquire the Equity Shares. Our Bank, the Promoter Selling Shareholder the Underwriters and their respective directors, officers, agents, affiliates, and representatives accept no responsibility or liability for advising any investor on whether such investor is eligible to acquire the Equity Shares.

The Managers and their respective associates and affiliates in their capacity as principals or agents may engage in transactions with, and perform services for, our Bank, our Promoter, their respective directors and officers, group companies, affiliates or associates or third parties in the ordinary course of business and have engaged, or may in the future engage, in commercial banking and investment banking transactions with our Bank, the Promoter, and their respective directors, officers, agents, group companies, affiliates or associates or third parties, for which they have received, and may in the future receive, compensation.

Disclaimer in respect of Jurisdiction

This Offer is being made in India to persons resident in India (who are competent to contract under the Indian Contract Act, 1872, including Indian nationals resident in India, HUFs, companies, other corporate bodies and societies registered under the applicable laws in India and authorised to invest in shares, domestic Mutual Funds, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), or trusts under applicable trust law and who are authorised under their constitution to hold and invest in equity shares, state industrial development corporations, insurance companies registered with IRDAI, provident funds (subject to applicable law) and pension funds, National Investment Fund, insurance funds set up and managed by army, navy or air force of Union of India, insurance funds set up and managed by the Department of Posts, GoI, systemically important NBFCs registered with the RBI) and permitted Non-Residents including FPIs and Eligible NRIs and AIFs that they are eligible under all applicable laws and regulations to purchase the Equity Shares. This Draft Red Herring Prospectus does not constitute an offer to sell or an invitation to subscribe to Equity Shares offered hereby, in any jurisdiction to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this Draft Red Herring Prospectus comes is required to inform him or herself about, and to observe, any such restrictions. Any dispute arising out of this Offer will be subject to the jurisdiction of appropriate court(s) in Mumbai only.

This Draft Red Herring Prospectus does not constitute an invitation to subscribe or purchase the Equity Shares in the Offer in any jurisdiction, including in India. Invitations to subscribe to or purchase the Equity Shares in the Offer will be made only pursuant to the Red Herring Prospectus if the recipient is in India or the preliminary offering memorandum for the Offer, which comprises the Red Herring Prospectus and the preliminary international wrap for the Offer, if the recipient is outside India.

No person outside India is eligible to Bid for Equity Shares in the Offer unless that person has received the preliminary offering memorandum for the Offer, which contains the selling restrictions for the Offer outside India.

Eligibility and Transfer Restrictions

The Equity Shares have not been and will not be registered under the U.S. Securities Act or any other applicable law of the United States and, unless so registered, may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws. Accordingly, the Equity Shares are being offered and sold (i) within the United States only to persons reasonably believed to be "qualified institutional buyers" (as defined in Rule 144A and referred to in this Draft Red Herring Prospectus as "U.S. QIBs". For the avoidance of doubt, the term "U.S. QIBs" does not refer to a category of institutional investor defined under applicable Indian regulations and referred to in this Draft Red Herring Prospectus as "QIBs") in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act, and (ii) outside the United States in offshore transactions in reliance on Regulation S and pursuant to the applicable laws of the jurisdictions where those offers and sales are made.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

Until the expiry of 40 days after the commencement of this Offer, an offer or sale of Equity Shares within the United States by a dealer (whether or not it is participating in this Offer) may violate the registration requirements of the U.S. Securities Act.

Equity Shares Offered and Sold within the United States

Each purchaser that is acquiring the Equity Shares offered pursuant to this Offer within the United States, by its acceptance of the Red Herring Prospectus and the purchase of the Equity Shares, will be deemed to have acknowledged, represented to and agreed, on behalf of itself and each person for which it is acting, with the Bank and Managers that it has received a copy of the Red Herring Prospectus and such other information as it deems necessary to make an informed investment decision and that:

1) the purchaser is authorized to consummate the purchase of the Equity Shares offered pursuant to this Offer in compliance with all applicable laws and regulations;

2) the purchaser acknowledges that the Equity Shares offered pursuant to this Offer have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state of the United States and accordingly may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act;

3) the purchaser (i) is a U.S. QIB, (ii) is aware that the sale to it is being made in a transaction exempt from or not subject to the registration requirements of the U.S. Securities Act, (iii) was not formed for the purpose of investing in Equity Shares, and (iv) is acquiring such Equity Shares for its own account or for the account of a U.S. QIB with respect to which it exercises sole investment discretion;

4) the purchaser is not an affiliate of the Bank or a person acting on behalf of an affiliate;

5) if, in the future, the purchaser decides to offer, resell, pledge or otherwise transfer such Equity Shares, or any economic interest therein, such Equity Shares or any economic interest therein may be offered, sold, pledged or otherwise transferred only (A) (i) to a person whom the beneficial owner and/or any person acting on its behalf reasonably believes is a U.S. QIB in a transaction meeting the requirements of Rule 144A or (ii) in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S under the U.S. Securities Act and (B) in accordance with all applicable laws, including the securities laws of the states of the United States;

6) the Equity Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act and no representation is made as to the availability of the exemption provided by Rule 144 for resales of any such Equity Shares;

7) the purchaser will not deposit or cause to be deposited such Equity Shares into any depositary receipt facility established or maintained by a depositary bank other than a Rule 144A restricted depositary receipt facility, so long as such Equity Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act;

8) the purchaser understands that such Equity Shares (to the extent they are in certificated form), unless the Bank determines otherwise in accordance with applicable law, will bear a legend substantially to the following effect:

"THE EQUITY SHARES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) TO A PERSON WHOM THE SELLER OR ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE U.S. SECURITIES ACT IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE U.S. SECURITIES ACT, (2) IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE U.S. SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), OR (4) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS UNDER THE U.S. SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE U.S. SECURITIES ACT FOR RESALES OF THE EQUITY SHARES. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE FOREGOING, THE EQUITY SHARES MAY NOT BE DEPOSITED INTO ANY UNRESTRICTED DEPOSITARY RECEIPT FACILITY IN RESPECT OF THE EQUITY SHARES ESTABLISHED OR MAINTAINED BY A DEPOSITARY BANK."

9) the purchaser agrees that neither the purchaser, nor any of its affiliates (as defined in Rule 405 of the U.S. Securities Act), nor any person acting on behalf of the purchaser or any of its affiliates (as defined in Rule 405 of the U.S. Securities Act), will make any "directed selling efforts" as defined in Regulation S under the U.S. Securities Act in the United States with respect to the Equity Shares or any "general solicitation" or "general advertising" (as defined in Regulation D under the U.S. Securities Act) in the United States in connection with any offer or sale of the Equity Shares; and

10) the purchaser acknowledges that the Bank, Managers, their respective affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of such acknowledgements, representations and agreements deemed to have been made by virtue of its purchase of such Equity Shares are no longer accurate, it will promptly notify the Bank, and if it is acquiring any of such Equity Shares as a fiduciary or agent for one or more accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of such account.

All Other Equity Shares Offered and Sold in this Offer

Each purchaser that is acquiring the Equity Shares offered pursuant to this Offer outside the United States, by its acceptance of the Red Herring Prospectus and the purchase of the Equity Shares offered pursuant to this Offer, will be deemed to have acknowledged, represented to and agreed with the Bank and Managers that it has received a copy of the Red Herring Prospectus and such other information as it deems necessary to make an informed investment decision and that:

1) the purchaser is authorized to consummate the purchase of the Equity Shares offered pursuant to this Offer in compliance with all applicable laws and regulations;

2) the purchaser acknowledges that the Equity Shares offered pursuant to this Offer have not been and will not be registered under the U.S. Securities Actor with any securities regulatory authority of any state of the United States and

accordingly may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act;

3) the purchaser is purchasing the Equity Shares offered pursuant to this Offer in an offshore transaction meeting the requirements of Rule 903 of Regulation S under the U.S. Securities Act;

4) the purchaser and the person, if any, for whose account or benefit the purchaser is acquiring the Equity Shares offered pursuant to this Offer, was located outside the United States at each time (i) the offer of such Equity Shares was made to it and (ii) when the buy order for such Equity Shares was originated and continues to be located outside the United States and has not purchased such Equity Shares for the account or benefit of any person in the United States or entered into any arrangement for the transfer of such Equity Shares or any economic interest therein to any person in the United States;

5) the purchaser is not an affiliate of the Bank or a person acting on behalf of an affiliate;

6) if, in the future, the purchaser decides to offer, resell, pledge or otherwise transfer such Equity Shares, or any economic interest therein, such Equity Shares or any economic interest therein may be offered, sold, pledged or otherwise transferred only (A) (i) to a person whom the beneficial owner and/or any person acting on its behalf reasonably believes is a U.S. QIB in a transaction meeting the requirements of Rule 144A or (ii) in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S under the U.S. Securities Act and (B) in accordance with all applicable laws, including the securities laws of the States of the United States. The purchaser understands that the transfer restrictions will remain in effect until the Bank determines, in its sole discretion, to remove them;

7) the purchaser agrees that neither the purchaser, nor any of its affiliates (as defined in Rule 405 of the U.S. Securities Act), nor any person acting on behalf of the purchaser or any of its affiliates (as defined in Rule 405 of the U.S. Securities Act), will make any "directed selling efforts" as defined in Regulation S under the U.S. Securities Act in the United States with respect to the Equity Shares;

8) the purchaser understands that such Equity Shares (to the extent they are in certificated form), unless the Bank determine otherwise in accordance with applicable law, will bear a legend substantially to the following effect:

"THE EQUITY SHARES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) TO A PERSON WHOM THE SELLER OR ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE U.S. SECURITIES ACT IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE U.S. SECURITIES ACT, (2) IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE U.S. SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), OR (4) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS UNDER THE U.S. SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE U.S. SECURITIES ACT FOR RESALES OF THE EQUITY SHARES. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE FOREGOING, THE EQUITY SHARES MAY NOT BE DEPOSITED INTO ANY UNRESTRICTED DEPOSITARY RECEIPT FACILITY IN RESPECT OF THE EQUITY SHARES ESTABLISHED OR MAINTAINED BY A DEPOSITARY BANK."

9) the purchaser acknowledges that the Bank, Managers, their respective affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations, warranties and agreements and agrees that, if any of such acknowledgements, representations, warranties and agreements deemed to have been made by virtue of its purchase of such Equity Shares are no longer accurate, it will promptly notify the Bank, and if it is acquiring any of such Equity Shares as a fiduciary or agent for one or more accounts, it represents and warrants that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of such account.

Bidders are advised to ensure that any Bid from them does not exceed investment limits or the maximum number of Equity Shares that can be held by them under applicable law. Further, each Bidder where required must agree in the Allotment Advice that such Bidder will not sell or transfer any Equity Shares or any economic interest therein, including any off-shore derivative instruments, such as participatory notes, issued against the Equity Shares or any similar security, other than in accordance with applicable laws.

In terms of the Banking Regulation Act read with Reserve Bank of India (Prior approval for acquisition of shares or voting rights in private sector banks) Directions, 2015, no person (along with his relatives, associate enterprises or persons acting in concert with such person) can acquire or hold 5% or more of the total paid-up share capital of our Bank, or be entitled to exercise 5% or more of the total voting rights of our Bank, without prior approval of the RBI. For details, see *"Key Regulations and Policies"* and "*Offer Procedure"* on pages 165 and 349, respectively.

Disclaimer Clause of BSE

As required, a copy of this Draft Red Herring Prospectus has been submitted to BSE. The disclaimer clause as intimated by BSE to our Bank, post scrutiny of this Draft Red Herring Prospectus, shall be included in the Red Herring Prospectus and the Prospectus prior to the RoC filing.

Disclaimer Clause of NSE

As required, a copy of this Draft Red Herring Prospectus has been submitted to NSE. The disclaimer clause as intimated by NSE to our Bank, post scrutiny of this Draft Red Herring Prospectus, shall be included in the Red Herring Prospectus and the Prospectus prior to the RoC filing.

Listing

The Equity Shares offered through the Red Herring Prospectus and the Prospectus are proposed to be listed on the BSE and the NSE. Applications will be made to the Stock Exchanges for obtaining permission for listing and trading of the Equity Shares. [●] will be the Designated Stock Exchange with which the Basis of Allotment will be finalised.

Consents

Consents in writing of the Promoter Selling Shareholder, our Directors, Statutory Auditors, legal counsel appointed for the Offer, the Managers, the Registrar to the Offer, and the Bankers to the Bank in their respective capacities, have been obtained and such consents have not been withdrawn up to the time of delivery of this Draft Red Herring Prospectus. Further, consents in writing of the Syndicate Members, the Banker(s) to the Offer/ Escrow Collection Bank(s)/ Refund Bank(s), Sponsor Bank, the Share Escrow Agent to act in their respective capacities, will be obtained and filed along with a copy of the Red Herring Prospectus with the RoC as required under the Companies Act, 2013.

Expert to the Offer

Except as stated below, our Bank has not obtained any expert opinions:

Our Bank has received written consent dated May 8, 2021 from the Statutory Auditors namely, Walker Chandiok & Co. LLP, holding a valid peer review certificate from the Institute of Chartered Accountants of India to include their name in this Draft Red Herring Prospectus as required under Section 26(5) of the Companies Act, 2013 read with SEBI ICDR Regulations and as an "expert" as defined under Section 2(38) of the Companies Act, 2013, in respect of the reports of the Statutory Auditors on the Restated Financial Statements dated May 4, 2021, the statement of special tax benefits under direct tax and the statement of special tax benefits under indirect tax, both dated May 8, 2021 included in this Draft Red Herring Prospectus and such consent has not been withdrawn as on the date of this Draft Red Herring Prospectus. However, the term "expert" shall not be construed to mean an "expert" as defined under the Securities Act.

Particulars regarding capital issues by our Bank and listed group companies, subsidiaries or associate entity during the last three years

Other than as disclosed in "*Capital Structure*" on page 68, our Bank has not made any capital issues during the three years preceding the date of this Draft Red Herring Prospectus.

Our Bank does not have any associate entity or group company or subsidiary.

Commission and Brokerage paid on previous issues of the Equity Shares in the last five years

No sum has been paid or has been payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of the Equity in the last five years.

Performance vis-à-vis objects – Public/ rights issue of our Bank

Our Bank has not undertaken any public issue in the five years preceding the date of this Draft Red Herring Prospectus. Further, except as disclosed in "*Capital Structure*" on page 68, our Bank has not undertaken any rights issue in the five years preceding the date of this Draft Red Herring Prospectus. The objects for which the rights issue was undertaken has been achieved without any delay or shortfall.

Performance vis-à-vis objects – Public/ rights issue of the listed subsidiaries/listed Promoter of our Bank

Our Promoter is not listed on any stock exchange. Our Bank does not have any subsidiaries.

Price information of past issues handled by the Managers

A. I-Sec

1. Price information of past issues handled by I-Sec:

Sr. No.	Issue Name	Issue Size (₹ Mn.)	Issue Price (₹)	Listing Date	Opening Price on Listing Date	+/- % change in closing price, [+/- % change in closing benchmark]- 30th calendar days from listing	+/- % change in closing price, [+/- % change in closing benchmark]- 90th calendar days from listing	+/- % change in closing price, [+/- % change in closing benchmark]- 180th calendar days from listing
1	UTI Asset Management Company Limited	21,598.84	554.00	October 12, 2020	500.00	-10.43%,[+5.87%]	-0.60%,[+20.25%]	+5.81%,[+24.34%]
2	Mrs. Bectors Food Specialities Limited	5,405.40	288.00(1)	December 24, 2020	500.00	+37.69%,[+4.53%]	+19.93%,[+7.75%]	NA*
3	Indian Railway Finance Corporation Limited	46,333.79	26.00	January 21, 2020	24.90	-5.19%,[+6.56%]	-18.65%,[+9.02%]	NA*
4	Indigo Paints Limited	11,691.24	1,490.00(2)	February 2, 2021	2,607.50	+75.72%,[+4.08%]	+55.40%,[-0.11%]	NA*
5	Home First Finance Company India Limited	11,537.19	518.00	February 2, 2021	618.80	+4.98%,[+1.97%]	-5.64%,[-1.05%]	NA*
6	Railtel Corporation of India Limited	8,192.42	94.00	February 26, 2021	109.00	+35.64%,[-0.15%]	NA*	NA*
7	Kalyan Jewellers India Limited	11,748.16	87.00(3)	March 26, 2021	73.95	-24.60%,[-1.14%]	NA*	NA*
8	Suryoday Small Finance Bank Limited	5,808.39	305.00(4)	March 26, 2021	292.00	-18.38%,[-1.14%]	NA*	NA*
9	Nazara Technologies Limited	5,826.91	1,101.00(5)	March 30, 2021	1,990.00	+62.57%,[+0.13%]	NA*	NA*
10	Macrotech Developers Limited	25,000.00	486.00	April 19, 2021	436.00	NA*	NA*	NA*

**Data not available*

(1) *Discount of Rs.15 per equity share offered to eligible employees All calculations are based on Issue Price of ₹288.00 per equity share.*

(2) *Discount of Rs. 148 per equity share offered to eligible employees All calculations are based on Issue Price of ₹1,490.00 per equity share.*

(3) *Discount of Rs. 8 per equity share offered to eligible employees All calculations are based on Issue Price of ₹87.00 per equity share.*

(4) *Discount of Rs. 30 per equity share offered to eligible employees All calculations are based on Issue Price of ₹305.00 per equity share.*

(5) *Discount of Rs. 110 per equity share offered to eligible employees All calculations are based on Issue Price of ₹1,101.00 per equity share.*

2. Summary statement of price information of past issues handled by I-Sec:

Financial Year	Total no. of IPOs	Total amount of funds raised (₹ Mn.)	No. of IPOs trading at discount - 30th calendar days from listing			No. of IPOs trading at premium - 30th calendar days from listing			No. of IPOs trading at discount - 180th calendar days from listing			No. of IPOs trading at premium - 180th calendar days from listing		
			Over 50%	Between 25-50%	Less than 25%	Over 50%	Between 25-50%	Less than 25%	Over 50%	Between 25-50%	Less than 25%	Over 50%	Between 25-50%	Less than 25%
2021-22*	1	25,000.00	-	-	-	-	-	-	-	-	-	-	-	-
2020-21	14	174,546.09	-	-	5	5	2	2	-	-	1	3	1	1
2019-20	4	49,850.66	-	-	2	-	1	1	1	-	-	2	-	1

** This data covers issues upto YTD*

Notes:

1. *All data sourced from www.nseindia.com, except for Computer Age Management Services Limited for which the data is sourced from www.bseindia.com*
2. *Benchmark index considered is NIFTY*
3. *30th, 90th, 180th calendar day from listed day have been taken as listing day plus 29, 89 and 179 calendar days, except wherever 30th, 90th, 180th calendar day is a holiday, in which case we have considered the closing data of the previous trading day*

B. Ambit

1. Price information of past issues handled by Ambit:

Sr.No.	Issue Name	Issue Size (₹ Mn)	Issue price (₹)	Listing Date	Opening price on listing date (₹)	% change in closing price, [+/-% change in closing benchmark]- 30th calendar days from listing	% change in closing price, [+/-% change in closing benchmark]- 90th calendar days from listing	% change in closing price, [+/-% change in closing benchmark]- 180th calendar days from listing
1	Anupam Rasayan India Limited	7,600.00	555.00	24-Mar-21	520.00	-0.11%, [-0.98%]	NA	NA

Source: www.nseindia.com

Notes:

1. *Issue Size derived from Prospectus/final post issue reports, as available.*
2. *The CNX NIFTY is considered as the Benchmark Index.*
3. *Price on NSE is considered for all of the above calculations.*
4. *In case 30th/90th/180th day is not a trading day, closing price on NSE of the previous trading day has been considered.*
5. *Since 90 and 180 calendar days from listing date has not elapsed for the above issue, data for same is not available.*

2. Summary statement of price information of past issues handled by Ambit:

Financial Year	Total no. of issues	Total amount of funds raised (₹ Mn)	No. of IPOs trading at discount - 30th calendar days from listing			No. of IPOs trading at premium - 30th calendar days from listing			No. of IPOs trading at discount - 180th calendar days from listing			No. of IPOs trading at premium - 180th calendar days from listing		
			Over 50%	Between 25 - 50%	Less than 25%	Over 50%	Between 25 - 50%	Less than 25%	Over 50%	Between 25 - 50%	Less than 25%	Over 50%	Between 25 - 50%	Less than 25%
2020-2021	1	7,600.00	-	-	1	Nil			Nil			Nil		

Note: Since 180 calendar days from listing date has not elapsed for the above issue, data for same is not available

C. Axis

1. Price information of past issues handled by Axis:

Sr. No.	Issue name	Issue size (₹ million)	Issue price (₹)	Listing date	Opening price on listing date (in ₹)	+/- % change in closing price, [+/- % change in closing benchmark]- 30th calendar days from listing	+/- % change in closing price, [+/- % change in closing benchmark]- 90th calendar days from listing	+/- % change in closing price, [+/- % change in closing benchmark]- 180th calendar days from listing
1	Macrotech Developers Limited	25,000.00	486.00	April 19, 2021	436.00	-	-	-
2	Barbeque – Nation Hospitality Limited	4,528.74	500.00	April 7, 2021	489.85	+18.77%, [-0.64%]	-	-
3	Suryoday Small Finance Bank Limited$	5,808.39	305.00	March 26, 2021	292.00	-18.38%, [-1.14%]	-	-
4	Kalyan Jewellers India Limited#	11,748.16	87.00	March 26, 2021	73.95	-24.60%, [-1.14%]	-	-
5	Craftsman Automation Limited	8,236.96	1,490.00	March 25, 2021	1,359.00	-13.82%, [+0.11%]	-	-
6	Laxmi Organic Industries Limited	6,000.00	130.00	March 25, 2021	155.50	+37.85%, [+0.11%]	-	-
7	Anupam Rasayan India Limited	7,600.00	555.00	March 24, 2021	520.00	-0.11%, [-0.98%]	-	-
8	Easy Trip Planners Limited	5,100.00	187.00	March 19, 2021	212.25	-7.27%, [-0.86%]	-	-
9	Home First Finance Company India Limited	11,537.19	518.00	February 3, 2021	618.80	+4.98%, [+1.97%]	-5.64%, [-1.05%]	-
10	Mazagon Dock Shipbuilders Limited	4,436.86	145.00	October 12, 2020	214.90	+18.90%, [+5.87%]	+52.90%, [+20.25%]	+45.79%, [+24.34%]

Source: www.nseindia.com

$ Offer Price was ₹ 275.00 per equity share to Eligible Employees

 # Offer Price was ₹ 79.00 per equity share to Eligible Employees

Notes:

a. Issue Size derived from Prospectus/final post issue reports, as available.

b. The CNX NIFTY is considered as the Benchmark Index.

c. Price on NSE is considered for all of the above calculations.

d. In case 30th/90th/180th day is not a trading day, closing price on NSE of the previous trading day has been considered.

e. Since 30 calendar days, 90 calendar days and 180 calendar days, as applicable, from listing date has not elapsed for few of the above issues, data for same is not available.

2. Summary statement of price information of past issues handled by Axis:

Financial Year	Total no. of IPOs	Total funds raised (₹ million)	Nos. of IPOs trading at discount on as on 30th calendar days from listing date			Nos. of IPOs trading at premium on as on 30th calendar days from listing date			Nos. of IPOs trading at premium as on 180th calendar days from listing date			Nos. of IPOs trading at premium as on 180th calendar days from listing date		
			Over 50%	Between 25%-50%	Less than 25%	Over 50%	Between 25%-50%	Less than 25%	Over 50%	Between 25%-50%	Less than 25%	Over 50%	Between 25%-50%	Less than 25%
2021-2022*	2	29,528.74	-	-	-	-	-	1	-	-	-	-	-	-
2020-2021	11	93,028.90	-	-	6	2	1	2	-	-	-	2	1	1
2019-2020	5	161,776.03	-	1	2	-	-	2	1	1	-	-	-	3

** The information is as on the date of the document*

The information for each of the financial years is based on issues listed during such financial year.

Note: Since 30 calendar days and 180 calendar days, as applicable, from listing date has not elapsed for few of the above issues, data for same is not available.

D. IIFL:

1. Price information of past issues handled by IIFL:

Sr. No.	Issue Name	Issue Size (₹ Million)	Issue Price (₹)	Listing Date	Opening Price on Listing Date	+/- % change in closing price*, [+/- % change in closing benchmark]- 30th calendar days from listing	+/- % change in closing price*, [+/- % change in closing benchmark]- 90th calendar days from listing	+/- % change in closing price*, [+/- % change in closing benchmark]- 180th calendar days from listing
1	Equitas Small Finance Bank Ltd	5,176.00	33.00	November 2, 2020	31.10	+5.45%, [+12.34%]	+19.55%, [16.84%]	+68.18%,[+25.38%]
2	Mrs. Bectors Food Specialities Ltd	5,405.40	288.00	December 24, 2020	500.00	+37.69%, [+4.53%]	+19.93%, [+7.75%]	N.A.
3	Antony Waste Handling Cell Limited	2,999.85	315.00	January 1, 2021	436.10	-10.27%, [-2.74%]	-23.21%, [+4.80%]	N.A.
4	MTAR Technologies Limited	5964.14	575.00	March 15, 2021	1,050.00	+69.45%,[-2.84%]	N.A.	N.A.
5	Anupam Rasayan India Ltd	7,600.00	555.00	March 24, 2021	520.00	-0.11%,[-0.98%]	N.A.	N.A.
6	Craftsman Automation Limited	8,236.96	1,490.00	March 25, 2021	1,359.00	-13.82%,[+0.11%]	N.A.	N.A.
7	Suryoday Small Finance Bank Ltd	5,808.39	305.00	March 26, 2021	292.00	-18.38%,[-1.14%]	N.A.	N.A.
8	Nazara Technologies Ltd	5,826.91	1,101.00	March 30, 2021	1,990.00	+62.57%,[0.13%]	N.A.	N.A.
9	Barbeque-Nation Hospitality Limited	4,528.74	500.00	April 7, 2021	489.85	+18.77%,[-0.64%]	N.A.	N.A.
10	Macrotech Developers Ltd	25,000.00	486.00	April 19, 2021	436.00	N.A.	N.A.	N.A.

Source: www.nseindia.com

Note: Benchmark Index taken as CNX NIFTY. Price on NSE is considered for all of the above calculations. The 30th, 90th and 180th calendar day from listed day have been taken as listing day plus 29, 89 and 179 calendar days, except wherever 30th /90th / 180th calendar day from listing day is a holiday, the closing data of the previous trading day has been considered. % change taken against the Issue Price in case of the Issuer. The Nifty 50 index is considered as the benchmark index.

NA means Not Applicable.

2. Summary statement of price information of past issues handled by IIFL:

Financial Year	Total No. of IPO's	Total Funds Raised (₹ Mn)	No. of IPOs trading at discount – 30th calendar days from listing			No. of IPOs trading at premium – 30th calendar days from listing			No. of IPOs trading at discount – 180th calendar days from listing			No. of IPOs trading at premium – 180th calendar days from listing		
			Over 50%	Between 25-50%	Less than 25%	Over 50%	Between 25-50%	Less than 25%	Over 50%	Between 25-50%	Less than 25%	Over 50%	Between 25-50%	Less than 25%
2019–20	5	65,827.61	-	-	2	-	1	2	1	1	1	-	-	2
2020-21	8	47,017.65	-	-	4	2	1	1	-	-	-	1	-	-
2021-22	2	29,528.74	-	-	-	-	-	1	-	-	-	-	-	-

Source: www.nseindia.com

Note: Data for number of IPOs trading at premium/discount taken at closing price on NSE on the respective date. In case any of the days falls on a non-trading day, the closing price on the previous trading day has been considered. NA means Not Applicable.

E. SBICAP:

1. Price information of past issues handled by SBICAP:

Sr. No.	Issue Name	Issue Size (₹ Mn.)	Issue Price (₹)	Listing Date	Opening Price on Listing Date	+/- % change in closing price, [+/- % change in closing benchmark]- 30th calendar days from listing	+/- % change in closing price, [+/- % change in closing benchmark]- 90th calendar days from listing	+/- % change in closing price, [+/- % change in closing benchmark]- 180th calendar days from listing
1	Macrotech Developers Limited	25,000.00	486.00	April 19, 2021	436.00	NA	NA	NA
2	Barbeque-Nation Hospitality Limited	4528.74	500.00	April 07, 2021	489.85	18.77% [-0.64%]	NA	NA
3	Suryoday Small Finance Bank Ltd (1)	5,808.39	305.00	March 26, 2021	292.00	-18.38% [-1.14%]	NA	NA
4	Kalyan Jewellers India Ltd (2)	11748.16	87.00	March 26, 2021	73.95	-24.60% [-1.14%]	NA	NA
5	Railtel Corporation of India Limited	8192.42	94.00	February 26, 2021	109.00	35.64% [-0.15%]	NA	NA
6	Indian Railway Finance Corporation Ltd	46,333.79	26.00	January 29, 2021	24.90	-5.19% [+6.56%]	-18.65% [+9.02%]	NA
7	Mrs. Bectors Food Specialities Limited (3)	5,405.40	288.00	December 24,2020	500.00	37.69% [+4.53%]	19.93% [+7.75%]	NA
8	UTI Asset Management Company Ltd	21,598.84	554.00	October 12, 2020	500.00	-10.43% [+5.87%]	-0.60% [+20.25%]	5.81% [+24.34%]
9	Angel Broking Limited	6,000.00	306.00	October 05, 2020	275.00	-2.32% [+2.70%]	10.01% [+21.86%]	-3.74% [+29.24%]
10	SBI Cards & Payment Services Ltd.(4)	1,03,407.88	755.00	March 16, 2020	661.00	-33.05% [-2.21%]	-21.79% [+8.43%]	12.50% [+24.65]

Source: www.nseindia.com

Notes:

** The 30th, 90th and 180th calendar day computation includes the listing day. If either of the 30th, 90th or 180th calendar days isa trading holiday, the previous trading day is considered for the computation. We have taken the issue price to calculate the % change in closing price as on 30th, 90th and 180th day. We have taken the closing price of the applicable benchmark index as on the listing day to calculate the % change in closing price of the benchmark as on 30th, 90th and 180th day.*

** The Nifty 50 index is considered as the Benchmark Index*

1. *Price for eligible employee was Rs 30.00 per equity share*

2. *Price for eligible employee was Rs 8.00 per equity share*

3. *Price for eligible employee was Rs 273.00 per equity share*

4. *Price for eligible employees was Rs. 680.00 per equity share*

2. Summary statement of price information of past issues handled by SBICAP:

Financial Year	Total no. of IPOs #	Total amount of funds raised (₹ Mn.)	No. of IPOs trading at discount - 30th calendar days from listing			No. of IPOs trading at premium - 30th calendar days from listing			No. of IPOs trading at discount - 180th calendar days from listing			No. of IPOs trading at premium - 180th calendar days from listing		
			Over 50%	Between 25-50%	Less than 25%	Over 50%	Between 25-50%	Less than 25%	Over 50%	Between 25-50%	Less than 25%	Over 50%	Between 25-50%	Less than 25%
2021-22*	2	29,528.74	-	-	-	-	-	1	-	-	-	-	-	-
2020-21*	7	1,05,087.00	-	-	5	-	2	-	-	-	2	-	-	-
2019-20	3	138,283.86	-	1	1	1	-	-	1	-	-	1	-	1

** The information is as on the date of this Offer Document.*

 # Date of Listing for the issue is used to determine which financial year that particular issue falls into

Stock Market Data of Equity Shares

This being an initial public offer of Equity Shares of our Bank, the Equity Shares are not listed on any stock exchange and accordingly, no stock market data is available for the Equity Shares.

Mechanism for Redressal of Investor Grievances

The Registrar Agreement provides for retention of records with the Registrar to the Offer for a minimum period of eight years from the date of listing and commencement of trading of the Equity Shares on the Stock Exchanges, in order to enable the investors to approach the Registrar to the Offer for redressal of their grievances.

Investors can contact the Company Secretary and Compliance Officer, the Managers or the Registrar to the Offer in case of any pre-Offer or post-Offer related problems such as non-receipt of letters of Allotment, non-credit of Allotted Equity Shares in the respective beneficiary account, non-receipt of refund orders or non-receipt of funds by electronic mode, etc. All grievances, other than of Anchor Investors may be addressed to the Registrar to the Offer with a copy to the relevant Designated Intermediary with whom the ASBA Form was submitted, giving full details such as name of the sole or First Bidder, ASBA Form number, Bidder's DP ID, Client ID, PAN, address of Bidder, number of Equity Shares applied for, ASBA Account number in which the amount equivalent to the Bid Amount was blocked or the UPI ID (for RIB who make the payment of Bid Amount through the UPI Mechanism), date of ASBA Form and the name and address of the relevant Designated Intermediary where the Bid was submitted. Further, the Bidder shall enclose the Acknowledgment Slip or the application number from the Designated Intermediary in addition to the documents or information mentioned hereinabove. All grievances relating to Bids submitted through Registered Brokers may be addressed to the Stock Exchanges with a copy to the Registrar to the Offer.

All grievances of the Anchor Investors may be addressed to the Registrar to the Offer, giving full details such as the name of the sole or First Bidder, Bid cum Application Form number, Bidders' DP ID, Client ID, PAN, date of the Bid cum Application Form, address of the Bidder, number of the Equity Shares applied for, Bid Amount paid on submission of the Bid cum Application Form and the name and address of the Managers where the Bid cum Application Form was submitted by the Anchor Investor.

In terms of SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2018/22, dated February 15, 2018, any ASBA Bidder whose Bid has not been considered for Allotment, due to failure on the part of any SCSB, shall have the option to seek redressal of the same by the concerned SCSB within three months of the date of listing of the Equity Shares. SCSBs are required to resolve these complaints within 15 days, failing which the concerned SCSB would have to pay interest at the rate of 15% per annum for any delay beyond this period of 15 days.

Our Bank, the Promoter Selling Shareholder, the Managers and the Registrar to the Offer accept no responsibility for errors, omissions, commission or any act of the SCSBs, including any default in complying with their obligations under the applicable SEBI ICDR Regulations.

Disposal of Investor Grievances by our Bank

The Bank has obtained authentication on the SCORES and shall comply with the SEBI circular (CIR/OIAE/1/2014) dated December 18, 2014 in relation to redressal of investor grievances through SCORES.

Our Bank estimates that the average time required by our Bank or the Registrar to the Offer or the SCSB in case of ASBA Bidders, for the redressal of routine investor grievances shall be 10 Working Days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, our will seek to redress these complaints as expeditiously as possible.

Our Bank has not received investor complaints during the period of three years preceding the date of the Draft Red Herring Prospectus, hence no investor complaint in relation to our Bank is pending as on the date of filing of the Draft Red Herring Prospectus.

Our Bank has also appointed Shefaly Kothari, Company Secretary as the Compliance Officer of our Bank for the Offer. For details, see "*General Information*" and "*Our Management*" on pages 61 and 202, respectively.

Our Bank has constituted a Stakeholders' Relationship Committee comprising of Alok Prasad (*Chairman*), Sameer Yogesh Nanavati and Rajeev Yadav as members. For details, see "*Our Management*" on page 196.

SECTION VII: OFFER INFORMATION

TERMS OF THE OFFER

The Equity Shares being offered and Allotted pursuant to the Offer shall be subject to the provisions of the Companies Act, SEBI ICDR Regulations, SCRA, SCRR, the Banking Regulation Act, the SFB Licensing Guidelines, the MoA, AoA, Listing Regulations, RBI Final Approval, RBI In-Principle Approval, the terms of the Red Herring Prospectus, the Prospectus, the Abridged Prospectus, Bid cum Application Form, the Revision Form, the CAN/Allotment Advice and terms and conditions as may be incorporated in the Allotment Advice and other documents/certificates that may be executed in respect of the Offer. The Equity Shares shall also be subject to laws as applicable, guidelines, rules, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, the Government of India, the Stock Exchanges, the RBI, RoC and/or other authorities, as in force on the date of the Offer and to the extent applicable or such other conditions as may be prescribed by the SEBI, the RBI, the Government of India, the Stock Exchanges, the RoC and/or any other authorities while granting its approval for the Offer.

Ranking of the Equity Shares

The Allottees, upon Allotment of Equity Shares under the Offer, will be entitled to dividend and other corporate benefits, if any, declared by our Bank after the date of Allotment. The Equity Shares issued in the Offer shall be *pari passu* with the existing Equity Shares in all respects including dividends. For further details, see "*Description of Equity Shares and Terms of Articles of Association*" on page 363.

Mode of Payment of Dividend

Our Bank shall pay dividends, if declared, to the Shareholders in accordance with the provisions of the Companies Act, our MoA, AoA and provisions of the Listing Regulations and any other guidelines, policies or directions which may be issued by the GoI in this regard. All dividends declared by our Bank after the date of Allotment (pursuant to the Allotment of Equity Shares), will be payable to the Allottees for the entire year, in accordance with applicable laws. For further details, in relation to dividends, see "*Dividend Policy*" and "*Description of Equity Shares and Terms of Articles of Association*" on pages 213 and 363, respectively.

Face Value, Offer Price and Price Band

The face value of each Equity Share is ₹10 and the Offer Price at the lower end of the Price Band is ₹[●] per Equity Share and at the higher end of the Price Band is ₹[●] per Equity Share. The Anchor Investor Offer Price is ₹[●] per Equity Share.

The Price Band, minimum Bid Lot for the Offer and Employee Discount will be decided by our Bank and the Promoter Selling Shareholder, in consultation with the Managers, and will be advertised in [●] editions of the English national newspaper [●], [●] editions of [●], a Hindi national daily newspaper and [●] edition of [●], a Gujarati national daily newspaper (Gujarati being the regional language of Gujarat, where our Registered Office is located) each with wide circulation, at least two Working Days prior to the Bid/Offer Opening Date and shall be made available to the Stock Exchanges for the purpose of uploading the same on their websites. The Price Band, along with the relevant financial ratios calculated at the Floor Price and at the Cap Price, shall be pre-filled in the Bid cum Application Forms available on the respective websites of the Stock Exchanges.

At any given point of time, there shall be only one denomination for the Equity Shares.

The Offer

The Offer comprises a Fresh Issue by our Bank and an Offer for Sale by the Promoter Selling Shareholder.

Expenses for the Offer shall be shared amongst our Bank and the Promoter Selling Shareholder in the manner specified in "*Objects of the Offer - Offer Expenses*" on pages 86.

Rights of the Equity Shareholders

Subject to applicable laws, rules, regulations and guidelines and the Articles of Association, our equity Shareholders shall have the following rights:

- Right to receive dividends, if declared;
- Right to attend general meetings and exercise voting rights, unless prohibited by law;
- Right to vote on a poll either in person or by proxy, in accordance with the provisions of the Companies Act;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation, subject to any statutory and preferential claim being satisfied;

- Right of free transferability, subject to applicable laws including any RBI rules and regulations; and
- Such other rights, as may be available to a shareholder of a listed public company (being an SFB) under the Companies Act, Banking Regulation Act, the Listing Regulations, as applicable, and the Articles of Association of our Bank.

For a detailed description of the main provisions of the Articles of Association of our Bank relating to voting rights, dividend, forfeiture and lien, transfer, transmission and/or consolidation/splitting, see "*Description of Equity Shares and Terms of Articles of Association*" on page 363.

Allotment only in dematerialised form

Pursuant to Section 29 of the Companies Act, 2013 and the SEBI ICDR Regulations, the Equity Shares shall be Allotted only in dematerialised form. As per the SEBI ICDR Regulations, the trading of the Equity Shares shall only be in dematerialised form on the Stock Exchanges. In this context, two agreements have been entered into amongst our Bank, the respective Depositories and Registrar to the Offer:

- Tripartite agreement dated September 24, 2014 amongst our Bank, NSDL and Registrar to the Offer; and
- Tripartite agreement dated June 18, 2018 amongst our Bank, CDSL and Registrar to the Offer.

Market Lot and Trading Lot

Since trading of the Equity Shares is in dematerialised form, the tradable lot is one Equity Share. Allotment in this Offer will be in multiples of one Equity Share subject to a minimum Allotment of [●] Equity Shares.

Joint Holders

Subject to the provisions of the Articles of Association, where two or more persons are registered as the holders of the Equity Shares, they will be deemed to hold such Equity Shares as joint tenants with benefits of survivorship.

Nomination facility to investors

In accordance with Section 72 of the Companies Act, 2013, read with the Companies (Share Capital and Debentures) Rules, 2014, the sole Bidder, or the first Bidder along with other joint Bidders, may nominate any one person in whom, in the event of the death of sole Bidder or in case of joint Bidders, death of all the Bidders, as the case may be, the Equity Shares Allotted, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to Equity Share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale/transfer/alienation of Equity Share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at our Registered Office or to the registrar and transfer agents of our Bank.

Any person who becomes a nominee by virtue of the provisions of Section 72 of the Companies Act, 2013 shall upon the production of such evidence as may be required by the Board, elect either:

a) to register himself or herself as the holder of the Equity Shares; or

b) to make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with within a period of 90 days, the Board may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Since the Allotment of Equity Shares in the Offer will be made only in dematerialized mode, there is no need to make a separate nomination with our Bank. Nominations registered with respective Depository Participant of the Bidder would prevail. If the Bidder wants to change the nomination, they are requested to inform their respective Depository Participant.

Bid/Offer Programme

BID/OFFER OPENS ON	[●](1)
BID/OFFER CLOSES ON	[●](2)

(1) Our Bank and the Promoter Selling Shareholder may, in consultation with the Managers, consider participation by Anchor Investors. The Anchor Investor Bid/Offer Period shall be one Working Day prior to the Bid/Offer Opening Date in accordance with the SEBI ICDR Regulations

(2) Our Bank and the Promoter Selling Shareholder may, in consultation with the Managers, consider closing the Bid/Offer Period for QIBs one day prior to the Bid/Offer Closing Date in accordance with the SEBI ICDR Regulations

An indicative timetable in respect of the Offer is set out below:

Event	Indicative Date
Bid/Offer Closing Date	[●]
Finalisation of Basis of Allotment with the Designated Stock Exchange	On or about [●]
Initiation of refunds (if any, for Anchor Investors)/unblocking of funds from ASBA Account*	On or about [●]
Credit of Equity Shares to demat accounts of Allottees	On or about [●]
Commencement of trading of the Equity Shares on the Stock Exchanges	On or about [●]

* *In case of (i) any delay in unblocking of amounts in the ASBA Accounts (including amounts blocked through the UPI Mechanism) for cancelled/ withdrawn/ deleted ASBA Forms, the Bidder shall be compensated at a uniform rate of ₹100 per day or 15% per annum of the Bid Amount, whichever is higher from the date on which the request for cancellation/ withdrawal/ deletion is placed in the Stock Exchanges bidding platform until the date on which the amounts are unblocked (ii) any blocking of multiple amounts for the same ASBA Form (for amounts blocked through the UPI Mechanism), the Bidder shall be compensated at a uniform rate ₹100 per day or 15% per annum of the total cumulative blocked amount except the original application amount, whichever is higher from the date on which such multiple amounts were blocked till the date of actual unblock; (iii) any blocking of amounts more than the Bid Amount, the Bidder shall be compensated at a uniform rate of ₹100 per day or 15% per annum of the difference in amount, whichever is higher from the date on which such excess amounts were blocked till the date of actual unblock; (iv) any delay in unblocking of non-allotted/ partially allotted Bids, exceeding four Working Days from the Bid/Offer Closing Date, the Bidder shall be compensated at a uniform rate of ₹100 per day or 15% per annum of the Bid Amount, whichever is higher for the entire duration of delay exceeding four Working Days from the Bid/ Offer Closing Date by the SCSB responsible for causing such delay in unblocking. The post Offer Managers shall be liable for compensating the Bidder at a uniform rate of ₹100 per day or 15% per annum of the Bid Amount, whichever is higher from the date of receipt of the Investor grievance until the date on which the blocked amounts are unblocked.*

The above timetable, other than the Bid/Offer Closing Date, is indicative and does not constitute any obligation or liability on our Bank, the Promoter Selling Shareholder or the Managers.

Whilst our Bank shall ensure that all steps for the completion of the necessary formalities for the listing and the commencement of trading of the Equity Shares on the Stock Exchanges are taken within six Working Days of the Bid/Offer Closing Date, the timetable may be extended due to various factors, such as extension of the Bid/Offer Period by Our Bank and the Promoter Selling Shareholder in consultation with the Managers, revision of the Price Band or any delay in receiving the final listing and trading approval from the Stock Exchanges. The commencement of trading of the Equity Shares will be entirely at the discretion of the Stock Exchanges and in accordance with the applicable laws.

Submission of Bids (other than Bids from Anchor Investors):

Bid/Offer Period (except the Bid/Offer Closing Date)	
Submission and Revision in Bids	Only between 10.00 a.m. and 5.00 p.m. (Indian Standard Time ("**IST**")
Bid/Offer Closing Date	
Submission and Revision in Bids	Only between 10.00 a.m. and 3.00 p.m. IST

On the Bid/ Offer Closing Date, the Bids shall be uploaded until:

(i) 4.00 p.m. IST in case of Bids by QIBs and Non-Institutional Bidders, and

(ii) until 5.00 p.m. IST or such extended time as permitted by the Stock Exchanges, in case of Bids by RIBs and Eligible Employees Bidding under the Employee Reservation Portion

On Bid/Offer Closing Date, extension of time may be granted by Stock Exchanges only for uploading Bids received by RIBs and Eligible Employees Bidding under the Employee Reservation Portion after taking into account the total number of Bids received and as reported by the Managers to the Stock Exchanges.

The Registrar to the Offer shall submit the details of cancelled/withdrawn/deleted applications to the SCSB's on daily basis within 60 minutes of the Bid closure time from the Bid/ Offer Opening Date till the Bid/Offer Closing Date by obtaining the same from the Stock Exchanges. The SCSB's shall unblock such applications by the closing hours of the Working Day.

It is clarified that Bids not uploaded on the electronic bidding system or in respect of which the full Bid Amount is not blocked by SCSBs would be rejected.

Due to limitation of time available for uploading the Bids on the Bid/Offer Closing Date, Bidders are advised to submit their Bids one day prior to the Bid/Offer Closing Date. Any time mentioned in this Draft Red Herring Prospectus is IST. Bidders are cautioned that, in the event a large number of Bids are received on the Bid/Offer Closing Date, some Bids may not get uploaded due to lack of sufficient time. Such Bids that cannot be uploaded will not be considered for allocation under this Offer. Bids will be accepted only during Working Days.

None among our Bank and the Promoter Selling Shareholder or any member of the Syndicate is liable for any failure in (i) uploading the Bids due to faults in any software/ hardware system or otherwise; and (ii) the blocking of Bid Amount in the ASBA Account on receipt of instructions from the Sponsor Bank on account of any errors, omissions or non-compliance by various parties involved in, or any other fault, malfunctioning or breakdown in, or otherwise, in the UPI Mechanism.

Our Bank and the Promoter Selling Shareholder in consultation with the Managers reserve the right to revise the Price Band during the Bid/ Offer Period. The revision in the Price Band shall not exceed 20% on either side, i.e. the Floor Price can move up or down to the extent of 20% of the Floor Price and the Cap Price will be revised accordingly.

In case of revision in the Price Band, the Bid/ Offer Period shall be extended for at least three additional Working Days after such revision, subject to the Bid/ Offer Period not exceeding 10 Working Days. In cases of force majeure, banking strike or similar circumstances, our Bank and the Promoter Selling Shareholder in consultation with the Managers, for reasons to be recorded in writing, extend the Bid/ Offer Period for a minimum of three Working Days, subject to the Bid/ Offer Period not exceeding 10 Working Days. Any revision in Price Band, and the revised Bid/ Offer Period, if applicable, shall be widely disseminated by notification to the Stock Exchanges, by issuing a press release and also by indicating the change on the terminals of the Syndicate Members and by intimation to the Designated Intermediaries. In case of revision of price band, the Bid lot shall remain the same.

In case of discrepancy in data entered in the electronic book vis-vis data contained in the Bid cum Application Form for a particular Bidder, the details as per the Bid file received from the Stock Exchanges shall be taken as the final data for the purpose of Allotment.

Minimum Subscription

If our Bank does not receive (i) the minimum subscription of 90% of the Fresh Issue on the date of closure of the Offer; and (ii) subscription in the Offer equivalent to at least 10% post-Offer paid-up equity share capital of our Bank (the minimum number of securities as specified under Rule 19(2)(b) of the SCRR), including through devolvement of Underwriters, as applicable, within 60 days from the date of Bid/ Offer Closing Date on the date of closure of the Offer; or withdrawal of applications; or after technical rejections; or if the listing; or trading permission is not obtained from the Stock Exchanges for the securities so offered pursuant to the Red Herring Prospectus and the Prospectus; or if the subscription level falls below the threshold under Rule 19(2)(b) of the SCRR mentioned above after the Bid/Offer Closing Date, our Bank shall forthwith refund the entire subscription amount received, in accordance with applicable law including the SEBI circular bearing no. SEBI/HO/CFD/DIL1/CIR/P/2021/47 dated March 31, 2021. If there is a delay beyond four days after our Bank becomes liable to pay the amount, our Bank and every Director of our Bank, who are officers in default, shall pay interest at the rate prescribed under applicable law, including the Companies Act, 2013 and the SEBI ICDR Regulations The requirement for minimum subscription is not applicable for the Offer for Sale.

In the event of under-subscription in the Offer, subject to receiving minimum subscription for 90% of the Fresh Issue and compliance with Rule 19(2)(b) of the SCRR, the Allotment for the valid Bids will be made in the first instance towards subscription for 90% of the Fresh Issue. If there remain any balance valid Bids in the Offer, the Allotment for the balance valid Bids will be made first towards Equity Shares offered by the Promoter Selling Shareholder, and only then, towards the remaining Equity Shares in the Fresh Issue.

The Promoter Selling Shareholder shall reimburse any expenses and interest incurred by our Bank on behalf of the Promoter Selling Shareholder for any delays in making refunds as required under the Companies Act and any other applicable law, provided that the Promoter Selling Shareholder shall not be responsible or liable for payment of such expenses or interest, unless such delay is solely and directly attributable to an act or omission of the Promoter Selling Shareholder.

Further, our Bank shall ensure that the number of Allottees shall not be less than 1,000.

Arrangements for Disposal of Odd Lots

There are no arrangements for disposal of odd lots since our Equity Shares will be traded in dematerialised form only and market lot for our Equity Shares will be one Equity Share.

Restrictions, if any on Transfer and Transmission of Equity Shares

Except for lock-in of the pre-Offer capital of our Bank, lock-in of the Promoter's Contribution and the Anchor Investor lock-in as provided in "*Capital Structure*" on page 68 and except as provided under the Banking Regulation Act and the rules and regulations made thereunder and the Articles of Association, there are no restrictions on transfer of the Equity Shares. Further, there are no restrictions on transmission of any shares/debentures of our Bank and on their consolidation or splitting, except as provided in the Articles of Association. For details, see "*Description of Equity Shares and Terms of Articles of Association*" on page 363.

In accordance with Section 12B of the Banking Regulation Act read with Reserve Bank of India (Prior approval for acquisition of shares or voting rights in private sector banks) Directions, 2015, no person (along with his relatives, associate enterprises or persons acting in concert with such person) can acquire or hold 5% or more of the total paid-up share capital of our Bank, or be entitled to exercise 5% or more of the total voting rights of our Bank, without prior approval of the RBI. For further details, see *"Key Regulations and Policies"* and "*Offer Procedure*" on pages 165 and 349.

OFFER STRUCTURE

Offer of up to [●] Equity Shares for cash at price of ₹[●] per Equity Share (including a premium of ₹[●] per Equity Share) aggregating up to ₹13,300 million comprising of a Fresh Issue of up to [●] Equity Shares aggregating up to ₹3,300 million by our Bank and an Offer for Sale of up to [●] Equity Shares aggregating up to ₹10,000 million by the Promoter Selling Shareholder.

The Offer shall constitute [●]% of the post-Offer paid-up equity share capital of our Bank. The Offer includes a reservation of up to [●] Equity Shares, aggregating up to ₹[●] million, for subscription by Eligible Employees. The Employee Reservation Portion shall not exceed 5% of our post-Offer paid-up equity share capital. The Offer less the Employee Reservation Portion is the Net Offer. The Offer and Net Offer shall constitute [●]% and [●]% of the post-Offer paid-up equity share capital of our Bank, respectively.

Our Bank may, in consultation with the Managers, consider a Pre-IPO Placement of such number of Equity Share for an aggregate amount of up to ₹2,000 million. The Pre-IPO Placement, if undertaken, will be at a price to be decided by our Bank, in consultation with the Managers and the Pre-IPO Placement will be completed prior to filing of the Red Herring Prospectus with the RoC. If the Pre-IPO Placement is undertaken, the aggregate amount raised from the Pre-IPO Placement will be reduced from the Fresh Issue, subject to the minimum Offer Size constituting at least [●]% of the post-Offer paid-up equity share capital of our Bank.

The Offer is being made through the Book Building Process.

Particulars	Eligible Employees	QIBs[(1)]	Non-Institutional Bidders	Retail Individual Bidders
Number of Equity Shares available for Allotment/ allocation [(2)]	Up to [●] Equity Shares	Not less than [●] Equity Shares	Not more than [●] Equity Shares available for allocation or Net Offer less allocation to QIB Bidders and RIBs	Not more than [●] Equity Shares available for allocation or Net Offer less allocation to QIB Bidders and Non-Institutional Bidders
Percentage of Offer Size available for Allotment/ allocation	The Employee Reservation Portion shall constitute upto [●]% of the post-Offer paid-up Equity Share capital of our Bank	Not less than 75% of the Net Offer Size shall be Allotted to QIBs. However, up to 5% of the QIB Portion (excluding Anchor Investor Portion) will be available for allocation proportionately to Mutual Funds only. Mutual Funds participating in the Mutual Fund Portion will also be eligible for allocation in the remaining QIB Portion. The unsubscribed portion in the Mutual Fund Portion will be available for allocation to QIBs	Not more than 15% of the Net Offer	Not more than 10% of the Net Offer
Basis of Allotment/ allocation if respective category is oversubscribed	Proportionate, unless the Employee Reservation Portion is undersubscribed, the value of allocation to an Eligible Employee shall not exceed ₹200,000 (net of Employee Discount, if any). In the event of undersubscription in the Employee Reservation Portion, the unsubscribed portion may be allocated, on a proportionate basis, to Eligible Employees for value exceeding ₹200,000 (net of Employee Discount, if any), subject to total Allotment to an Eligible Employee not exceeding ₹500,000 (net of	Proportionate as follows (excluding the Anchor Investor Portion): a) up to [●] Equity Shares shall be available for allocated on a proportionate basis to Mutual Funds only; and b) [●] Equity Shares shall be allotted on a proportionate basis to all QIBs, including Mutual Funds receiving allocation as per (a) above. Up to 60% of the QIB Portion Equity Shares may be allocated on a discretionary basis to Anchor Investors of which one-third shall be available for allocation to domestic Mutual Funds only, subject to valid Bid received from domestic Mutual Funds at or above the Anchor Investor Allocation Price	Proportionate	Allotment to each Retail Individual Bidder shall not be less than the minimum Bid lot, subject to availability of Equity Shares in the Retail Portion and the remaining available Equity Shares if any, shall be allotted on a proportionate basis. For details see, "*Offer Procedure*" on page 385

Particulars	Eligible Employees	QIBs[1]	Non-Institutional Bidders	Retail Individual Bidders
	Employee Discount if any).			
Minimum Bid	[●] Equity Shares	Such number of Equity Shares and in multiples of [●] Equity Shares so that the Bid Amount exceeds ₹200,000	Such number of Equity Shares and in multiples of [●] Equity Shares so that the Bid Amount exceeds ₹200,000	[●] Equity Shares and in multiples of [●] Equity Shares thereafter.
Maximum Bid	Such number of Equity Shares and in multiples of [●] Equity Shares, so that the maximum Bid Amount by each Eligible Employee in Eligible Employee Portion does not exceed ₹500,000, less Employee Discount, if any	Such number of Equity Shares in multiples of [●] Equity Shares so that the Bid does not exceed the size of the Net Offer, subject to applicable limits, applicable to each Bidder	Such number of Equity Shares in multiples of [●] Equity Shares so that the Bid does not exceed the size of the Net Offer, (excluding the QIB Portion), subject to applicable limits, applicable to each Bidder	Such number of Equity Shares in multiples of [●] Equity Shares so that the Bid Amount does not exceed ₹200,000
Who can apply[3] [4]	Eligible Employees	Public financial institutions as specified in Section 2(72) of the Companies Act 2013, scheduled commercial banks, mutual funds registered with SEBI, FPIs other than individuals, corporate bodies and family offices, FVCIs, VCFs, AIFs, state industrial development corporation, insurance company registered with IRDAI, provident fund with minimum corpus of ₹250 million, pension fund with minimum corpus of ₹250 million National Investment Fund set up by the Government, insurance funds set up and managed by army, navy or air force of the Union of India, insurance funds set up and managed by the Department of Posts, India and Systemically Important NBFCs.	Resident Indian individuals, Eligible NRIs, HUFs (in the name of Karta), companies, corporate bodies, scientific institutions, societies and trusts, family offices and FPIs who are individuals, corporate bodies and family offices	Resident Indian individuals, Eligible NRIs and HUFs (in the name of Karta)
Mode of Allotment	Compulsorily in dematerialized form			
Bid Lot	[●] Equity Shares and in multiples of [●] Equity Shares thereafter			
Allotment Lot	A minimum of [●] Equity Shares and thereafter in multiples of one Equity Share.			
Trading Lot	One Equity Share			
Terms of Payment	**In case of Anchor Investors**: Full Bid Amount shall be payable by the Anchor Investors at the time of submission of their Bids[4] **In case of all other Bidders**: Full Bid Amount shall be blocked in the bank account of the ASBA Bidder (other than Anchor Investors) that is specified in the ASBA Form at the time of submission of the ASBA Form			
Mode of Bidding	Only through the ASBA process (except for Anchor Investors).			

(1) *Our Bank and the Promoter Selling Shareholder may, in consultation with the Managers, allocate up to 60% of the QIB Portion to Anchor Investors on a discretionary basis in accordance with the SEBI ICDR Regulations. One-third of the Anchor Investor Portion shall be reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the price Anchor Investor Allocation Price. In the event of under-subscription or non-Allotment in the Anchor Investor Portion, the balance Equity Shares in the Anchor Investor Portion shall be added to the Net QIB Portion. For details, see "Offer Structure" on page 345*

(2) *Subject to valid Bids being received at or above the Offer Price. This is an Offer in terms of Rule 19(2)(b) of the SCRR in compliance with Regulation 6(2) of the SEBI ICDR Regulations.*

(3) *In case of joint Bids, the Bid cum Application Form should contain only the name of the first Bidder whose name should also appear as the first holder of the beneficiary account held in joint names. The signature of only such first Bidder would be required in the Bid cum Application Form and such first Bidder would be deemed to have signed on behalf of the joint holders. Our Bank and the Promoter Selling Shareholder, in consultation with the Managers, reserves the right to reject all or any multiple Bids, except as otherwise permitted, in any or all categories. Further, a Bidder Bidding in the Employee*

Reservation Portion may also Bid under the Net Offer and such Bids shall not be treated as multiple Bids. To clarify, an Eligible Employee Bidding in the Employee Reservation Portion above ₹500,000 shall not be allowed to Bid in the Net Offer as such Bids shall be treated as multiple Bids.

(4) *Full Bid Amount shall be payable by the Anchor Investors at the time of submission of the Anchor Investor Application Forms provided that any difference between the Anchor Investor Allocation Price and the Anchor Investor Offer Price shall be payable by the Anchor Investor pay-in date as indicated in the CAN.*

Any unsubscribed portion remaining in the Employee Reservation Portion shall be added to the Net Offer. Allotment to an Eligible Employee in the Employee Reservation Portion may not exceed ₹ 200,000 in value (net of Employee Discount, if any).

Only in the event of an under-subscription in the Employee Reservation Portion, post the initial Allotment, such unsubscribed portion may be Allotted on a proportionate basis to Eligible Employees Bidding in the Employee Reservation Portion, subject to the total Allotment to an Eligible Employee not exceeding ₹ 500,000 in value (net of Employee Discount, if any).

Subject to valid Bids being received at or above the Offer Price, under-subscription, if any, in the Non-Institutional Portion or the Retail Portion or the Employee Reservation Portion would be allowed to be met with spill-over from other categories or a combination of categories at the discretion of our Bank and the Promoter Selling Shareholder, in consultation with the Managers and the Designated Stock Exchange, on a proportionate basis. However, under-subscription, if any, in the QIB Portion will not be allowed to be met with spill-over from other categories or a combination of categories. For further details, see "*Terms of the Offer*" on page 341.

In terms of the Banking Regulation Act read with Reserve Bank of India (Prior approval for acquisition of shares or voting rights in private sector banks) Directions, 2015, no person either by himself or acting in concert with any other person can acquire, directly or indirectly, or hold 5% or more of the total paid-up share capital of our Bank, or be entitled to exercise 5% or more of the total voting rights of our Bank, without prior approval of the RBI. Accordingly, it is the responsibility of each Bidder to seek RBI approval, if the Bids submitted by such Bidder for such number of Equity Shares as may result in the shareholding of a Bidder (along with his relatives, associate enterprises or persons acting in concert with such Bidder ("**Other Persons**") aggregate to 5% or more of the post-Offer paid-up share capital of our Bank. It may be noted that in the event an approval from RBI is not obtained by any Bidder, it shall not be allotted 5% or more of the post-issue paid-up share capital of our Bank.

Our Bank, the Promoter Selling Shareholder, the Managers and the Registrar to the Offer will rely strictly and solely on the RBI approvals received from Bidders for making any Allotment of Equity Shares to such Bidders and to the Other Persons, if any, that results in such Bidder, either individually or on an aggregate basis with the Other Persons associated with such Bidder, holding Equity Shares equal to or in excess of 5% of the post-Offer paid-up share capital of our Bank thereafter, after considering their existing aggregate shareholding in our Bank, if any. Our Bank, the Registrar to the Offer and Managers will not be responsible for identifying the Other Persons associated with any Bidder, or for the consequences of any Bidder and the Other Persons holding Equity Shares, which together with their existing shareholding amount to 5% or more of the post-Offer paid-up share capital of our Bank pursuant to the Allotment made without a valid and subsisting RBI approval.

A clearly legible copy of the RBI approval in the name(s) of the Bidders together with the application submitted for obtaining such RBI approval must be submitted by the Bidders with the Bid cum Application Form as well as to the Registrar to the Offer atleast two Working Days before the date for finalisation of the Basis of Allotment. Such RBI approval should clearly mention the name(s) of the entities which propose to Bid in the Offer, the aggregate shareholding of the Bidder and the Other Persons in the pre-Offer paid-up share capital of our Bank and the maximum permitted holding of Equity Shares by the Other Persons. All allotments to such Bidders and the Other Persons, shall be in accordance with and subject to the conditions contained in such RBI approval.

An 'associate enterprise' has the same meaning assigned to it in Explanation 1(a) to Section 12B of Banking Regulation Act, 1949. A 'person acting in concert" has the same meaning as stated in Explanation1(c) to Section 12B of Banking Regulation Act, 1949. A 'relative' has the same meaning as defined in Section 2(77) of the Companies Act, 2013 and rules made thereunder.

Bidders will be required to confirm and will be deemed to have represented to our Bank, the Underwriters, their respective directors, officers, agents, affiliates and representatives that they are eligible under applicable law, rules, regulations, guidelines and posess the requisite approvals to acquire the Equity Shares.

Withdrawal of the Offer

Our Bank and the Promoter Selling Shareholder, in consultation with the Managers, reserve the right not to proceed with the Offer, after the Bid/ Offer Opening Date but before the Allotment. In such an event, our Bank would issue a public notice in the newspapers in which the pre-Offer advertisements were published, within two days of the Bid/ Offer Closing Date or such other time as may be prescribed by SEBI, providing reasons for not proceeding with the Offer and shall promptly inform the Stock Exchanges on which the Equity Shares are proposed to be listed. The Managers, through the Registrar to the Offer, shall notify the SCSBs and the Sponsor Bank, to unblock the bank accounts of the ASBA Bidders within one Working Day from the date of receipt of such notification and also inform the Bankers to the Offer to process refunds to the Anchor Investors, as the case may be.

If our Bank and the Promoter Selling Shareholder, in consultation with the Managers withdraws the Offer after the Bid/ Offer Closing Date and thereafter determines that it will proceed with an initial public offering of the Equity Shares, our Bank shall file a fresh draft red herring prospectus with SEBI. Notwithstanding the foregoing, this Offer is also subject to obtaining (i) the final listing and trading approvals of the Stock Exchanges, which our Bank shall apply for after Allotment; and (ii) the final RoC approval of the Prospectus after it is filed with the RoC.

OFFER PROCEDURE

All Bidders should read the General Information Document, which highlights the key rules, processes and procedures applicable to public issues in general in accordance with the provisions of the Companies Act, the SCRA, the SCRR and the SEBI ICDR Regulations and is a part of the Abridged Prospectus accompanying the Bid cum Application Form. The General Information Document is available on the websites of the Stock Exchanges and the Managers. Please refer to the relevant provisions of the General Information Document which are applicable to the Offer.

Additionally, all Bidders may refer to the General Information Document for information in relation to (i) category of investors eligible to participate in the Offer; (ii) maximum and minimum Bid size; (iii) price discovery and allocation; (iv) payment instructions for ASBA Bidders/Applicants; (v) issuance of CAN and Allotment in the Offer; (vi) general instructions (limited to instructions for completing the Bid cum Application Form); (vii) submission of Bid cum Application Form; (viii) other instructions (limited to joint bids in cases of individual, multiple bids and instances when an application would be rejected on technical grounds); (ix) applicable provisions of the Companies Act, 2013 relating to punishment for fictitious applications; (x) mode of making refunds; and (xi) interest in case of delay in allotment or refund.

*SEBI vide its circular no. SEBI/HO/CFD/DIL2/CIR/P/2018/138 dated November 1, 2018 read with its circular no. SEBI/HO/CFD/DIL2/CIR/P/2019/50 dated April 3, 2019, has introduced an alternate payment mechanism using Unified Payments Interface ("**UPI**") and consequent reduction in timelines for listing in a phased manner. From January 1, 2019, the UPI Mechanism for RIBs applying through Designated Intermediaries was made effective along with the existing process and existing timeline of T+6 days. ("**UPI Phase I**"). The UPI Phase I was effective till June 30, 2019.*

*With effect from July 1, 2019, SEBI vide its circular no. SEBI/HO/CFD/DIL2/CIR/P/2019/76 dated June 28, 2019, read with circular bearing number SEBI/HO/CFD/DIL2/CIR/P/2019/85 dated July 26, 2019 with respect to Bids by RIBs through Designated Intermediaries (other than SCSBs), the existing process of physical movement of forms from such Designated Intermediaries to SCSBs for blocking of funds has been discontinued and only the UPI Mechanism for such Bids with existing timeline of T+6 days was mandated for a period of three months or launch of five main board public issues, whichever is later ("**UPI Phase II**"). Subsequently, however, SEBI vide its circular no. SEBI/HO/CFD/DCR2/CIR/P/2019/133 dated November 8, 2019 extended the timeline for implementation of UPI Phase II till March 31, 2020. Moreover, given the prevailing uncertainty due to the COVID- 19 pandemic, SEBI vide its circular no. SEBI/HO/CFD/DIL2/CIR/P/2020/50 dated March 30, 2020, has decided to continue with the UPI Phase II till further notice. The final reduced timeline will be made effective using the UPI Mechanism for applications by RIBs ("**UPI Phase III**"), as may be prescribed by SEBI. The Offer will be undertaken pursuant to the processes and procedures under UPI Phase II, subject to any circulars, clarification or notification issued by the SEBI from time to time. Further, SEBI vide its circular no. SEBI/HO/CFD/DIL2/CIR/P/2021/2480/1/M dated March 16, 2021 has introduced certain additional measures for streamlining the process of initial public offers and redressing investor grievances. This circular shall come into force for initial public offers opening on/or after May 1, 2021 and the provisions of this circular are deemed to form part of this Draft Red Herring Prospectus. Additionally, SEBI vide its circular no. SEBI/HO/CFD/DIL1/CIR/P/2021/47 dated March 31, 2021 has reduced the time period for refund of application monies from 15 days to four days.*

Our Bank, the Promoter Selling Shareholder and the Members of the Syndicate do not accept any responsibility for the completeness and accuracy of the information stated in this section and are not liable for any amendment, modification or change in the applicable law which may occur after the date of this Draft Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that their Bids are submitted in accordance with applicable laws and do not exceed the investment limits or maximum number of the Equity Shares that can be held by them under applicable law or as specified in the Red Herring Prospectus and the Prospectus.

Further, our Bank, the Promoter Selling Shareholder and the Members of the Syndicate are not liable for any adverse occurrences consequent to the implementation of the UPI Mechanism for application in this Offer.

Book Building Procedure

The Offer is being made through the Book Building Process in accordance with Regulation 6(2) of the SEBI ICDR Regulations wherein not less than 75% of the Net Offer shall be allocated on a proportionate basis to QIBs, provided that our Bank and the Promoter Selling Shareholder may, in consultation with the Managers, allocate up to 60% of the QIB Portion to Anchor Investors on a discretionary basis in accordance with the SEBI ICDR Regulations, of which one-third shall be reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the Anchor Investor Allocation Price. In the event of under-subscription, or non-allotment in the Anchor Investor Portion, the balance Equity Shares shall be added to the Net QIB Portion. Further, 5% of the Net QIB Portion shall be available for allocation on a proportionate basis only to Mutual Funds, and the remainder of the Net QIB Portion shall be available for allocation on a proportionate basis to all QIBs (other than Anchor Investors), including Mutual Funds, subject to valid Bids being received at or above the Offer Price. Further, not more than 15% of the Net Offer shall be available for allocation on a proportionate basis to Non-Institutional Investors and not more than 10% of the Net Offer shall be available for allocation to RIBs in accordance with the SEBI ICDR Regulations, subject to valid Bids being received at or above the Offer Price.

The Offer includes a reservation of up to [●] Equity Shares, aggregating up to ₹[●] million, for subscription by Eligible Employees. The Employee Reservation Portion shall not exceed [●]% of our post-Offer paid-up equity share capital subject to valid Bids being received at or above the Offer Price, net of Employee Discount, if any.

Under-subscription, if any, in any category, including the Employee Reservation Portion, except in the QIB Portion, would be allowed to be met with spill over from any other category or combination of categories of Bidders at the discretion of our Bank and the Promoter Selling Shareholder, in consultation with the Managers and the Designated Stock Exchange subject to receipt of valid Bids received at or above the Offer Price. Under-subscription, if any, in the QIB Portion, would not be allowed to be met with spill-over from any other category or a combination of categories.

The Equity Shares, on Allotment, shall be traded only in the dematerialized segment of the Stock Exchanges.

Investors should note that the Equity Shares will be Allotted to all successful Bidders only in dematerialised form. The Bid cum Application Forms which do not have the details of the Bidders' depository account, including DP ID, Client ID, PAN and UPI ID, for RIBs Bidding using the UPI Mechanism, shall be treated as incomplete and will be rejected. Bidders will not have the option of being Allotted Equity Shares in physical form. However, they may get the Equity Shares rematerialised subsequent to Allotment of the Equity Shares in the Offer, subject to compliance with Applicable Law.

Phased implementation of Unified Payments Interface

SEBI has issued the UPI Circulars in relation to streamlining the process of public issue of inter alia, equity shares. Pursuant to the UPI Circulars, the UPI Mechanism has been introduced in a phased manner as a payment mechanism (in addition to mechanism of blocking funds in the account maintained with SCSBs under ASBA) for applications by RIBs through Designated Intermediaries with the objective to reduce the time duration from public issue closure to listing from six Working Days to up to three Working Days. Considering the time required for making necessary changes to the systems and to ensure complete and smooth transition to the UPI payment mechanism, the UPI Circulars have introduced the UPI Mechanism in three phases in the following manner:

Phase I: This phase was applicable from January 1, 2019 until March 31, 2019 or floating of five main board public issues, whichever was later. Subsequently, the timeline for implementation of Phase I was extended till June 30, 2019. Under this phase, a RIB had the option to submit the ASBA Form with any of the Designated Intermediary and use his/ her UPI ID for the purpose of blocking of funds. The time duration from public issue closure to listing continued to be six Working Days.

Phase II: This phase has become applicable from July 1, 2019 and was to initially continue for a period of three months or floating of five main board public issues, whichever is later. SEBI vide its circular no. SEBI/HO/CFD/DCR2/CIR/P/2019/133 dated November 8, 2019 has decided to extend the timeline for implementation of UPI Phase II until March 31, 2020. Subsequently, SEBI vide its circular no. SEBI/HO/CFD/DIL2/CIR/P/2020/50 dated March 30, 2020 extended the timeline for continuation of UPI Phase II till further notice. Under this phase, submission of the ASBA Form by RIBs through Designated Intermediaries (other than SCSBs) to SCSBs for blocking of funds has been discontinued and replaced by the UPI Mechanism. However, the time duration from public issue closure to listing continues to be six Working Days during this phase.

Phase III: The commencement period of Phase III is yet to be notified. In this phase, the time duration from public issue closure to listing would be reduced to three Working Days.

For further details, refer to the General Information Document available on the websites of the Stock Exchanges and the Managers.

Bid cum Application Form

Copies of the Bid cum Application Form (other than for Anchor Investors) and the Abridged Prospectus will be available with the Designated Intermediaries at the Bidding Centres, and our Registered Office. An electronic copy of the Bid cum Application Form will also be available for download on the websites of NSE (www.nseindia.com) and BSE (www.bseindia.com) at least one day prior to the Bid/ Offer Opening Date.

Copies of the Anchor Investor Application Form will be available at the offices of the Managers.

All Bidders (other than Anchor Investors) shall mandatorily participate in the Offer only through the ASBA process. Anchor Investors are not permitted to participate in the Offer through the ASBA process. The RIBs can additionally Bid through the UPI Mechanism.

RIBs bidding using the UPI Mechanism must provide the valid UPI ID in the relevant space provided in the Bid cum Application Form and the Bid cum Application Forms that do not contain the UPI ID are liable to be rejected.

ASBA Bidders (not using the UPI Mechanism) must provide bank account details and authorisation to block funds in their respective ASBA Accounts in the relevant space provided in the ASBA Form and the ASBA Forms that do not contain such details are liable to be rejected.

ASBA Bidders shall ensure that the Bids are made on ASBA Forms bearing the stamp of the Designated Intermediary, submitted at the Bidding Centres only (except in case of electronic ASBA Forms) and the ASBA Forms not bearing such specified stamp are liable to be rejected. RIBs using UPI Mechanism, may submit their ASBA Forms, including details of their UPI IDs, with the Syndicate, Sub-Syndicate Members, Registered Brokers, RTAs or CDPs. RIBs authorising an SCSB to block the Bid Amount in the ASBA Account may submit their ASBA Forms with the SCSBs. ASBA Bidders must ensure that the ASBA Account has sufficient credit balance such that an amount equivalent to the full Bid Amount can be blocked by the SCSB or the Sponsor Bank, as applicable at the time of submitting the Bid. In order to ensure timely information to investors, SCSBs are required to send SMS alerts to investors intimating them about Bid Amounts blocked/ unblocked.

The prescribed colour of the Bid cum Application Form for the various categories is as follows:

Category	Colour of Bid cum Application Form*
Resident Indians, including resident QIBs, Non-Institutional Bidders, RIBs and Eligible NRIs applying on a non-repatriation basis	[●]
Eligible NRIs, FVCIs, FPIs and registered bilateral and multilateral institutions applying on a repatriation basis	[●]
Anchor Investors	[●]
Eligible Employees bidding in the Employee Reservation Portion	[●]

* *Excluding electronic Bid cum Application Forms*

Notes:

(1) Electronic Bid cum Application forms and the Abridged Prospectus will also be available for download on the website of NSE (www.nseindia.com) and BSE (www.bseindia.com)

(2) Bid cum Application Forms for Anchor Investors shall be available at the offices of the Managers

In case of ASBA forms, the relevant Designated Intermediaries shall upload the relevant Bid details in the electronic bidding system of the Stock Exchanges. For RIBs using UPI Mechanism, the Stock Exchanges shall share the Bid details (including UPI ID) with the Sponsor Bank on a continuous basis to enable the Sponsor Bank to initiate UPI Mandate Request to RIBs for blocking of funds. For ASBA Forms (other than RIBs using UPI Mechanism) Designated Intermediaries (other than SCSBs) shall submit/ deliver the ASBA Forms to the respective SCSB where the Bidder has an ASBA bank account and shall not submit it to any non-SCSB bank or any Escrow Collection Bank.

In terms of the Banking Regulation Act and the SFB Licensing Guidelines read with the Reserve Bank of India (Prior approval for acquisition of shares or voting rights in private sector banks) Directions, 2015, no person either by himself or acting in concert with any other person can acquire, directly or indirectly, or hold 5% or more of the total paid-up share capital of our Bank, or be entitled to exercise 5% or more of the total voting rights of our Bank, without prior approval of the RBI. Accordingly, it is the responsibility of each Bidder to seek RBI approval, if the Bids submitted by such Bidder for such number of Equity Shares as may result in the shareholding of a Bidder (along with his relatives, associate enterprises or persons acting in concert with such Bidder ("**Other Persons**") aggregate to 5% or more of the post-Offer paid-up share capital of our Bank. It may be noted that in the event an approval from RBI is not obtained by any Bidder, it shall not be allotted 5% or more of the post-issue paid-up share capital of our Bank.

Our Bank, the Promoter Selling Shareholder, the Managers and the Registrar to the Offer will rely strictly and solely on the RBI approvals received from Bidders for making any Allotment of Equity Shares to such Bidders and to the Other Persons, if any, that results in such Bidder, either individually or on an aggregate basis with the Other Persons associated with such Bidder, holding Equity Shares equal to or in excess of 5% of the post-Offer paid-up share capital of our Bank thereafter, after considering their existing aggregate shareholding in our Bank, if any. Our Bank, the Promoter Selling Shareholder, the Registrar to the Offer and Managers will not be responsible for identifying the Other Persons associated with any Bidder, or for the consequences of any Bidder and the Other Persons holding Equity Shares, which together with their existing shareholding amount to 5% or more of the post-Offer paid-up share capital of our Bank pursuant to the Allotment made without a valid and subsisting RBI approval.

A clearly legible copy of the RBI approval in the name(s) of the Bidders together with the application submitted for obtaining such RBI approval must be submitted by the Bidders with the Bid cum Application Form as well as to the Registrar to the Offer before two Working Days prior to the date for finalisation of the Basis of Allotment. Such RBI approval should clearly mention the name(s) of the entities which propose to Bid in the Offer, the aggregate shareholding of the Bidder and the Other Persons in the pre-Offer paid-up share capital of our Bank and the maximum permitted holding of Equity Shares by the Other Persons. All allotments to such Bidders and the Other Persons, shall be in accordance with and subject to the conditions contained in such RBI approval.

An 'associate enterprise' has the same meaning assigned to it in Explanation 1(a) to Section 12B of Banking Regulation Act, 1949. A 'person acting in concert" has the same meaning as stated in Explanation1(c) to Section 12B of Banking Regulation Act, 1949. A 'relative' has the same meaning as defined in Section 2(77) of the Companies Act, 2013 and rules made thereunder.

Accordingly, in case of Bids for such number of Equity Shares, as may result in the shareholding of a Bidder (along with his relatives, associate enterprises or persons acting in concert with such person) exceeding 5% or more of the total paid-up share capital of our Bank, such Bidder is required to submit the approval obtained from the RBI with the Registrar

to the Offer, at least two Working Day prior to the finalisation of the Basis of Allotment. In case of failure by such Bidder to submit the approval obtained from the RBI within the above time period, our Bank may Allot maximum number of Equity Shares, as adjusted for the Bid Lot (and in case of over-subscription in the Offer, after making applicable proportionate allocation for the Equity Shares Bid for), that will limit the aggregate shareholding of the Bidder (along with his relatives, associate enterprises or persons acting in concert with such person and including existing shareholding, if any) to less than 5% of the post-Offer paid-up equity share capital of our Bank.

A clearly legible copy of the RBI approval in the name(s) of the Bidders together with the application submitted for obtaining such RBI approval must be submitted by the Bidders with the Bid cum Application Form as well as to the Registrar to the Offer at least two Working Days prior to the finalisation of the Basis of Allotment. Such RBI approval should clearly mention the name(s) of the entities which propose to Bid in the Offer, the aggregate shareholding of the Bidder and the Other Persons in the pre-Offer paid-up share capital of our Bank and the maximum permitted holding of Equity Shares by the Other Persons. All allotments to such Bidders and the Other Persons, shall be in accordance with and subject to the conditions contained in such RBI approval.

Participation by Promoter of the Bank, the Managers and the Syndicate Members

The Managers and the Syndicate Members shall not be allowed to purchase Equity Shares in this Offer in any manner, except towards fulfilling their underwriting obligations. However, the associates and affiliates of the Managers and the Syndicate Members may Bid for Equity Shares in the Offer, either in the QIB Portion or in the Non-Institutional Portion as may be applicable to such Bidders, where the allocation is on a proportionate basis and such subscription may be on their own account or on behalf of their clients. All categories of investors, including associates or affiliates of the Managers and Syndicate Members, shall be treated equally for the purpose of allocation to be made on a proportionate basis.

The Managers or any associates of the Managers (except Mutual Funds sponsored by entities which are associates of the Managers or insurance companies promoted by entities which are associate of Managers or AIFs sponsored by the entities which are associate of the Managers or FPIs, other than sponsored by the entities which are associates of the Managers) cannot apply in the Anchor Investor Portion.

Further, an Anchor Investor shall be deemed to be an associate of the Managers, if: (a) either of them controls, directly or indirectly through its subsidiary or holding company, not less than 15% of the voting rights in the other; or (b) either of them, directly or indirectly, by itself or in combination with other persons, exercises control over the other; or (c) there is a common director, excluding a nominee director, amongst the Anchor Investor and the Managers.

Except in its capacity as the Promoter Selling Shareholder, the Promoter will not participate in the Offer.

Bids by Mutual Funds

With respect to Bids by Mutual Funds, a certified copy of their SEBI registration certificate must be lodged along with the Bid cum Application Form. Failing this, our Bank and the Promoter Selling Shareholder reserves the right to reject any Bid without assigning any reason thereof.

Bids made by asset management companies or custodians of Mutual Funds shall specifically state names of the concerned schemes for which such Bids are made.

In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Fund registered with SEBI and such Bids in respect of more than one scheme of the Mutual Fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

No Mutual Fund scheme shall invest more than 10% of its net asset value in equity shares or equity related instruments of any single company provided that the limit of 10% shall not be applicable for investments in case of index funds or sector or industry specific schemes. No Mutual Fund under all its schemes should own more than 10% of any company's paid-up share capital carrying voting rights.

Further, the Banking Regulation Act requires any person to seek prior approval of the RBI to acquire or agree to acquire, directly or indirectly, shares or voting rights of a bank, by itself or with persons acting in concert, wherein such acquisition (taken together with shares or voting rights held by such person or associate enterprise or persons acting in concert with the concerned person) results in aggregate shareholding of such person to be 5% or more of the paid up capital of a bank or entitles him to exercise 5% or more of the voting rights in a bank. For details, see "*Key Regulations and Policies*" on page 165.

Bids by Eligible NRIs

Eligible NRIs may obtain copies of Bid cum Application Form from the Designated Intermediaries. Only Bids accompanied by payment in Indian Rupees or freely convertible foreign exchange will be considered for Allotment. Eligible NRI Bidders bidding on a repatriation basis by using the Non-Resident Forms should authorize their respective SCSB or confirm or accept the UPI Mandate Request (in case of Retail Individual Investors Bidding through the UPI Mechanism) to block their Non-Resident External ("**NRE**") accounts (including UPI ID, if activated), or Foreign Currency Non-Resident ("**FCNR**") Accounts, and eligible NRI Bidders bidding on a non-repatriation basis by using Resident Forms should authorize their respective SCSB to block their Non-Resident Ordinary ("**NRO**") accounts or confirm or accept the UPI mandate request (in case of RIBs using the UPI Mechanism) for the full Bid Amount, at the time of the submission of the Bid cum Application Form. NRIs applying in the Offer through the UPI Mechanism are advised to enquire with the relevant bank, whether their account is UPI linked, prior to submitting a Bid cum Application Form.

Eligible NRIs Bidding on non-repatriation basis are advised to use the Bid cum Application Form for residents (white in colour). Eligible NRIs Bidding on a repatriation basis are advised to use the Bid cum Application Form meant for Non-Residents (blue in colour).

In accordance with the FDI Policy, the total holding by any individual NRI, on a repatriation or non-repatriation basis, shall not exceed 5% of the total paid-up equity capital on a fully diluted basis or shall not exceed 5% of the paid-up value of each series of debentures or preference shares or share warrants issued by an Indian company and the total holdings of all NRIs and OCIs put together, on a repatriation or non-repatriation basis, shall not exceed 10% of the total paid-up equity capital on a fully diluted basis or shall not exceed 10% of the paid-up value of each series of debentures or preference shares or share warrant. Provided that the aggregate ceiling of 10% may be raised to 24% if a special resolution to that effect is passed by the general body of the Indian company.

Our Bank has, pursuant to a Board resolution dated April 28, 2021 and Shareholders resolution dated May 1, 2021, increased the limit of investment of NRIs, on a repatriation basis, to up to 24% of the paid-up equity share capital of the Bank, provided that the shareholding of each NRI in the Bank shall not exceed 5% of the equity share capital or such other limit as may be stipulated by the RBI.

Bids by HUFs

Bids by Hindu Undivided Families or HUFs should be made in the individual name of the *Karta*. The Bidder/Applicant should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form/Application Form as follows: "Name of sole or first Bidder/Applicant: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the *Karta*". Bids/Applications by HUFs will be considered at par with Bids/Applications from individuals.

Bids by FPIs

In terms of the SEBI FPI Regulations, the investment in Equity Shares by a single FPI or an investor group (which means multiple entities registered as FPIs and directly or indirectly having common ownership of more than 50% or common control) must be below 10% of our post-Offer equity share capital. Further, in terms of the FEM NDI Rules, the total holding by each FPI or an investor group shall be below 10% of the total paid-up equity share capital of our Bank and the total holdings of all FPIs put together can be up to the sectoral cap applicable to the sector in which our Bank operates (i.e., up to 74%), as prescribed under the FEM NDI Rules. The aggregate limit as provided above could have been decreased by the Indian company concerned to a lower threshold limit of 24% or 49% or 74% as deemed fit, with the approval of its board of directors and its shareholders through a resolution and a special resolution, respectively before March 31, 2020.

With effect from April 1, 2020, the aggregate limit for FPI investments shall be the sectoral caps applicable to our Bank (i.e. automatic up to 49% and government route beyond 49% and up to 74%).

In case the total holding of an FPI increases beyond 10% of the total paid-up equity share capital, on a fully diluted basis or 10% or more of the paid-up value of any series of debentures or preference shares or share warrants issued that may be issued by our Bank, the total investment made by the FPI will be re-classified as FDI subject to the conditions as specified by SEBI and the RBI in this regard and our Bank and the investor will be required to comply with applicable reporting requirements.

In case of Bids made by FPIs, a certified copy of the certificate of registration issued under the SEBI FPI Regulations is required to be attached to the Bid cum Application Form, failing which our Bank and the Promoter Selling Shareholder, in consultation with the Managers, reserves the right to reject any Bid without assigning any reason. FPIs who wish to participate in the Offer are advised to use the Bid cum Application Form for Non-Residents ([●] in colour).

To ensure compliance with the above requirement, SEBI has, pursuant to its circular dated July 13, 2018, directed that at the time of finalisation of the Basis of Allotment, the Registrar shall (i) use the PAN issued by the Income Tax Department of India for checking compliance for a single FPI; and (ii) obtain validation from Depositories for the FPIs who have invested in the Offer to ensure there is no breach of the investment limit, within the timelines for issue procedure, as prescribed by SEBI from time to time.

Subject to compliance with all applicable Indian laws, rules, regulations, guidelines and approvals in terms of Regulation 21 of the SEBI FPI Regulations, an FPI, may issue, subscribe to or otherwise deal in offshore derivative instruments (as defined under the SEBI FPI Regulations as any instrument, by whatever name called, which is issued overseas by a FPI against securities held by it in India, as its underlying) directly or indirectly, only in the event (i) such offshore derivative instruments are issued only by persons registered as Category I FPIs; (ii) such offshore derivative instruments are issued only to persons eligible for registration as Category I FPIs; (iii) such offshore derivative instruments are issued after compliance with 'know your client' norms; and (iv) such other conditions as may be specified by SEBI from time to time.

An FPI issuing offshore derivate instruments is also required to ensure that any transfer of offshore derivative instrument is made by, or on behalf of it subject to, *inter alia*, the following conditions:

(a) such offshore derivative instruments are transferred to persons subject to fulfilment of SEBI FPI Regulations; and

(b) prior consent of the FPI is obtained for such transfer, except when the persons to whom the offshore derivative instruments are to be transferred to are pre-approved by the FPI.

Bids by FPIs submitted under the multiple investment managers structure with the same PAN but with different beneficiary account numbers, Client ID and DP ID may not be treated as multiple Bids.

The FPIs who wish to participate in the Offer are advised to use the Bid cum Application Form for non-residents.

Further, Bids received from FPIs bearing the same PAN will be treated as multiple Bids and are liable to be rejected, except for Bids from FPIs that utilize the multiple investment manager structure in accordance with the Operational Guidelines for Foreign Portfolio Investors and Designated Depository Participants which were issued in November 2019 to facilitate implementation of SEBI FPI Regulations (such structure "**MIM Structure**") provided such Bids have been made with different beneficiary account numbers, Client IDs and DP IDs. Accordingly, it should be noted that multiple Bids received from FPIs, who do not utilize the MIM Structure, and bear the same PAN, are liable to be rejected. In order to ensure valid Bids, FPIs making multiple Bids using the same PAN, and with different beneficiary account numbers, Client IDs and DP IDs, are required to provide a confirmation along with each of their Bid cum Application Forms that the relevant FPIs are making multiple Bids utilize the MIM Structure and indicate the names of their respective investment managers in such confirmation. In the absence of such confirmation from the relevant FPIs, such multiple Bids will be rejected.

All non-resident investors should note that refunds (in case of Anchor Investors), dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and commission.

Bids by SEBI registered VCFs, AIFs and FVCIs

The SEBI VCF Regulations and the SEBI FVCI Regulations prescribe, among other things, the investment restrictions on VCFs and FVCIs registered with SEBI. While the SEBI VCF Regulations have since been repealed, the funds registered as VCFs under the SEBI VCF Regulations continue to be regulated by such regulations till the existing fund or scheme managed by the fund is wound up. The holding in any company by any individual VCF or FVCIs registered with SEBI should not exceed 25% of the corpus of the VCF of FVCI. Further, VCFs and FVCIs can invest only up to 33.33% of the investible funds in various prescribed instruments, including in public offering.

Further, the SEBI AIF Regulations prescribe, among other things, the investment restrictions on AIFs. Category I and II AIFs cannot invest more than 25% of the investible funds in one investee company. A category III AIF cannot invest more than 10% of the investible funds in one investee company. A VCF registered as a category I AIF, as defined in the SEBI AIF Regulations, cannot invest more than one-third of its investible funds by way of subscription to an initial public offering of a venture capital undertaking. Additionally, the VCFs which have not re-registered as an AIF under the SEBI AIF Regulations shall continue to be regulated by the SEBI VCF Regulations until the existing fund or scheme managed by the fund is wound up.

All non-resident investors should note that refunds (in case of Anchor Investors), dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and commission.

Our Bank or the Managers will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

Bids by Eligible Employees

The Bid must be for a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter so as to ensure that the Bid Amount payable by the Eligible Employee does not exceed ₹500,000 (net of Employee Discount, if any). The Allotment in the Employee Reservation Portion will be on a proportionate basis. Eligible Employees under the Employee Reservation Portion may Bid at Cut-off Price provided that the Bid does not exceed ₹500,000 (net of Employee Discount, if any).

However, Allotments to Eligible Employees in excess of ₹200,000 (net of Employee Discount, if any), shall be considered on a proportionate basis, in the event of undersubscription in the Employee Reservation Portion, subject to the total Allotment to an Eligible Employee not exceeding ₹500,000 (net of Employee Discount if any). Subsequent undersubscription, if any, in the Employee Reservation Portion shall be added back to the Net Offer. Eligible Employees Bidding in the Employee Reservation Portion may Bid at the Cut-off Price.

Bids under Employee Reservation Portion by Eligible Employees shall be:

(a) Made only in the prescribed Bid cum Application Form or Revision Form (i.e. [●] colour form).

(b) The Bidder should be an Eligible Employee as defined. In case of joint bids, the first Bidder shall be an Eligible Employee.

(c) Only Eligible Employees would be eligible to apply in this Offer under the Employee Reservation Portion.

(d) Only those Bids, which are received at or above the Offer Price, net of Employee Discount, if any, would be considered for Allotment under this category.

(e) Eligible Employees can apply at Cut-off Price.

(f) If the aggregate demand in this category is less than or equal to [●] Equity Shares at or above the Offer Price, full allocation shall be made to the Eligible Employees to the extent of their demand.

(g) Under-subscription, if any, in the Employee Reservation Portion will be added back to the Net Offer.

In case of under-subscription in the Net Offer, spill over to the extent of under-subscription shall be permitted from the Employee Reservation Portion. If the aggregate demand in this category is greater than [●] Equity Shares at or above the Offer Price, the allocation shall be made on a proportionate basis.

Please note that any individuals who are directors, employees or promoters of (a) the Managers, Registrar to the Offer, or the Syndicate Members, or of the (b) 'associate companies' (as defined in the Companies Act, 2013, as amended) and 'group companies' of such Managers, Registrar to the Offer or Syndicate Members are not eligible to bid in the Employee Reservation Portion.

Bids by limited liability partnerships

In case of Bids made by limited liability partnerships registered under the Limited Liability Partnership Act, 2008, a certified copy of certificate of registration issued under the Limited Liability Partnership Act, 2008, must be attached to the Bid cum Application Form. Failing this, our Bank and the Promoter Selling Shareholder, in consultation with the Managers reserves the right to reject any Bid without assigning any reason thereof.

Bids by banking companies

In case of Bids made by banking companies registered with RBI, certified copies of: (i) the certificate of registration issued by RBI, and (ii) the approval of such banking company's investment committee are required to be attached to the Bid cum Application Form, failing which our Bank and the Promoter Selling Shareholder, in consultation with the Managers reserve the right to reject any Bid without assigning any reason.

The investment limit for banking companies in another banking company as per the Banking Regulation Act, and the Reserve Bank of India (Financial Services provided by Banks) Directions, 2016 (the "**Financial Services Directions**"), is 10% of the paid up share capital of the investee company, not being its subsidiary engaged in non-financial services or 10% of the bank's own paid-up share capital and reserve, whichever is lower. However, a banking company would be permitted to invest in excess of 10%, but not exceeding 30% of the paid-up share capital of such investee company if (i) the investee company is engaged in non-financial activities permitted for banks in terms of Section 6(1) of the Banking Regulation Act, or (ii) the additional acquisition is through restructuring of debt/corporate debt restructuring/strategic debt restructuring, or to protect the bank's interest on loans/investments made to a company. The bank is required to submit a time-bound action plan for disposal of such shares within a specified period to the RBI. A banking company would require a prior approval of the RBI to *inter alia* make (i) investment in a subsidiary and a financial services company that is not a subsidiary (with certain exceptions prescribed under 5(b)(i) of the Financial Services Directions), and (ii) investment in a non-financial services company in excess of 10% of such investee company's paid-up share capital as stated in 5(a)(v)(c)(i) of the Financial Services Directions. Further, the aggregate investment by a banking company in subsidiaries and other entities engaged in financial and non-financial services company cannot exceed 20% of the investee company's paid-up share capital and reserves.

In terms of the Master Circular on Basel III Capital Regulations dated July 1, 2014, as amended (i) a bank's investment in the capital instruments issued by banking, financial and insurance entities should not exceed 10% of its capital funds; (ii) banks should not acquire any fresh stake in a bank's equity shares, if by such acquisition, the investing bank's holding exceeds 5% of the investee bank's equity capital; (iii) equity investment by a bank in a subsidiary company, financial services company, financial institution, stock and other exchanges should not exceed 10% of the bank's paid-up share capital and reserves; (iv) equity investment by a bank in companies engaged in non-financial services activities would be subject to a limit of 10% of the investee company's paid up share capital or 10% of the bank's paid up share capital and reserves, whichever is less; and (v) a banking company is restricted from holding shares in any company, whether as pledgee, mortgagee or absolute owner, of an amount exceeding 30% of the paid-up share capital of that company or 30% of its own paid-up share capital and reserves, whichever is less. For details in relation to the investment limits under Master Direction – Ownership in Private Sector Banks, Directions, 2016, see "*Key Regulations and Policies*" on page 165.

Bids by SCSBs

SCSBs participating in the Offer are required to comply with applicable law including the terms of the SEBI circulars (Nos. CIR/CFD/DIL/12/2012 and CIR/CFD/DIL/1/2013) dated September 13, 2012 and January 2, 2013. Such SCSBs are required to ensure that for making applications on their own account using ASBA, they should have a separate account in their own name with any other SEBI registered SCSBs. Further, such account shall be used solely for the purpose of making application in public issues and clear demarcated funds should be available in such account for such applications.

Bids by insurance companies

In case of Bids made by insurance companies registered with the IRDAI, a certified copy of certificate of registration issued by IRDAI must be attached to the Bid cum Application Form. Failing this, our Bank and the Promoter Selling Shareholder in consultation with the Managers reserve the right to reject any Bid without assigning any reason thereof.

The exposure norms for insurers, prescribed under the Insurance Regulatory and Development Authority of India (Investment) Regulations, 2016 are broadly set forth below:

(a) equity shares of a company: the lower of 10%* of the outstanding equity shares (face value) or 10% of the respective fund in case of life insurer or 10% of investment assets in case of general insurer or reinsurer;

(b) the entire group of the investee company: not more than 15% of the respective fund in case of a life insurer or 15% of investment assets in case of a general insurer or reinsurer or 15% of the investment assets in all companies belonging to the group, whichever is lower; and

(c) the industry sector in which the investee company operates not more than 15% of the fund of a life insurer or a general insurer or a reinsurer or 15% of the investment asset, whichever is lower.

The maximum exposure limit, in the case of an investment in equity shares, cannot exceed the lower of an amount of 10% of the investment assets of a life insurer or general insurer and the amount calculated under (a), (b) and (c) above, as the case may be.

* *The above limit of 10% shall stand substituted as 15% of outstanding equity shares (face value) for insurance companies with investment assets of ₹2,500,000 million or more and 12% of outstanding equity shares (face value) for insurers with investment assets of ₹500,000 million or more but less than ₹2,500,000 million.*

Insurance companies participating in this Offer shall comply with all applicable regulations, guidelines and circulars issued by IRDAI from time to time.

Bids by provident funds/pension funds

In case of Bids made by provident funds/pension funds, subject to applicable laws, with minimum corpus of ₹250 million, a certified copy of a certificate from a chartered accountant certifying the corpus of the provident fund/pension fund must be attached to the Bid cum Application Form. Failing this, our Bank and the Promoter Selling Shareholder, in consultation with the Managers reserves the right to reject any Bid, without assigning any reason thereof.

Bids under Power of Attorney

In case of Bids made pursuant to a power of attorney or by limited companies, corporate bodies, registered societies, FPIs, Mutual Funds, insurance companies, insurance funds set up by the army, navy or air force of the India, insurance funds set up by the Department of Posts, India or the National Investment Fund and provident funds with a minimum corpus of ₹250 million (subject to applicable law) and pension funds with a minimum corpus of ₹250 million, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the memorandum of association and articles of association and/or bye laws must be lodged along with the Bid cum Application Form. Failing this, our Bank and the Promoter Selling Shareholder, in consultation with the Managers reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason thereof.

Our Bank and the Promoter Selling Shareholder, in consultation with the Managers in their absolute discretion, reserve the right to relax the above condition of simultaneous lodging of the power of attorney along with the Bid cum Application Form subject to the terms and conditions that our Bank and the Promoter Selling Shareholder, in consultation with the Managers may deem fit.

Bids by Systemically Important Non-Banking Financial Companies

In case of Bids made by Systemically Important NBFCs registered with RBI, certified copies of: (i) the certificate of registration issued by RBI, (ii) certified copy of its last audited financial statements on a standalone basis and a net worth certificate from its statutory auditor, and (iii) such other approval as may be required by the Systemically Important NBFCs, are required to be attached to the Bid cum Application Form. Failing this, our Bank and the Promoter Selling Shareholder, in consultation with the Managers, reserves the right to reject any Bid without assigning any reason thereof. Systemically Important NBFCs participating in the Offer shall comply with all applicable regulations, guidelines and circulars issued by RBI from time to time.

The investment limit for Systemically Important NBFCs shall be as prescribed by RBI from time to time.

The above information is given for the benefit of the Bidders. Our Bank and the Managers are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this Draft

Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that any single Bid from them does not exceed the applicable investment limits or maximum number of the Equity Shares that can be held by them under applicable law or regulation or as specified in the Draft Red Herring Prospectus, Red Herring Prospectus and the Prospectus.

General Instructions

***Do's*:**

1. Check if you are eligible to apply as per the terms of the Red Herring Prospectus and under applicable law, rules, regulations, guidelines and approvals. All Bidders (other than Anchor Investors) should submit their Bids through the ASBA process only;

2. Ensure that you have Bid within the Price Band;

3. Read all the instructions carefully and complete the Bid cum Application Form, as the case may be, in the prescribed form;

4. Ensure that you (other than in the case of Anchor Investors) have mentioned the correct ASBA Account number if you are not an RIB bidding using the UPI Mechanism in the Bid cum Application Form and if you are an RIB using the UPI Mechanism ensure that you have mentioned the correct UPI ID (with maximum length of 45 characters including the handle), in the Bid cum Application Form;

5. Ensure that your Bid cum Application Form bearing the stamp of a Designated Intermediary is submitted to the Designated Intermediary at the Bidding Centre (except electronic Bids) within the prescribed time;

6. Ensure that you have funds equal to the Bid Amount in the ASBA Account maintained with the SCSB, before submitting the ASBA Form to any of the Designated Intermediaries;

7. If you are an ASBA Bidder and the first applicant is not the ASBA Account holder, ensure that the Bid cum Application Form is signed by the account holder. Ensure that you have mentioned the correct bank account number in the Bid cum Application Form;

8. Ensure that the signature of the First Bidder in case of joint Bids, is included in the Bid cum Application Forms;

9. Ensure that you request for and receive a stamped acknowledgement counterfoil of the Bid cum Application Form for all your Bid options from the concerned Designated Intermediary;

10. Ensure that the name(s) given in the Bid cum Application Form is/are exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case of joint Bids, the Bid cum Application Form should contain only the name of the First Bidder whose name should also appear as the first holder of the beneficiary account held in joint names. Ensure that the signature of the First Bidder is included in the Bid cum Application Forms;

11. RIBs bidding in the Offer to ensure that they shall use only their own ASBA Account or only their own bank account linked UPI ID (only for RIBs using the UPI Mechanism) to make an application in the Offer and not ASBA Account or bank account linked UPI ID of any third party;

12. Ensure that you submit the revised Bids to the same Designated Intermediary, through whom the original Bid was placed and obtain a revised acknowledgment;

13. Ensure that you have correctly signed the authorisation/undertaking box in the Bid cum Application Form, or have otherwise provided an authorisation to the SCSB or Sponsor Bank, as applicable, via the electronic mode, for blocking funds in the ASBA Account equivalent to the Bid Amount mentioned in the Bid cum Application Form, as the case may be, at the time of submission of the Bid. In case of RIBs submitting their Bids and participating in the Offer through the UPI Mechanism, ensure that you authorise the UPI Mandate Request raised by the Sponsor Bank for blocking of funds equivalent to Bid Amount and subsequent debit of funds in case of Allotment;

14. Except for Bids (i) on behalf of the Central or State Governments and the officials appointed by the courts, who, in terms of the SEBI circular dated June 30, 2008, may be exempt from specifying their PAN for transacting in the securities market, (ii) submitted by investors who are exempt from the requirement of obtaining/specifying their PAN for transacting in the securities market, and (iii) Bids by persons resident in the state of Sikkim, who, in terms of a SEBI circular dated July 20, 2006, may be exempted from specifying their PAN for transacting in the securities market, all Bidders should mention their PAN allotted under the IT Act. The exemption for the Central or the State Government and officials appointed by the courts and for investors residing in the State of Sikkim is subject to (a) the Demographic Details received from the respective depositories confirming the exemption granted to the beneficiary owner by a suitable description in the PAN field and the beneficiary account remaining in "active status"; and (b) in the case of residents of Sikkim, the address as per the Demographic Details evidencing the same. All other applications in which PAN is not mentioned will be rejected;

15. Ensure that the Demographic Details are updated, true and correct in all respects;

16. Ensure that thumb impressions and signatures other than in the languages specified in the Eighth Schedule to the Constitution of India are attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal;

17. Ensure that the category and the investor status is indicated;

18. Ensure that in case of Bids under power of attorney or by limited companies, corporates, trust, etc., relevant documents are submitted;

19. Ensure that Bids submitted by any person resident outside India is in compliance with applicable foreign and Indian laws;

20. Ensure that the Bidder's depository account is active, the correct DP ID, Client ID, the PAN, UPI ID, if applicable, are mentioned in their Bid cum Application Form and that the name of the Bidder, the DP ID, Client ID, the PAN and UPI ID, if applicable, entered into the online IPO system of the Stock Exchanges by the relevant Designated Intermediary, as applicable, matches with the name, DP ID, Client ID, PAN and UPI ID, if applicable, available in the Depository database;

21. Ensure that when applying in the Offer using UPI, the name of your SCSB appears in the list of SCSBs displayed on the SEBI website which are live on UPI. Further, also ensure that the name of the app and the UPI handle being used for making the application is also appearing in Annexure 'A' to the SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2019/85 dated July 26, 2019;

22. RIBs who wish to revise their Bids using the UPI Mechanism, should submit the revised Bid with the Designated Intermediaries, pursuant to which RIBs should ensure acceptance of the UPI Mandate Request received from the Sponsor Bank to authorise blocking of funds equivalent to the revised Bid Amount in the RIB's ASBA Account;

23. Ensure that you have accepted the UPI Mandate Request received from the Sponsor Bank prior to 12:00 p.m. of the Working Day immediately after the Bid/ Offer Closing Date;

24. RIBs shall ensure that details of the Bid are reviewed and verified by opening the attachment in the UPI Mandate Request and then proceed to authorize the UPI Mandate Request using his/her UPI PIN. Upon the authorization of the mandate using his/her UPI PIN, an RIB may be deemed to have verified the attachment containing the application details of the RIB in the UPI Mandate Request and have agreed to block the entire Bid Amount and authorized the Sponsor Bank to block the Bid Amount mentioned in the Bid Cum Application Form; and

25. Ensure that while Bidding through a Designated Intermediary, the Bid cum Application Form (other than for Anchor Investors and RIBs bidding using the UPI Mechanism) is submitted to a Designated Intermediary in a Bidding Centre and that the SCSB where the ASBA Account, as specified in the ASBA Form, is maintained has named at least one branch at that location for the Designated Intermediary to deposit ASBA Forms (a list of such branches is available on the website of SEBI at www.sebi.gov.in).

The Bid cum Application Form is liable to be rejected if the above instructions, as applicable, are not complied with. Application made using incorrect UPI handle or using a bank account of an SCSB or SCSBs which is not mentioned in the Annexure 'A' to the SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2019/85 dated July 26, 2019 is liable to be rejected.

Don'ts:

1. Do not Bid for lower than the minimum Bid size;

2. Do not Bid for a Bid Amount exceeding ₹200,000 (for Bids by RIBs) and ₹500,000, net of Employee Discount, if any (for Bids by Eligible Employees);

3. Do not pay the Bid Amount in cheques, demand drafts or by cash, money order, postal order or by stock invest;

4. Do not send Bid cum Application Forms by post; instead submit the same to the Designated Intermediary only;

5. Do not Bid at Cut-off Price (for Bids by QIBs and Non-Institutional Bidders);

6. Do not instruct your respective banks to release the funds blocked in the ASBA Account under the ASBA process;

7. Do not submit the Bid for an amount more than funds available in your ASBA account.

8. Do not submit Bids on plain paper or on incomplete or illegible Bid cum Application Forms or on Bid cum Application Forms in a colour prescribed for another category of a Bidder;

9. In case of ASBA Bidders, do not submit more than one ASBA Forms per ASBA Account;

10. If you are a RIB and are using UPI mechanism, do not submit more than one ASBA Form for each UPI ID;

11. Anchor Investors should not Bid through the ASBA process;

12. Do not submit the ASBA Forms to any Designated Intermediary that is not authorised to collect the relevant ASBA Forms or to our Bank;

13. Do not Bid on a Bid cum Application Form that does not have the stamp of the relevant Designated Intermediary;

14. Do not submit the General Index Register (GIR) number instead of the PAN;

15. Do not submit incorrect details of the DP ID, Client ID, PAN and UPI ID, if applicable, or provide details for a beneficiary account which is suspended or for which details cannot be verified by the Registrar to the Offer;

16. Do not submit a Bid in case you are not eligible to acquire Equity Shares under applicable law or your relevant constitutional documents or otherwise;

17. Do not Bid if you are not competent to contract under the Indian Contract Act, 1872 (other than minors having valid depository accounts as per Demographic Details provided by the depository);

18. Do not submit a Bid/revise a Bid Amount, with a price less than the Floor Price or higher than the Cap Price;

19. Do not submit a Bid using UPI ID, if you are not a RIB;

20. Do not Bid on another ASBA Form or the Anchor Investor Application Form, as the case may be, after you have submitted a Bid to any of the Designated Intermediaries;

21. Do not Bid for Equity Shares in excess of what is specified for each category;

22. Do not fill up the Bid cum Application Form such that the number of Equity Shares Bid for, exceeds the Offer size and/or investment limit or maximum number of the Equity Shares that can be held under applicable laws or regulations or maximum amount permissible under applicable laws or regulations, or under the terms of the Red Herring Prospectus;

23. Do not withdraw your Bid or lower the size of your Bid (in terms of quantity of the Equity Shares or the Bid Amount) at any stage, if you are a QIB or a Non-Institutional Bidder. RIBs and Eligible Employees Bidding in the Employee Reservation Portion can revise or withdraw their Bids on or before the Bid/Offer Closing Date;

24. Do not submit Bids to a Designated Intermediary at a location other than the Bidding Centres;

25. If you are an RIB which is submitting the ASBA Form with any of the Designated Intermediaries and using your UPI ID for the purpose of blocking of funds, do not use any third party bank account or third party linked bank account UPI ID;

26. Do not Bid if you are an OCB.

The Bid cum Application Form is liable to be rejected if the above instructions, as applicable, are not complied with.

Further, in case of any pre-Offer or post-Offer related issues regarding share certificates/demat credit/refund orders/unblocking etc., investors can reach out to the Company Secretary and Compliance Officer. For details of Company Secretary and Compliance Officer, see "*General Information*" and "*Our Management*" on pages 61 and 186, respectively.

For helpline details of the Managers pursuant to the SEBI/HO.CFD.DIL2/CIR/P/2021/2480/1/M dated March 16, 2021, see "*General Information*" on page 61.

Names of entities responsible for finalising the basis of allotment in a fair and proper manner

The authorised employees of the Stock Exchanges, along with the Managers and the Registrar, shall ensure that the Basis of Allotment is finalised in a fair and proper manner in accordance with the procedure specified in SEBI ICDR Regulations.

Method of allotment as may be prescribed by SEBI from time to time

Our Bank will not make any allotment in excess of the Equity Shares through the Red Herring Prospectus and the Prospectus, except in case of oversubscription for the purpose of rounding off to make allotment, in consultation with the Designated Stock Exchange. Further, upon oversubscription, an allotment of not more than one per cent of the Net Offer may be made for the purpose of making allotment in minimum lots.

The allotment of Equity Shares to applicants other than to the RIBs and Anchor Investors shall be on a proportionate basis within the respective investor categories and the number of securities allotted shall be rounded off to the nearest integer, subject to minimum allotment being equal to the minimum application size as determined and disclosed.

The allotment of Equity Shares to each Retail Individual Bidder shall not be less than the minimum bid lot, subject to the availability of shares in Retail Portion, and the remaining available Equity Shares, if any, shall be allotted on a proportionate basis.

Payment into Escrow Account(s) for Anchor Investors

Our Bank and the Promoter Selling Shareholder in consultation with the Managers, in their absolute discretion, will decide the list of Anchor Investors to whom the CAN will be sent, pursuant to which the details of the Equity Shares allocated to them in their respective names will be notified to such Anchor Investors. For Anchor Investors, the payment instruments for payment into the Escrow Account(s) should be drawn in favour of:

(a) In case of resident Anchor Investors: "[●]"

(b) In case of Non-Resident Anchor Investors: "[●]"

Anchor Investors should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between our Bank and the Syndicate, the Escrow Collection Bank and the Registrar to the Offer to facilitate collections of Bid amounts from Anchor Investors.

Pre- Offer Advertisement

Subject to Section 30 of the Companies Act, 2013, our Bank shall, after filing the Red Herring Prospectus with the RoC, publish a pre-Offer advertisement, in the form prescribed by the SEBI ICDR Regulations, in: (i) [●] editions of [●], a widely circulated English national daily newspaper (ii) [●] editions of [●], a widely circulated Hindi national daily newspaper and (iii) [●] editions of [●], a widely circulated Gujarati national daily newspaper (Gujarati being the regional language of Gujarat, where our Registered Office is located).

In the pre-Offer advertisement, we shall state the Bid/Offer Opening Date and the Bid/Offer Closing Date. This advertisement, subject to the provisions of Section 30 of the Companies Act, 2013, shall be in the format prescribed in Part A of Schedule X of the SEBI ICDR Regulations.

The above information is given for the benefit of the Bidders/applicants. Our Bank, the Promoter Selling Shareholder and the Members of the Syndicate are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this Draft Red Herring Prospectus. Bidders/applicants are advised to make their independent investigations and ensure that the number of Equity Shares Bid for do not exceed the prescribed limits under applicable laws or regulations.

Signing of the Underwriting Agreement and the RoC Filing

(a) Our Bank, the Promoter Selling Shareholder and the Syndicate intend to enter into an Underwriting Agreement on or immediately after the finalisation of the Offer Price but prior to the filing of Prospectus.

(b) After signing the Underwriting Agreement, an updated Red Herring Prospectus will be filed with the RoC in accordance with applicable law, which then would be termed as the 'Prospectus'. The Prospectus will contain details of the Offer Price, the Anchor Investor Offer Price, Offer size, and underwriting arrangements and will be complete in all material respects.

Undertakings by our Bank

Our Bank undertakes the following:

- adequate arrangements shall be made to collect all Bid cum Application Forms submitted by Bidders (including Anchor Investor Application Form from Anchor Investors);

- the complaints received in respect of the Offer shall be attended to by our Bank expeditiously and satisfactorily;

- all steps for completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed shall be taken within six Working Days of the Bid/Offer Closing Date or such other period as may be prescribed by SEBI;

- if Allotment is not made within the prescribed time period under applicable law, the entire subscription amount received will be refunded/unblocked within the time prescribed under applicable law. If there is delay beyond the prescribed time, our Bank shall pay interest prescribed under the Companies Act, 2013, the SEBI ICDR Regulations and applicable law for the delayed period;

- the funds required for making refunds (to the extent applicable) as per the mode(s) disclosed shall be made available to the Registrar to the Offer by our Bank;

- where refunds (to the extent applicable) are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within the time prescribed under applicable law, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund;

- except for Equity Shares that may be allotted pursuant to the exercise of employee stock options granted under the ESOP 2018, Pre-IPO Placement and the Equity Shares allotted pursuant to the Offer, no further issue of the Equity Shares shall be made till the Equity Shares offered through the Red Herring Prospectus are listed or until the Bid monies are unblocked in ASBA Account/refunded on account of non-listing, under-subscription, etc.

Undertakings by the Promoter Selling Shareholder

The Promoter Selling Shareholder undertakes and confirms, as applicable, in respect of itself as a selling shareholder and its portion of the Equity Shares offered by it in the Offer for Sale that:

- It is the legal and beneficial owner of the Offered Shares, and holds clear and marketable title to such Equity Shares;

- the Equity Shares offered for sale by the Promoter Selling Shareholder in the Offer are eligible for being offered in the Offer for Sale in terms of Regulation 8 of the SEBI ICDR Regulations;

- the Equity Shares being offered for sale by the Promoter Selling Shareholder pursuant to the Offer are free and clear of any encumbrance, are and shall continue to be held by it in dematerialized form at the time of transfer;

- it shall deposit its Equity Shares offered for sale in the Offer in an escrow demat in accordance with the share escrow agreement to be executed between the parties to such share escrow agreement;

- it shall provide such reasonable assistance to our Bank and the Managers in redressal of such investor grievances that pertain to the Equity Shares held by it and being offered pursuant to the Offer;

- it shall provide such reasonable cooperation to our Bank in relation to the Equity Shares offered by it in the Offer for Sale for the completion of the necessary formalities for listing and commencement of trading at the Stock Exchanges; and

- it shall not have recourse to the proceeds of the Offer until final approval for trading of the Equity Shares from the Stock Exchanges has been received.

The decisions with respect to the Price Band, the minimum Bid lot, Employee Discount (if any), revision of the Price Band, Offer Price, the Bid/ Offer Period, will be taken by our Bank and the Promoter Selling Shareholder, in consultation with the Managers.

Only the statements and undertakings in relation to the Promoter Selling Shareholder and their portion of the Equity Shares offered in the Offer for Sale which are specifically "confirmed" or "undertaken" by the Promoter Selling Shareholder in this Draft Red Herring Prospectus, shall be deemed to be "statements and undertakings specifically confirmed or undertaken" by the Promoter Selling Shareholder. All other statements and/ or undertakings in this Draft Red Herring Prospectus shall be statements and undertakings made by our Bank even if the same relate to the Promoter Selling Shareholder.

Utilisation of Offer Proceeds

Our Board of Directors certifies and declares that:

- all monies received out of the Fresh Issue shall be credited/transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 40 of the Companies Act, 2013;

- details of all monies utilised out of the Fresh Issue shall be disclosed, and continue to be disclosed till the time any part of the Fresh Issue proceeds remains unutilised, under an appropriate head in the balance sheet of our Bank indicating the purpose for which such monies have been utilised; and

- details of all unutilised monies out of the Fresh Issue, if any shall be disclosed under an appropriate separate head in the balance sheet indicating the form in which such unutilised monies have been invested.

RESTRICTIONS ON FOREIGN OWNERSHIP OF INDIAN SECURITIES

Foreign investment in Indian securities is regulated through the Industrial Policy, 1991 of the Government of India and FEMA. While the Industrial Policy, 1991 prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy, unless specifically restricted, foreign investment is freely permitted in all sectors of the Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment. The RBI and the concerned ministries/departments are responsible for granting approval for foreign investment. The Government has from time to time made policy pronouncements on foreign direct investment ("**FDI**") through press notes and press releases. The Department for Promotion of Industry and Internal Trade, Ministry of Commerce and Industry, Government of India (*earlier known as Department of Industrial Policy and Promotion*) ("**DPIIT**"), issued the Consolidated FDI Policy Circular of 2020 ("**FDI Policy**"), which, with effect from October 15, 2020, subsumes and supersedes all press notes, press releases, clarifications, circulars issued by the DPIIT, which were in force as on October 15, 2020. The FDI Policy will be valid and remain in force until superseded in totality or in part thereof.

The transfer of shares between an Indian resident and a non-resident does not require the prior approval of the RBI, provided that (i) the activities of the investee company are under the automatic route under the FDI Policy and transfer does not attract the provisions of the Takeover Regulations; (ii) the non-resident shareholding is within the sectoral limits under the FDI Policy; and (iii) the pricing is in accordance with the guidelines prescribed by the SEBI/RBI.

As per the existing policy of the Government of India, OCBs cannot participate in this Offer.

Further, in accordance with Press Note No. 3 (2020 Series), dated April 17, 2020 issued by the DPIIT and the FEM NDI Rules, any investment, subscription, purchase or sale of equity instruments by entities of a country which shares land border with India or where the beneficial owner of an investment into India is situated in or is a citizen of any such country, will require prior approval of the Government of India, as prescribed in the FDI Policy and the FEM NDI Rules. Further, in the event of transfer of ownership of any existing or future foreign direct investment in an entity in India, directly or indirectly, resulting in the beneficial ownership falling within the aforesaid restriction/ purview, such subsequent ownership of any existing or future foreign direct investment in an entity in India, directly or indirectly, resulting in the beneficial ownership falling within the aforesaid restriction/purview, such subsequent change in the beneficial ownership will also require approval of the Government of India. Each Bidder should seek independent legal advice about its ability to participate in the Offer. In the event such prior approval of the Government of India is required, and such approval has been obtained, the Bidder shall intimate our Bank and the Registrar in writing about such approval along with a copy thereof within the Bid/ Offer Period.

Foreign Exchange Laws

The foreign investment in our Bank is governed by *inter alia* the FEMA, as amended, the FEM NDI Rules, as amended, and the FDI Policy issued and amended by way of press notes.

In terms of the FDI Policy and SFB Licensing Guidelines, the aggregate foreign investment in an SFB is allowed up to a maximum of 74% of the paid-up capital of the SFB (automatic up to 49% and approval route beyond 49% up to 74%). At all times, at least 26% of the paid-up capital will have to be held by residents.

The Equity Shares have not been and will not be registered under the U.S. Securities Act or any other applicable law of the United States and, unless so registered, may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws. Accordingly, the Equity Shares are being offered and sold (i) within the United States only to persons reasonably believed to be "qualified institutional buyers" (as defined in Rule 144A and referred to in this Draft Red Herring Prospectus as "U.S. QIBs". For the avoidance of doubt, the term "U.S. QIBs" does not refer to a category of institutional investor defined under applicable Indian regulations and referred to in this Draft Red Herring Prospectus as "QIBs") in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act, and (ii) outside the United States in offshore transactions in reliance on Regulation S and pursuant to the applicable laws of the jurisdictions where those offers and sales are made.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

The above information is given for the benefit of the Bidders. Our Bank and the Managers are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this Draft Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares Bid for do not exceed the applicable limits under laws or regulations.

SECTION VIII: DESCRIPTION OF EQUITY SHARES AND TERMS OF ARTICLES OF ASSOCIATION

Capitalized terms used in this section have the meanings that have been given to such terms in the Articles of Association of our Bank. Pursuant to Schedule I of the Companies Act, 2013 and the SEBI ICDR Regulations, the main provisions of the Articles of Association of our Bank are detailed below.

The Articles of Association of the Bank comprise of two parts, Part A and Part B, which parts shall, unless the context otherwise requires, co-exist with each other. In case of inconsistency between Part A and Part B, the provisions of Part B shall be applicable. However, Part B shall be deemed to fall away and automatically terminate and cease to have any force and effect from the date of listing of Equity Shares of the Bank on a recognized stock exchange in India pursuant to an initial public offering of the Equity Shares without any further action, including any corporate action, by the Bank or by the Shareholders. The Articles of Association have been approved by the Board and our Shareholders pursuant to their resolutions dated March 23, 2021 and March 31, 2021, respectively.

PART A

Authorised share capital

The authorized share capital of the Bank shall be such as given in Clause V of the Memorandum from time to time, with the power to increase or reduce the capital and to issue any part of its capital original or increased with or without any priority or special privilege, subject to the provisions of the 1949 Act, the Act, the Guidelines or any other rules under Applicable.

Alteration of capital

Subject to the provisions of Sections 66 of the Companies Act and to confirmation by the court/ tribunal, the Bank may by special resolution, reduce its share capital and/ or any capital redemption reserve account and/ or the securities premium account in any manner authorized under law and with, and subject to, any incidental authorization or consent required or such other steps that need to be undertaken in accordance with law.

Power to sub- divide and consolidate

The Bank may in its general meeting:

a. consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;

b. sub-divide its shares or any of them into shares of smaller amount than is fixed by its MoA, so however, that in the sub-division the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived;

c. cancel shares which, at the date of the passing of the resolution in that behalf, have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled.

Allotment of shares

Subject to the provisions of the Companies Act, the Banking Regulation Act and the AoA, the shares in the capital of the Bank for the time being (including any shares forming a part of any increased capital of the Bank) shall be under the control of the Directors who may issue, allot or otherwise dispose of the same or any of them to such persons, in such proportion and on such terms and conditions and either at a premium or at par and at such times as they may from time to time think fit and proper, and with full power with the sanction of the Bank in its general meeting, to give to any person the option to call for or be allotted shares of any class of the Bank either at par or at premium such option being exercisable at such time and for such consideration as the Directors think fit.

Forfeiture and lien

The provisions of forfeiture shall apply in the case of non- payment of any sum which, by the terms of issue of a share, becomes payable at a fixed time, whether on account of the nominal value of the share or by way of premium, as if the same had been payable by virtue of a call duly made and notified. When any share shall have been so forfeited, notice of the forfeiture shall be given to the Shareholders in whose name it stood immediately prior to the forfeiture and an entry of the forfeiture, with the date thereof, shall forthwith be made in the Register of Members of the Bank. Upon forfeiture, such Shareholder shall cease to be a Shareholder of the Bankin respect of such forfeited shares.

The Bank shall have no lien on its fully paid-up shares.

The Bank shall have a first and paramount lien (i) on every share to the extent of all moneys called or payable at a fixed time in respect of such shares and (ii) on all shares (not being fully paid-up) standing registered in the name of a single person, for all monies presently payable by him or his estate to the Bank.

Any lien on shares shall extend to all dividends and bonuses from time to time declared in respect of such shares. Unless otherwise agreed, the registration of a transfer of shares shall not operate as a waiver of the Bank's lien, if any, on such shares. The Board may at any time declare any shares to be wholly or in part exempt from the provisions of the AoA.

Shares

The Bank may issue the following kinds of shares in accordance with the AoA, the Companies Act, the Banking Regulation Act and other applicable laws:

a. Equity shares only; or

b. Equity shares and preference shares

It is clarified that in the event the Bank is permitted to issue equity shares with differential rights as to dividend, voting or otherwise under the Banking Regulation Act, then the AoA shall be deemed to empower the Bank to do so.

The shares in the capital shall be numbered progressively accordingly to their several denominations, and except in the manner hereinbefore mentioned, no share shall be subdivided.

The Board or the Bank, as the case may be, in accordance with the AoA, the Companies Act, the Banking Regulation Act and other applicable laws, may issue further shares to-

a. the persons who at the date of the offer are holders of the equity shares in the Bank: such offer shall be deemed to include a right exercisable by the person concerned to renounce the shares offered to him or any of them in favour of any other person; or

b. to employees under a scheme of employees' stock option; or

c. to any persons, whether or not those persons include the persons referred to above.

A further issue of shares may be made in any manner whatsoever as the Board may determine including by way of public offer, preferential offer or private placement, subject to and in accordance with the AoA, the Companies Act, the Banking Regulation Act, SFB Licensing Guidelines, SFB Operating Guidelines and other applicable laws.

Subject to the provisions of the AoA and the Companies Act, the Board shall have the power to issue or re-issue preference shares of one or more classes which are liable to be redeemed, or converted to equity shares, on such terms and conditions in such manner as determined by the Board in accordance with the Act.

Nothing in the AoA shall apply to the increase of the subscribed capital of the Baank caused by the exercise of an option attached to the debentures issued or loans raised by the Bank to convert such debentures or loans into shares of the Bank in accordance with the provisions of the Companies Act, the Banking Regulation Act and guidelines issued by the RBI from time to time.

Provided that the terms of issue of such debentures or loan containing such an option have been approved before the issue of such debentures or the raising of loan by a special resolution passed by the Bank in general meeting.

The Bank shall not issue any shares on discount except in case of sweat equity shares in accordance with the terms and conditions prescribed in the Companies Act.

Share Certificate

The certificates of title to shares shall be issued as per provisions of the Companies Act.

Unless where the shares are issued in dematerialized form, every Shareholder or allottee or transferee of shares shall be entitled to receive within two months after allotment or within one month after the application for the registration of transfer or transmission or within such other period as the conditions of issue shall be provided,-

a. One certificate for all his shares without payment of any charge; or

b. Several certificates, each for one or more of his shares, upon payment of twenty rupees for each certificate after the first.

Share certificates shall be generally issued in marketable lots and where share certificates are issued in lots other than marketable lots, subdivision or consolidation of share certificates into marketable lots shall be done by the Bank free of charge.

Every share certificate shall specify the name of the person in whose favour it is issued. Every share shall be distinguished by its appropriate number and shall specify the shares to which it relates and the amount paid-up thereon. Every share certificate shall be signed by two Directors or by a Director and the Company Secretary.

No certificate of any share or shares shall be issued either in exchange for those which are sub-divided or consolidated or where the pages on the reverse for recording transfers have been duly utilized, unless the certificate in lieu of which it is issued is surrendered to the Bank. The Bank shall make entry of such share certificates issued shall be made in the Register of Renewed and Duplicate Share Certificates in such manner and within such timeframe prescribed under applicable law.

If any share stands in the names of two or more persons, the person first named in the Register of Members shall, as regards receipt of dividends, or cash bonus, or service of notice, or any other matter connected with the Bank, except voting at meetings and transfer of the shares, be deemed the sole holder thereof, but the joint holders of a share shall be severally as well as jointly liable for the repayment of all installments or calls and other payments due in respect of such shares. In respect of any share or shares held jointly by several persons, the Bank shall not be bound to issue more than one share certificate. The certificates of shares registered in the names of two or more persons shall be delivered to any one of such persons named in the Register of Members which shall be sufficient delivery to all such holders.

Save as herein or in the Act otherwise provided, the Bank shall be entitled to treat the registered holder of any share as the absolute owner thereof, and accordingly, shall not, except as ordered by a court of competent jurisdiction, or by statute, or the Companies Act, be bound to recognize any equitable, beneficial or other claim to or interest in such share on the part of any other person.

Transfer and transmission of shares

No transfer shall be registered unless a proper instrument of transfer has been delivered to the Bank. Every such instrument of transfer shall be duly stamped and executed both by the transferor and transferee and duly attested. The transferor shall be deemed to remain as the holder of such share until the name of the transferee shall have been entered in the Register of Members of the Bank in respect thereof. A common form of transfer shall be used.

The instrument of transfer of any share shall be in the prescribed form and in accordance with the requirements of Section 56 of the Companies Act. Provided that where on an application in writing made to the Bank by the transferee and bearing the stamp required for an instrument of transfer, it is proved to the satisfaction of the Board that the instrument of transfer signed by or on behalf of the transferor and by or on behalf of the transferee has been lost, the Bank may register the transfer on such terms as to indemnity as the Board may think fit.

No person/ group of persons shall acquire or agree to acquire directly or indirectly by himself or acting in concert with any other person, any shares of the Bank or voting rights therein, in contravention of the provisions of the Banking Regulation Act or the SFB Licensing Guidelines and SFB Operating Guidelines.

Any issue/ acquisition of shares which results in a person holding (by himself or acting in concert with any other person), 5% or more of the paid-up equity share capital or voting rights of the Bank, or such other percentage of shares as may be prescribed by the RBI beyond which percentage, the approval of the RBI or any other authority will be required for such acquisition of share capital or voting rights of a company, shall be made with prior approval of RBI.

The legal heir, nominee, executors or administrators of a deceased Shareholders shall be the only persons recognized by the Bank as having any title to his share except in cases of joint holders, in which case the surviving holder or holders or the executors or administrators of the last surviving holders shall be the only persons entitled to be so recognised; but nothing herein contained shall release the estate of a deceased joint holder from any liability in respect of any share jointly held by him. The Bank shall not be bound to recognise such executor or administrator, unless he shall have obtained probate or letters of administration or other legal representation, as the case may be, from a competent court in India. Provided nevertheless that in case, which the Board in its discretion considers to be special cases and in such cases only, it shall be lawful for the Board to dispense with the production of probates or letters of administration or such other legal representations upon such terms as to indemnity, publication of notice or otherwise as the Board may deem fit.

Buyback

Subject to the provisions of Section 68 to 70 of the Act, provisions of 1949 Act and guidelines issued by the RBI from time to time, FEMA and any other Applicable Law for the time being in force, the Bank may purchase its own shares or specified securities in such manner as may be prescribed.

Borrowing powers

The Board may, from time to time, by a resolution passed at a meeting of the Board borrow monies for the purpose of the Bank. Provided that the Board shall not borrow monies except with the approval of the Bank in a general meeting as may be required under the Companies Act, where monies to be borrowed together with the money already borrowed by the Bank, apart from temporary loans obtained in its ordinary course of business, shall exceed the aggregate of the paid-up capital of the Bank and its free reserves or limits as set under the Act.

Provided that nothing contained herein above shall apply to:-

a. any sums of monies borrowed by the Bank from any other banking companies or from the RBI, SBI or any other banks established by or under any applicable law for the time being in force; and

b. acceptance by the Bank in the ordinary course of business of deposits of money from the public, repayable on demand or otherwise and withdrawable by cheque, draft, order or otherwise

Issue of Bonus Shares

The Bank may issue fully paid-up bonus shares to its Shareholders in accordance with the provisions in Section 63 of the Companies Act, the Banking Regulation Act and any other law for the time being in force subject to such terms and conditions as may be prescribed from time to time.

General Meetings

All General Meeting other than Annual General Meeting shall be called Extra-Ordinary General Meeting.

Meetings of Directors

The Chairman may at any time and the Company Secretary or such other officer of the Bank as authorised, shall, upon the request of any Director, convene a meeting of the Board. Notice of every meeting of the Directors shall be given in writing to every Director at his usual address in India and, in the case of any Director residing abroad, such notice shall also be given by fax or telex to such Director's fax or telex number abroad. A notice of Board meeting may also be served electronically or such other mode as may be prescribed under the Companies Act or Secretarial Standards issued by the Council of the Institute of Company Secretaries of India and approved by the Central Government from time to time.

Managing Directors

Subject to applicable provisions of the AoA, the Companies Act, the Banking Regulation Act, SFB Licensing Guidelines, SFB Operating Guidelines and other applicable laws, the Board shall appoint a non-executive director as the Chairman on part-time basis with prior approval of RBI.

The Board shall appoint one of its directors as Managing Director & CEO who shall be entrusted with the management of the whole of the affairs of the Bank and he shall exercise his powers subject to the superintendence, control and direction of the Board.

The Managing Director shall have the knowledge and experience as required under Section 10B (4) of the Banking Regulation Act.

The Managing Director shall be entrusted with the management of the whole of the affairs of the Bank. He shall be in whole-time employment of the Bank and may be appointed by the Board for such period not exceeding five years at a time as the Board may deem fit. He shall be eligible for reappointment.

Appointment of Directors

Subject to RBI approval and applicable law, the Board shall be constituted as follows:

a. Majority of the directors will be Independent Directors, who will be recommended by the Nomination and Remuneration Committee.

b. The Promoter shall have the right to nominate/ appoint four directors and three observers on the Board and a Managing Director of the Bank (subject to appropriate regulatory and corporate approvals, including but not limited to the approval of the Shareholders of the AoA post listing, by way of a special resolution after the consummation of the Offer).

Provided however, it is clarified that the residents shall have the right to appoint majority of the directors on the Board.

Extra-ordinary general meeting

The Board may, whenever it thinks fit, call an Extra- Ordinary General Meeting.

Votes of Members

Subject to the provisions of the Companies Act, votes may be given either personally or by an attorney or by proxy or, in the case of a body corporate, by a representative duly authorized under Section 113 of the Companies Act.

Subject to any rights or restrictions for the time being attached to any class or classes of shares:-

a. on a show of hands, every Shareholder present in person shall have one vote; and

b. on a poll, the voting rights of Shareholders shall be in proportion to his share in paid-up equity share capital.

Provided however that the voting rights shall be subject to the restrictions imposed under Section 12 of the Companies Act.

In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the Register of Members.

No Shareholder shall be entitled to vote at any general meeting unless all calls or other sums presently payable by him in respect of equity shares in Bank have been paid.

Dividend

No dividend shall be declared or paid by the Bank for any financial year, unless the requirements of Banking Regulation Act are complied with. Subject to the provisions of Section 123 of the Companies Act, the Board may from time to time pay interim dividends as they deem fit and justified by the profits of the Bank.

The Bank may in general meeting subject to applicable provisions of the Companies Act and the Banking Regulation Act, declare dividends, to be paid to Shareholders according to their respective right but no dividend shall exceed the amount recommended by the Board. The Bank in general meeting may declare a smaller dividend than recommended.

No dividend shall be paid otherwise than out of profits of the year or any other undistributed profits or otherwise than in accordance with the provisions of the Companies Act or any other law for the time being in force and no dividend shall carry interest as against the Bank unless required by law. The declaration of the Directors as to the amount of the net profits of the Bank shall be conclusive.

All dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid but if any share is issued on terms providing that it shall rank for dividends as from a particular date such shares shall rank for dividend accordingly.

A transfer of shares shall not pass the right to any dividend declared thereon before the registration of the transfer.

Unpaid or Unclaimed Dividend

Unclaimed/ unpaid dividend shall not be forfeited by the Board. However, if it remains unclaimed/ unpaid for a period beyond the specified under the Companies Act, the same shall be transferred to the Investor Education and Protection Fund.

Where a dividend has been declared by the Bank but has not been paid or claimed by the Shareholder who is entitled thereto within 30 days from the date of the declaration, the Bank shall, within seven days from the date of expiry of the said period of 30 days, transfer the total amount of dividend which remains unpaid/ unclaimed to a special account to be opened by the Bank in that behalf in any Scheduled Bank and all the other provisions of Sections 123 and 124 of the Companies Act in respect of any such unpaid dividend or any part thereof shall be applicable, observed, performed and complied with.

Winding Up

Subject to the provisions of the Banking Regulation Act and the Companies Act:

a. If the Bank is being wound up, the liquidator may, with the sanction of a shareholders resolution as necessary and any other sanction required by the Companies Act, divide amongst the Shareholders, in specie or kind, the whole or any part of the assets of the Bank, whether they shall consist of property of the same kind or not.

b. For the purpose aforesaid, the liquidator may set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the Shareholders or different classes of Shareholders.

The liquidator may, with the necessary sanction of shareholders and any other sanctions required by the Companies Act, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the contributories if he considers necessary, but so that no Shareholder shall be compelled to accept any shares or other securities whereon there is any liability.

Indemnity

Every officer or agent for the time being of the Bank shall be indemnified out of the funds of the Bank against any liability incurred by him in defending any proceedings, whether civil or criminal, in which judgment is given in his favour or in which he is acquitted or in connection with any application under Section 463 of the Companies Act in which relief is granted to him by the court.

Subject to the provisions of the Companies Act, no Director, Managing or Whole-time Director or other officer of the Bank shall be liable for the acts, receipts, neglects or defaults of any other director or officer or for joining in any respect of other act for conformity or for any loss or expenses happening to the Bank through the insufficiency or deficiency of title to any property acquired by order of the Directors in or upon which any of the moneys of the Bank shall be invested or for any loss or damage arising from the bankruptcy, insolvency or tortuous act of any person, Bank or corporation with whom any moneys, securities or effects shall be entrusted or deposited or for any loss occasioned by any error of judgment, omission or default or oversight on his part or for any other loss or damage or misfortune whatever which shall happen in the execution of the duties of his office or in relation thereto unless the same happens through his own dishonesty.

Part B

Article 66 of Part B of the AoA provides for a right of first offer on the shares of the Bank held by the shareholders of the Bank. If any shareholder of the Bank other than the Promoter ("**Transferor**"), proposes to transfer any equity shares of the Bank held by it/ them ("**ROFO Securities**"), such transfer shall be subject to Promoter's right of first offer as described in this Article 66 (1) of Part B of the AoA. If any ROFO Securities are not transferred to the Promoter pursuant to this Article 66 (1) of Part B of the AoA, the Transferor shall be required to comply with the right of first offer of the shareholders of the Promoter ("**Promoter Shareholders**") in accordance with Article 66 (2) of Part B of the AoA in respect of such ROFO Securities which have not been transferred, before transferring or offering to transfer them to any other person. Article 66 (2) of Part B of the AoA shall apply to any transfer of equity shares of the bank by: (i) the Promoter; and (ii) a Transferor proposing to transfer the ROFO Securities after following the process set out in Article 66 (1) of Part B of the AoA (each, an "**SFB Transferor**"). Prior to offering to transfer any SFB Securities to any Person, the relevant SFB Transferor shall issue a written notice to the Promoter Shareholders.

Article 66A of Part B of the AoA provides that each shareholder is free to transfer the equity shares of the bank held by it to its affiliate (as defined in the AoA) and/or in case of a Shareholder that is a natural person, any other person in which such natural person together with his/ her relatives has an interest/beneficial ownership in excess of 80% without the compliance of any restriction.

Article 66B of Part B of the AoA provides that the transfer restrictions in Article 66A of Part B of the AoA shall not apply to any sale of equity shares of the Bank by a Shareholder, *inter alia*, if such sale is detailed in the Draft Red Herring Prospectus filed by the Bank for the purpose of an initial public offer of its equity shares.

Article 66C provides for, subject to Article 66 and 66A of Part B of the AoA, in the event that any shareholder of the Bank proposes to transfer any equity securities (""**Tag Offer Securities**") aggregating to 3% or more (cumulatively in a financial year) of the share capital ("**Tag Seller**") to any person ("**Tag Purchaser**"), then all the other shareholders of the Bank ("**Tag Eligible Shareholder**") shall have the option (but not the obligation) to require the Tag Purchaser to purchase, such number of equity shares owned by: (A) the Tag Eligible Shareholders, (B) their respective affiliates (as defined in the AoA) and (C) in case of a Tag Eligible Shareholder that is a natural person, any other person in which such natural person together with his/ her relatives has an interest/beneficial ownership in excess of 80%, which is up to their respective inter-se share (as defined in the AoA), at the relevant time, at the same price and on the same terms as have been offered to the Tag Seller ("**Tag Along Right**").For the avoidance of doubt, the Tag Along Right shall not apply to transfer of any shares aggregating to less than 3% during a financial year in separate, independent transactions prior to the transfer of the Tag Offer Securities.

Under Article 116 of Part B of the AoA, subject to RBI approval and applicable law, the Board shall be constituted as follows:

a. Majority of the directors will be Independent Directors, who will be recommended by the nomination and remuneration committee of the Bank.

b. The Promoter shall have the right to nominate/ appoint four directors and three observers on the Board and a Managing Director.

Provided however, it is clarified that the residents shall have the right to appoint majority of the directors on the Board.

SECTION IX: OTHER INFORMATION

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The copies of the following contracts which have been entered or are to be entered into by our Bank (not being contracts entered into in the ordinary course of business carried on by our Bank or contracts entered into more than two years before the date of this Draft Red Herring Prospectus) which are or may be deemed material will be attached to the copy of the Red Herring Prospectus/ Prospectus which will be delivered to the RoC for registration. Copies of the contracts and also the documents for inspection referred to hereunder, may be inspected at the Registered Office between 10 a.m. and 5 p.m. on all Working Days from date of the Red Herring Prospectus until the Bid/ Offer Closing Date.

A. Material Contracts for the Offer

a) Offer Agreement dated May 8, 2021 between our Bank, the Promoter Selling Shareholder and the Managers.

b) Registrar Agreement dated May 8, 2021 between our Bank, the Promoter Selling Shareholder and the Registrar to the Offer.

c) Cash Escrow and Sponsor Bank Agreement dated [●] between our Bank, the Promoter Selling Shareholder, the Registrar to the Offer, the Managers, the Syndicate Members, the Escrow Collection Bank(s), Sponsor Bank, Public Offer Bank and the Refund Bank(s).

d) Share Escrow Agreement dated [●] between our Bank, the Promoter Selling Shareholder and Share Escrow Agent.

e) Syndicate Agreement dated [●] between our Bank, the Promoter Selling Shareholder, the Managers and Syndicate Members.

f) Underwriting Agreement dated [●] between our Bank, the Promoter Selling Shareholder and the Underwriters.

B. Material Documents

a) Certified copies of the updated Memorandum and Articles of Association of our Bank as amended from time to time.

b) Certificate of incorporation dated April 5, 1995 issued by Assistant Registrar of Companies, Gujarat, Dadra and Nagar Haveli under the name Banas Finlease Private Limited.

c) Fresh certificate of incorporation dated March 26, 2010 issued by Assistant Registrar of Companies, Gujarat, Dadra and Nagar Haveli consequent upon the change of name from Banas Finlease Private Limited to Disha Microfin Private Limited.

d) Fresh certificate of incorporation dated December 13, 2016 issued by the RoC consequent upon conversion to a public limited company and issued under the name of Disha Microfin Limited.

e) Fresh certificate of incorporation dated June 14, 2017 issued by the RoC consequent upon the change of name from Disha Microfin Limited to Fincare Small Finance Bank Limited.

f) RBI letter dated October 7, 2015, pursuant to which our Bank was granted an in-principle approval no. DBR.PSBD.NBC (SFB-UFSPL) No. 4922/16.13.216/2015-16, to convert into a SFB in the private sector under Section 22 of the Banking Regulation Act

g) RBI letter dated May 12, 2017, pursuant to which RBI granted license no. MUM:135 to our Bank to carry on the SFB business in terms of Section 22 of the Banking Regulation Act.

h) RBI letter bearing no. DOS. ARG. No. PS-25/ 08.70.005/2020-21 dated August 10, 2020 approving the appointment of Walker Chandiok & Co. LLP as the statutory auditors of our Bank for the Fiscal 2021.

i) RBI letter bearing no. DBR.Appt.No.577/29.44.009/2017-18 dated July 17, 2017 read with RBI email dated July 6, 2020, approving the re-appointment of Rajeev Yadav as the Managing Director and Chief Executive Officer of our Bank for a period of three years with effect from July 17, 2020.

j) RBI letter bearing no. DBR.Appt.No.577/29.44.009/2017-18 dated July 17, 2017 read with email dated June 22, 2020, approving the re-appointment of Pramod Kabra as the Part-Time Chairman of our Bank for a period of three years with effect from June 24, 2020.

k) License agreement dated December 14, 2016 entered into between our Promoter and our Bank in connection with the licensing of certain trademarks to our Bank.

l) Resolutions of the Board of Directors and the Shareholders dated April 28, 2021 and May 1, 2021, authorising the Offer and other related matters.

m) Resolution of the Board of Directors dated May 4, 2021 taking on record the approval for the Offer for Sale by the Promoter Selling Shareholder.

n) Board and shareholders resolutions dated January 22, 2020 and July 31, 2020, respectively, approving the re-appointment of Rajeev Yadav as our Managing Director and Chief Executive Officer.

o) Copies of the annual reports of our Bank for Fiscals 2020, 2019 and 2018.

p) The examination report of the Statutory Auditors, on our Bank's Restated Financial Statements, included in this Draft Red Herring Prospectus along with the Restated Financial Statements.

q) The statement of special tax benefits under direct tax and the statement of special tax benefits under indirect tax dated, both dated May 8, 2021 from the Statutory Auditors.

r) Written consent of the Directors, the Managers, the Syndicate Members, Legal Counsel to our Bank, the Promoter Selling Shareholder as to Indian Law, Legal Counsel to the Managers as to Indian Law, International Legal Counsel to the Managers, Registrar to the Offer, Escrow Collection Bank(s), Public Issue Account Bank(s), Refund Bank(s), Sponsor Bank, Share Escrow Agent, Company Secretary and Compliance Officer as referred to in their specific capacities.

s) Written consent dated May 8, 2021 of the Statutory Auditors, Walker Chandiok & Co. LLP, Chartered Accountants to include their name as required under Section 26(5) of the Companies Act, 2013 in this Red Herring Prospectus and as an "expert" as defined under Section 2(38) of the Companies Act, 2013.

t) Report titled '*Analysis of small finances banks and various retail loan products*' issued in March, 2021 by CRISIL Limited.

u) Share purchase and share subscription agreement dated January 9, 2017, as amended by agreement dated February 27, 2017 entered into amongst our Promoter and certain shareholders in our Promoter, in relation to their shareholding in our Promoter

v) Certified copy of the articles of association of our Promoter.

w) Board resolution dated May 8, 2021 approving the Draft Red Herring Prospectus.

x) Due diligence certificate dated May 8, 2021, addressed to SEBI from the Managers.

y) In principle listing approvals dated [•] and [•], issued by BSE and NSE, respectively.

z) SEBI observation letter dated [•].

aa) Tripartite agreement dated September 24, 2014 between our Bank, NSDL and the Registrar to the Offer.

bb) Tripartite agreement dated June 18, 2018, between our Bank, CDSL and the Registrar to the Offer.

Any of the contracts or documents mentioned in this Draft Red Herring Prospectus may be amended or modified at any time if so required in the interest of our Bank or if required by the other parties, without notice to the shareholders subject to compliance of the provisions contained in the Companies Act and other relevant statutes.

DECLARATION

We hereby certify and declare that all relevant provisions of the Companies Act and the rules/guidelines/regulations issued by the Government of India or the guidelines/regulations issued by the Securities and Exchange Board of India, established under section 3 of the SEBI Act, as the case may be, have been complied with and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, the SCRA, the SCRR, the SEBI Act or rules made or guidelines or regulations issued there under, as the case may be. We further certify that all statements in this Draft Red Herring Prospectus are true and correct.

SIGNED BY THE DIRECTORS OF OUR BANK

Pramod Kabra
Part-Time Chairman and Non-Executive Director

Date: May 8, 2021
Place: Mumbai

DECLARATION

We hereby certify and declare that all relevant provisions of the Companies Act and the rules/guidelines/regulations issued by the Government of India or the guidelines/regulations issued by the Securities and Exchange Board of India, established under section 3 of the SEBI Act, as the case may be, have been complied with and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, the SCRA, the SCRR, the SEBI Act or rules made or guidelines or regulations issued there under, as the case may be. We further certify that all statements in this Draft Red Herring Prospectus are true and correct.

SIGNED BY THE DIRECTORS OF OUR BANK

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Rajeev Yadav
Managing Director and Chief Executive Officer

Date: May 8, 2021
Place: Bangalore

DECLARATION

We hereby certify and declare that all relevant provisions of the Companies Act and the rules/guidelines/regulations issued by the Government of India or the guidelines/regulations issued by the Securities and Exchange Board of India, established under section 3 of the SEBI Act, as the case may be, have been complied with and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, the SCRA, the SCRR, the SEBI Act or rules made or guidelines or regulations issued there under, as the case may be. We further certify that all statements in this Draft Red Herring Prospectus are true and correct.

SIGNED BY THE DIRECTORS OF OUR BANK

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Alok Prasad
Independent Director

Date: May 8, 2021
Place: Gurugram

DECLARATION

We hereby certify and declare that all relevant provisions of the Companies Act and the rules/guidelines/regulations issued by the Government of India or the guidelines/regulations issued by the Securities and Exchange Board of India, established under section 3 of the SEBI Act, as the case may be, have been complied with and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, the SCRA, the SCRR, the SEBI Act or rules made or guidelines or regulations issued there under, as the case may be. We further certify that all statements in this Draft Red Herring Prospectus are true and correct.

SIGNED BY THE DIRECTORS OF OUR BANK

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Aarthi Sivanandh
Independent Director

Date: May 8, 2021
Place: Chennai

DECLARATION

We hereby certify and declare that all relevant provisions of the Companies Act and the rules/guidelines/regulations issued by the Government of India or the guidelines/regulations issued by the Securities and Exchange Board of India, established under section 3 of the SEBI Act, as the case may be, have been complied with and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, the SCRA, the SCRR, the SEBI Act or rules made or guidelines or regulations issued there under, as the case may be. We further certify that all statements in this Draft Red Herring Prospectus are true and correct.

SIGNED BY THE DIRECTORS OF OUR BANK

Ravindran Lakshmanan
Nominee Director

Date: May 8, 2021
Place: Ahmedabad

DECLARATION

We hereby certify and declare that all relevant provisions of the Companies Act and the rules/guidelines/regulations issued by the Government of India or the guidelines/regulations issued by the Securities and Exchange Board of India, established under section 3 of the SEBI Act, as the case may be, have been complied with and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, the SCRA, the SCRR, the SEBI Act or rules made or guidelines or regulations issued there under, as the case may be. We further certify that all statements in this Draft Red Herring Prospectus are true and correct.

SIGNED BY THE DIRECTORS OF OUR BANK

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Sameer Yogesh Nanavati
Nominee Director

Date: May 8, 2021
Place: Ahmedabad

DECLARATION

We hereby certify and declare that all relevant provisions of the Companies Act and the rules/guidelines/regulations issued by the Government of India or the guidelines/regulations issued by the Securities and Exchange Board of India, established under section 3 of the SEBI Act, as the case may be, have been complied with and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, the SCRA, the SCRR, the SEBI Act or rules made or guidelines or regulations issued there under, as the case may be. We further certify that all statements in this Draft Red Herring Prospectus are true and correct.

SIGNED BY THE DIRECTORS OF OUR BANK

Sunil Satyapal Gulati
Independent Director

Date: May 8, 2021
Place: Mumbai

DECLARATION

We hereby certify and declare that all relevant provisions of the Companies Act and the rules/guidelines/regulations issued by the Government of India or the guidelines/regulations issued by the Securities and Exchange Board of India, established under section 3 of the SEBI Act, as the case may be, have been complied with and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, the SCRA, the SCRR, the SEBI Act or rules made or guidelines or regulations issued there under, as the case may be. We further certify that all statements in this Draft Red Herring Prospectus are true and correct.

SIGNED BY THE DIRECTORS OF OUR BANK

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Varun Sabhlok
Independent Director

Date: May 8, 2021
Place: Singapore

DECLARATION

We hereby certify and declare that all relevant provisions of the Companies Act and the rules/guidelines/regulations issued by the Government of India or the guidelines/regulations issued by the Securities and Exchange Board of India, established under section 3 of the SEBI Act, as the case may be, have been complied with and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, the SCRA, the SCRR, the SEBI Act or rules made or guidelines or regulations issued there under, as the case may be. We further certify that all statements in this Draft Red Herring Prospectus are true and correct.

SIGNED BY THE DIRECTORS OF OUR BANK

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Vinay Baijal
Independent Director

Date: May 8, 2021
Place: Mumbai

DECLARATION

We hereby certify and declare that all relevant provisions of the Companies Act and the rules/guidelines/regulations issued by the Government of India or the guidelines/regulations issued by the Securities and Exchange Board of India, established under section 3 of the SEBI Act, as the case may be, have been complied with and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, the SCRA, the SCRR, the SEBI Act or rules made or guidelines or regulations issued there under, as the case may be. We further certify that all statements in this Draft Red Herring Prospectus are true and correct.

SIGNED BY THE CHIEF FINANCIAL OFFICER OF OUR BANK

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Keyur Doshi
Chief Financial Officer

Date: May 8, 2021
Place: Bangalore

DECLARATION BY FINCARE BUSINESS SERVICES LIMITED AS THE PROMOTER SELLING SHAREHOLDER

Fincare Business Services Limited hereby confirms that all statements, disclosures and undertakings made or confirmed by it in this Draft Red Herring Prospectus about or in relation to itself, as the Promoter Selling Shareholder and its portion of the Offered Shares, are true and correct. Fincare Business Services Limited assumes no responsibility for any other statements, disclosures and undertakings, including any statements made or confirmed by, or relating to, the Bank or any other person(s) in this Draft Red Herring Prospectus.

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Signed for and on behalf of Fincare Business Services Limited

Name: Dasarathareddy Gunnamreddy
Designation: Managing Director

Date: May 8, 2021
Place: Andhra Pradesh