SONATA Finance Private Limited
2nd Floor, CP-1, PG Towers, Kursi Road, Vikas Nagar,
Lucknow – 226026, Uttar Pradesh
CIN: U65921UP1995PTC035286
Contact No : 0522-4005729
Email: info@sonataindia.com
Website: www.sonataindia.com

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 25th Annual General Meeting of the Members of Sonata Finance Private Limited will be held at shorter notice on **Wednesday**, the **30th** day of **September, 2020 at 10:00 A.M.** through Video Conference (VC)/ Other Audio-Visual Means (OAVM) facility, to transact following business:

ORDINARY BUSINESS:

Item No. 1

To consider and adopt the Audited Financial Statements of the Company for the financial year ended March 31, 2020 and report of the Board of Directors and of the Auditors' thereon and in this regard, to pass, either with or without modification, the following resolution as **Ordinary Resolution:**

"**RESOLVED THAT** the Audited Financial Statement of the Company for the financial year ended March 31, 2020 and of the Auditors' report thereon and the report of the Board of Directors, laid before this meeting, be and are hereby adopted."

Item No. 2

To confirm the payment of Dividend to the preference shareholder for the financial year ended March 31, 2020 and, in this regard, to pass, either with or without modification, the following resolution as **Ordinary Resolution:**

"**RESOLVED THAT** dividend at the rate of 0.01% per preference share of Rs. 10/- (Rupees Ten), as per terms and condition of the issue, be and is hereby confirmed as full & final dividend for the financial year 2019- 20"

By Order of the Board of Directors
For Sonata Finance Private Limited

SONATA Finance Pvt. Ltd. ★ Lucknow ★

Date: 22.09.2020
Place: Lucknow

Paurvi Srivastava
(Company Secretary)

SONATA FINANCE®

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NOTES:

1. In view of the continuing Covid-19 pandemic, the Ministry of Corporate Affairs ('MCA') vide its general circular No. 20/2020 dated May 5, 2020 read with general circular No. 14/ 2020 dated April 8, 2020 and general circular no. 17/ 2020 dated April 13, 2020 (collectively referred to as 'MCA Circulars') has permitted the holding of the AGM through Video Conferencing ('VC') / Other Audio Visual means ('OAVM'), without the physical presence of the members at a common venue. In compliance with the provisions of the Companies Act, 2013 ('Act') and MCA Circulars, the AGM of the Company is being held through Video Conferencing ('VC').

2. Consent has been received from all the members of the company to convene the meeting at shorter notice.

3. Since the Agenda of the meeting has no Special Business to be transacted at the Meeting. Therefore, the explanatory statement setting out the material facts pursuant to Section 102 of the Companies Act, 2013, relating to special business to be transacted at the Meeting is not annexed hereto.

4. The Members can join the AGM in the VC/OAVM mode 15 minutes before and after the scheduled time of the commencement of the Meeting.

5. The attendance of the Members attending the AGM through VC/OAVM will be counted for the purpose of reckoning the quorum under Section 103 of the Companies Act, 2013.

6. Since the AGM is being held through VC, physical attendance of the Members has been dispensed with. Accordingly, the facility for appointment of proxies by Members is not available, as provided in the MCA Circulars and hence the Proxy Form and Attendance Slip are not annexed to this Notice. Pursuant to the provisions of Section 112 and 113 of the Companies Act, 2013, the representatives of the Corporate Members may be appointed to attend the AGM through VC/OAVM and participate thereat and cast their votes through e-voting.

7. Corporate Member intending to authorise its representatives to attend the Meeting in terms of Section 113 of the Companies Act, 2013 is requested to send to the company a certified copy of the Board Resolution authorizing such representative to attend and vote on its behalf at the Meeting.

8. Since the AGM will be held through VC/ OAVM, the route map of the venue of the Meeting is not annexed hereto.

9. All documents referred to in the Notice and accompanying explanatory statement are open for inspection at the Registered Office of the company on all working days of the company between 11:00 a.m. and 1:00 p.m. upto the date of the Annual General Meeting.

SONATA Finance Pvt. Ltd. * Lucknow *

10. The company shall ensure the participation of at least One Independent Director and the Auditors or his representative for holding meeting through VC or OAVM.

11. **Instructions for Members for attending the AGM through VC/OAVM:**

    Members holding shares in physical form or in electronic form can attend the AGM through VC/OAVM by using the link sent to the members at their registered email id. The Link of the meeting shall be shared through email by the Company Secretary of the Company.

By Order of the Board of Directors
For Sonata Finance Private Limited

Date: 22.09.2020
Place: Lucknow

SONATA Finance Pvt. Ltd. ★ Lucknow ★

Paurvi Srivastava
(Company Secretary)

SONATA FINANCE PRIVATE LIMITED

ANNUAL REPORT FOR THE
FY 2019-20

Registered Office: II Floor, CP-1, P.G Towers,
Kursi Road, Vikas Nagar, Lucknow, 226026, Uttar Pradesh
CIN: U65921UP1995PTC035286
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MANAGING DIRECTOR'S SPEECH

Dear Shareholders,

Its a pleasure to welcome you all to the 25th Annual General Meeting of the Company. Due to the outspread of COVID -19 pandemic this Annual General Meeting is being held through video confrencing mode . We are sure that your strong support and faith shall continue to inspire us to achieve newer milestones of success defeating the effects of pandemic.

The Company has adopted Indian Accounting Standards (IndAS) from April 01 , 2019 and the effective date of such transition has been April 01, 2018. Such transition was carried out from the erstwhile Accounting Standards notified under the Act, read with relevant rules issued there under and guidelines issued by Reserve Bank of India (RBI) (collectively referred as "the previous GAAP").The financial results of the Company have been prepared in accordance with Indian Accounting Standard (IndAs) as per the Companies (Indian accounting Standards) Rules, 2015 (as amended from time to time) and notified under section 133 of the Companies Act, 2013 ("Act"). Accordingly, the impact of transition has been recorded in the opening reserves as at April 01, 2018 and the corresponding figures presented in these results have been restated/reclassified.

It gives me immense pleasure to inform that the growth of the Company during the current year was reasonably positive. The Company's Assets under Management have has increased from INR 14,410.83 Mn. to INR 17,550.06 Mn. The Non-Performing assets (gross) reduced to 1.2% from 3.3% as against the previous financial year and Profit after tax was INR 1,40.91 Mn. as against INR 329.90 Mn. The number of loan clients of the Company has increased from .727 Mn. to .849 Mn.

During the period under review, the Company, for the first time, availed funds by way of External Commercial borrowings (ECB) from various Lenders. Further, 44,91,015 Series B Non-Cumulative 0.01% Compulsorily Convertible Preference Shares (CCPS)issued during the previous year were converted into 53,57,137 equity Shares of Rs. 10/- each at a premium of Rs. 130/- each paripassu with existing equity shares of the Company.

As the global COVID-19 health emergency continues, the economic fallout is mounting as well. Global economic growth has reversed. Many global companies are shaken up and many have had to revert to very painful measures, though no fault of their own. Many small and medium-sized enterprises in hospitality, retail and travel have closed, leaving them with little or no ability to react.

Due to the rising delinquencies caused by the outbreak of COVID-19, the Company has been witnessing very tough times. Complete lockdown brought halt to almost every business, the micro and small businesses have been severely impacted. Although the Government has been making efforts to curb the impact of COVID-19 on financial institutions by introduction of various relief packages however the diminishing earning capacity of MFI clients has become a big challenge for the Micro Finance Institutions. Since the MFIs have their own debt obligations, the company is facing financial crises which shall further affected its ability to disburse the fresh loans. This is expected to deepen further with increase in demand for the income generating loans. However the company is making constant efforts to overcome these challenges and it shall try its best to achieve its growth path by helping the poor women of rural, semi urban and urban communities to come out of poverty and get connected with formal financial institutions for micro finance lending.

During the lockdown period, the company developed an in-house mobile application for the customers called “Sakhee” which is built in with features like facility for digital repayment of loan, Loan Status & Passbook of client, Credit Bureau Status of the client, Product Information and features, Loan Application, Sanction intimation, which helped the borrower to make all the transactions without visiting the branch and enabled the digital collection of the instalments.

I would like to acknowledge the contribution of all the Board, shareholders and the employees and look forward to an exciting year ahead where we will continue to work hard for our stakeholders.

Sd/-

Anup Kumar Singh
Managing Director

Corporate Information

Board of Directors

Pradip Kumar Saha
Chairman of the Board - Independent Director w.e.f May 30, 2019

Mona Kachhwaha
Chairperson of Board (upto May 30, 2019)- Nominee Director (Resigned w.e.f June 01, 2019)

Anup Kumar Singh
Managing Director

Anal Kumar Jain
Independent Director

Chandni Gupta Ohri
Independent Director (Resigned w.e.f June 26, 2020)

Sethuraman Ganesh
Independent Director

Aditya Mohan
Nominee Director

Benoit Monsaingeon
Nominee Director

Prakash Kumar
Nominee Director (Resigned w.e.f May 30, 2019)

Kenneth Dan Vander Weele
Nominee Director

Sanjay Goyal
Nominee Director
(Appointed w.e.f May 30, 2019)

R.V. Dilip Kumar
Nominee Director

Saurabh Kumar Johri
Nominee Director
(Appointed w.e.f June 01, 2019)

Key Managerial Personnel

Akhilesh Kumar Singh
Chief Financial Officer

Paurvi Srivastava
Company Secretary
ICSI Membership No. ACS 34110

Auditors

M/s. S.R. Batliboi & Associates, LLP, Chartered Accountants
Firm Reg. No. 101049W/E300004
Kolkata

Registrar

Skyline Financial Services Private Limited (for Shares)
D-153 A| Ist Floor | Okhla Industrial Area, Phase – I|New Delhi-110 020.
Tel.: +91 11 64732681 - 88 | Fax: +91 11 26812682|
Web: www.skylinerta.com

NSDL Database Management Limited (for Debentures)
+4th Floor, Trade World A Wing, Kamala Mills Compound,
Senapati Bapat Marg, Lower Parel, Mumbai – 400 013
Tel: 022 4914 2591 (D), 022 4914 2700 (B) , 9833515383(M)
Website: www.nsdl.co.in

Debenture Trustees

Catalyst Trusteeship Limited
Axis Trustee Limited
Beacon Trusteeship Limited
IDBI Trusteeship Limited

Lenders - Banks & Financial Institutions

Union Bank of India
Standard Chartered Bank
United Bank of India
Bandhan Bank
DCB Bank Ltd.
Maanaveeya Development & Finance Pvt. Ltd
Ananya Finance for Inclusive Growth Pvt. Ltd
Vivriti Capital Pvt. Ltd.
Shriam City Union Finance Ltd.
Hinduja Leyland Finance
Ujjivan Small Finance Bank
Samunnati Financial Intermediation and Services Private Limited
DFC First Bank
Northern Arc (Formerly IFMR Capital Finance Pvt. Ltd.)
MicroVest Short Duration Fund, LP
InCred Financial Services Limited
NABFINS Limited (formally NABARD Financial Services Limited)
WaterCredit Investment Fund LP
Hansainvest Finance I GmbH & Co.
NABARD
South Indian Bank
Bank of Baroda
Utkarsh Small Finance Bank
Reliance Capital Limited
Caspian Impact Investments Pvt. Ltd.
Manappuram Finance Ltd.
Profectus Capital Private Limited
Federal Bank
Lakshmi Vilas Bank Ltd.
Annapurna Finance Private Limited
SIDBI
DWM Income Funds SCA SICA SIF
GLS Alternative Investments-
– Mikrofinanzfonds

Rating and Grading

During the year under review, the credit rating of the Company was ICRA BBB Stable and the MFI Grading of the Company is M2+.

Board's Report

To the Members

Your directors have pleasure in presenting the 25th (Twenty Fifth) Annual Report of the company for the year ended March 31, 2020.

1. FINANCIAL RESULTS

It is our immense pleasure to announce that your company has earned net profit of INR 1,40.91 Mn. during the Financial Year 2019-20 as against the net profit of INR 329.90 Mn. during the Financial Year 2018-19. The financial statements of the reporting year have been prepared in accordance with Indian Accounting Standard (IndAs) as per the Companies (Indian accounting Standards) Rules, 2015 (as amended from time to time). Accordingly the corresponding figures presented in these results have been restated/reclassified. During the current year, the Company has put in its energies to achieve its growth targets by strengthening its recovery and collection strategies and its team.

Financial Results of your Company for the year under review are summarized as under:

Particulars	March 31, 2020 Amt (In Mn.)	March 31, 2019 Amt (In Mn.)
Revenue from operations	3438.35	3174.78
Other Income	50.48	27.60
Total Income	**3488.83**	**3202.38**
Employee benefit expenses	642.31	592.01
Finance Costs	1558.97	1555.53
Depreciation Expense	16.19	13.32
Other Expenses	1071.97	550.40
Total Expenses	**3289.44**	**2711.26**
Profit / (Loss) before Tax	**199.39**	**491.12**
Total Tax Expenses	**58.48**	**161.22**
Profit / (Loss) for the Year	**140.91**	**329.90**
Financial Assets	**15172.66**	**14758.96**
Cash and cash equivalents	730.64	1880.24
Bank balances	1151.90	987.43
Derivative Financial Instruments	6.37	0
Trade Receivables	20.51	16.70
Loans	12909.87	11614.72
Investments	1.9	1.60
Other Financial Assets	351.47	258.27
Non Financial Assets	**343.14**	**276.85**
Current Tax Assets (net)	3.21	48.50
Deferred Tax Assets (net)	289.61	196.61
Property, Plant and Equipment	21.58	16.91
Other Intangible Assets	3.15	4.47
Other Non Financial Assets	25.59	10.36
Total Assets	**15515.80**	**15035.81**
Financial Liabilities	**12623.14**	**13134.43**
Trade Payables	15.08	16.09

Debt Securities	2631.50	3611.69
Borrowings (other than debt securities)	8714.48	8297.08
Subordinated Liabilities	898.62	898.59
Other Financial Liabilities	363.46	310.98
Non Financial Liabilities	**165.78**	**82.88**
Provisions	145.98	62.91
Other Non- Financial Liabilities	19.80	19.97
Total Liabilities	**12788.92**	**13217.31**
Equity Share Capital	249.65	195.51
Other Equity	2477.23	1622.99
Total Equity	**2726.88**	**1818.50**
Total Liabilities and Equity	**15515.80**	**15035.81**

2. REVIEW OF THE BUSINESS OPERATIONS

Particulars	March 31, 2020	March 31, 2019
Number of Branches	443	436
Number of Regular Employees	2,920	2,758
Number of Active Borrowers	8,49,291	7,27,515
Amount Disbursed (In Mn)	16,784.54	13,001.97
Gross Loan Portfolio (In Mn)	17,550.06	14,410.83

3. ENVIRONMENTAL AND SOCIAL ASPECTS

We ensure sound and sustainable business practices so as to establish a creative partnership between development and environment. Increase in green cover, conservation of scarce resources, control of pollution, promotion of economic progress are important guiding lights to follow for nurturing such relationship through continuous education of its employees which in turn would lead to awareness of their families and lastly to Company’s clients. Your Company will always and consistently exclude itself from engaging into any activities, which are detrimental to the environment.

Your Company also recognizes the importance of implementing sound social practices and continues to integrate such practices into its daily office based activities. We also make sure that working conditions in the organization meet international labor standards and in this regard the company ensures that there is no forced Labor, no gender in-equality, acceptance of equal pay for equal work, no child Labor has been or shall be employed in any of the offices of the company. We provide equal and adequate terms of employment to both genders, provision of adequate process for employees to voice complaints and many more.

As we all are aware, towards the end of the financial year, COVID 19 pandemic has impacted the life of millions worldwide. Therefore we, at Sonata, tried our level best, to minimize the difficulties of our clients and dedicated employees, by shutting down our operations completely to avoid any untoward incidents. We have also, in line with the directions of Reserve Bank of India (“RBI”), provided moratorium option to our clients for six month from repayment of Principal and Interest.

It will not be out of context to mention that many of our lenders have also accepted our request for moratorium from repayment of Principal and Interest and the company is thankful to them for their support.

4. RECOMMENDATION OF DIVIDEND

In order to conserve and plough back the resources, your directors have not recommended any dividend for the year on the equity shares of the company.

Further, dividend on Non-Cumulative, 0.01% Compulsorily Convertible Preference Shares (CCPS) for Financial Year 2019-20 has been paid.

5. TRANSFER TO RESERVES

During the Financial Year the Board has recommended for INR 28.18 Mn. to be transferred to the reserves.

6. CAPITAL STRUCTURE / UPDATE ON CAPITAL

The capital structure of your company is given as under:

Authorized Share Capital	Issued, Subscribed and Paid-up Share Capital
4,00,00,000 Equity Shares of INR 10.00 each aggregating to INR 40,00,00,000.00 and 1,00,00,000 Preference Shares of INR 10.00 each aggregating to INR 10,00,00,000.00	2,64,53,256 Equity Shares of INR 10.00 each aggregating to INR 26,45,32,560.00

Further during the year under review, the company has converted 44,91,015 Non-Cumulative, 0.01% Compulsorily Convertible Preference Shares (CCPS) into 53,57,137 Equity Shares of Rs. 10 each at a premium of Rs. 130/- each ranking *pari passu* with the existing equity shares of the Company on 13th August 2019.

The details of conversion are as under:

S. No.	Name of Allottees	No. of Equity shares allotted after conversion	Total Face Value (in INR)	Total Value of Premium (in INR)
1.	Creation Investments Social Ventures Fund II, LP.	14,28,570	1,42,85,700	18,57,14,100
2.	SIDBI Trustee Company Limited A/c Samridhi Fund	10,71,427	1,07,14,270	13,92,85,510
3.	Triodos SICAV II - Triodos Microfinance Fund	7,14,285	71,42,850	9,28,57,050
4.	Triodos Custody B.V. in its capacity as custodian of Triodos Fair Share Fund	7,14,285	71,42,850	9,28,57,050
5.	Societe de Promotion et de Participation Pour la Cooperation Economique	14,28,570	1,42,85,700	18,57,14,100
Total		**53,57,137**	**5,35,71,370**	**69,64,27,810**

Details of Transfer of Equity Shares during FY 2019-20 are as under:

Sr. No.	Transferor	Transferee	Total Number of shares	Date of Transfer	Total Consideration
1	Sonata Employee Welfare Trust	Shashi Bhushan Singh	6,000	12.04.2019	3,60,000
2	Sonata Employee Welfare Trust	Chandra Shekhar Prajapati	1,500	12.04.2019	1,00,500
3	Sonata Employee Welfare Trust	Sandeep Kumar Singh	6,600	12.04.2019	4,00,200
4	Sonata Employee Welfare Trust	Shyam Kanhaiya	15,850	13.08.2019	7,57,100
5	Sonata Employee Welfare Trust	Vishwanath Pratap Singh	7,000	13.08.2019	4,61,000
6	Sonata Employee Welfare Trust	Richa Sharma	20,000	21.02.2020	12,14,000
Total			**56,950**		**32,92,800**

a. Buy back of Securities

The company has not bought back any of its securities during the year under review.

b. Sweat Equity

The company has not issued any sweat equity shares during the period under review

c. Bonus Shares

No issue of bonus shares was done during the year under review.

d. Employee Stock Option Plans

i. Options Granted during the year:

During the year under review, the Company has **NOT** granted additional Stock Options.

ii. Options Vested during the year:

During the year under review **2,25,835** Stock Options were vested under the Employees Stock Option Plan 2013. The terms and conditions of the vesting are regulated by the ESOP Scheme 2013, approved by the Shareholders of the Company on **20th March 2014.**

iii. The total number of shares arising as a result of exercise of Options:

As on 31st March, 2020 total **12,31,681** stock options have been exercised by the employees and the Promoter of the Company.

iv. Options lapsed:

During the period under review, total **43,750** stock options have been lapsed.

v. Options Exercised during the year

During the year under review, total **56,950** share options have been exercised by the Employees of the Company as per the aforesaid share transfer details.

7. DIRECTORS AND KEY MANAGERIAL PERSONNEL

The composition of the Board is guided by the provisions of the Companies Act, 2013. During the reporting year the Board of the company consisting of 11 Directors of whom 4 were Independent Directors (including a women Director), 6 Nominee Directors and a Managing Director.

During the period under review:

- Ms. Chandni Gupta Ohri and Mr. Anal Kumar Jain were re-appointed as Independent Directors of the Company for a second term of 5 consecutive years with effect from April 01, 2019 (upon the expiry of their initial term of office i.e. on March 31, 2019) till March 31, 2024.

  Further Ms. Chandni Gupta Ohri, resigned from Directorship of the company w.e.f 26th June, 2020.

- Mr. Anup Kumar Singh was re-appointed as the Managing Director of the Company for a term of 5 consecutive years with effect from April 01, 2019 upto March 31, 2024.

- Further Mr. Sanjay Goyal and Mr. Saurabh Kumar Johri appointed on the Board of the company in replacement of Mr. Prakash Kumar and Ms. Mona Kachhwaha being nominee directors representing SIDBI and Caspian Funds, respectively. The appointment of Mr. Sanjay Goyal and Mr. Saurabh Kumar Johri was made wef. May 30, 2019 and June 01, 2019 respectively.

- Mr. Sethuraman Ganesh was re- appointed as Independent Director of the Company for a second term of 5 consecutive years with effect from May 26, 2020 (upon the expiry of his initial term of office i.e. on May 25, 2020) till May 25, 2025.

- Pursuant to the provisions of Section 203 of the Act, Mr. Anup Kumar Singh, Managing Director, Mr. Akhilesh Kumar Singh, CFO and Ms. Paurvi Srivastava, Company Secretary, are the Key Managerial Personnel of the Company during the year under review.

<u>Performance Evaluation of Board, Committees and Directors:</u>

The Board of Directors and Remuneration & Nomination Committee has put in place an evaluation framework for the performance evaluation of the Board as a whole, its committees and individual directors, in compliance with the provisions of the Companies Act, 2013. A questionnaire for evaluation of the Board, its committees and of individual directors covering various aspects was circulated to the Board of Directors, individually through an innovative online board evaluation solution using "Survey Monkey" portal.

Opinions of the individual members of the Board were placed in the meeting of Remuneration & Nomination Committee held in February 2020. The committee decided to have an extensive discussion on the performance of each director, individually and to place the same in the subsequent meeting. The Board of Directors in their Board meeting held on 22nd September, 2020 discussed the evaluation of each director individually and expressed their appreciation and satisfaction on the performance of the Chairman, Managing Director, Independent, Non Independent Directors, Committees and the Board as a whole.

Further the evaluation of the Independent directors was done in the meeting of the Independent directors held on 20th February, 2020.

8. INDEPENDENT DIRECTORS' DECLARATION

The definition of 'Independence' of Directors is derived from Section 149(6) of the Companies Act, 2013. Based on the confirmation / disclosures received from the Directors and on evaluation of the relationships disclosed, the following Non-Executive Directors are Independent in terms of Section 149(6) of the Companies Act, 2013:

a) Mr. Anal Kumar Jain
b) Ms. Chandni Gupta Ohri (Resigned w.e.f 26th June, 2020)
c) Mr. Pradip Kumar Saha
d) Mr. Sethuraman Ganesh

In compliance with the provisions of Section 149(7) of the Companies Act, 2013, the Company has received declarations from all the Independent Directors of the Company confirming that they meet the criteria of independence as prescribed under the Companies Act, 2013. Further, there has been no change in the circumstances which may affect their status as independent director during the year under review.

9. DISCLOSURE OF REMUNERATION & NOMINATION CRITERIA

The Board has, on the recommendations of the Remuneration & Nomination Committee and in compliance of the Companies Act, 2013, has framed a Remuneration and Nomination criteria for selection, evaluation, appointment of Directors, Key Managerial Personnel, other employees, fixing their remuneration including criteria for determining qualifications, positive attributes, independence of a director and related matters as provided under the said act. The Remuneration and Nomination Committee forms critical part of the Corporate Governance Policy of the Company and the aforesaid policy is available on the website of the Company.

Further composition of the Remuneration & Nomination Committee and other details are also provided in the Para pertaining to Corporate Governance, which forms part of this report.

10. CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

During the period under review, there is no materially significant related party transaction with the Company's promoters, directors, the management or their relatives, which may have potential conflict with the interest of the Company at large. The Company also has a policy on dealing with the Related Party Transactions (including for material related party transactions) and necessary approval of the Audit Committee and Board of Directors is taken, wherever required in accordance with the Policy. However, for the current FY 2019-20 the company has given mandate to Vivriti Capital Private Limited ("Vivriti"), wherein one of Board Member is also a Director, for availing its assistance/arranger services in Fund raising during the F.Y 2019-20.

In compliance with section 188(1) of the Companies Act, 2013, a declaration in form AOC-2 is enclosed as **Annexure-I**. Further, details of Related Party Transactions, as required to be disclosed, as per IND AS-24 "Related Party Disclosures" specified under section 133 of the Companies Act, 2013 are given in the Notes to the Financial Statements.

11. EXTRACT OF ANNUAL RETURN

In terms of requirements under Section 92(3) and Section 134(3)(a) of the Companies Act, 2013 read with the Companies (Accounts) Rules, 2014, extract of annual return forms part of this Director's Report and is annexed as **Annexure-II**.

12. CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Company has established Corporate Social Responsibility (CSR) Committee as per Section 135 of the Companies Act, 2013 read with the Companies (Corporate Social Responsibility Policy) Rules 2014, as amended from time to time, and statutory disclosures with respect to the CSR initiatives undertaken by the Company forms the part of this Report as **Annexure-III.** Further details of composition of the CSR Committee and other details are also provided in the para pertaining to Corporate Governance.

During the period under review, the Company was not obligated to spend any amount towards CSR activities since the average net profit/(loss) for previous three financial years, amounted to a loss. However, despite there being no obligation to deploy funds for CSR activities in the Financial Year 2019-20, the CSR committee had decided to earmark an amount of Rs. 20,00,000/- (Rupees Twenty Lakhs Only) including the unspent carried forward amount of the previous year's amounting to Rs. 3,99,760/- for CSR initiatives in the financial year 2019-20 for maintenance and up gradation of the existing assets provided to the schools adopted by the Company or any other activities as per CSR policy.

13. HUMAN RESOURCES DEVELOPMENT

The Company focuses on effective **management** of employees such that they help their business gain a competitive advantage. It has continuously adopted structures that help attract best external talent and promote internal talent to higher roles and responsibilities. Its people centric focus providing an open work environment, fostering continuous improvement and development helped several employees realize their career aspirations during the year.

During the year under review, the company had 2920 regular employees' vis-à-vis 2,758 regular employees as on March 31, 2019. The disclosures required to be made under the provisions of section 197(12) of the Companies Act, 2013 read with Rule 5(1), (2) and (3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, have been annexed herewith as **Annexure – VI** to the Directors' Report.

14. PUBLIC DEPOSIT

The company is a Systemically Important Non-Deposit Accepting Non-Banking Finance Company (NBFC-ND-SI). The Company does not have any public deposit and it has neither accepted any public deposit during the reporting year nor would accept any public deposit during the financial year 2020-21.

15. DISCLOSURE AS PER SEXUAL HARRASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013

The Company has zero tolerance for sexual harassment at workplace towards verbal, psychological conduct of a sexual nature by any employee or stakeholder that directly or indirectly harasses, disrupts, or interfaces with another's work performance or that creates an intimidating, offensive, or hostile environment and has adopted a policy on prevention, prohibition and redressal of sexual harassment at workplace in line with the provisions of Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 (referred to as Act) and the rules framed thereunder. Further, the company has constituted Core Internal Complaints Committee and Regional Internal Complaints Committees at respective regional offices as per the requirements of the Act and during the year under review, the Company has not received any complaints on sexual harassment.

16. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 134(5) of the Companies Act, 2013 and based on the representations received from the management, the directors hereby confirm:

i. That in the preparation of the annual accounts for the financial year 2019-20, the applicable accounting standards have been followed and there are no material departures;

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

iii. That the Directors have taken proper and sufficient care to the best of their knowledge and ability for the maintenance of adequate accounting records in accordance with the provisions of the Act and confirms that there are adequate systems and controls for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

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

v. That the Directors, have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and operating properly; and

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

17. CORPORATE GOVERNANCE

Your Company is committed to achieve the good standards of Corporate Governance and adheres to the Corporate Governance requirements set by the Regulators/applicable laws. Accordingly, your Board functions as trustees of the shareholders for ensuring the long-term economic value for its shareholders while balancing the interest of all the stakeholders.

(i) *COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE*

The Company's philosophy on Corporate Governance envisages attainment of better transparency and accountability in all facets of operations and in all its interactions with its stakeholders including shareholders, employees, bankers and the auditors. The Company constantly endeavors to achieve standards of Corporate Governance in order to enhance the long term stakeholders' value and maintain good Corporate Governance. The Company has well established, transparent and fair administrative set up to provide for professionalism and accountability.

(ii) *BOARD OF DIRECTORS*

The Board meets at regular intervals to discuss and decide on Company / business policy and strategy apart from other Board business. The notice of Board meeting is duly given to all the Directors. The Agenda for the Board and Committee meetings includes detailed notes on the items to be discussed at the meeting to enable the Directors to take an informed decision.

a) Composition, Category of the Board of Directors

As on March 31, 2020, the Board of the Company consisted of 11 Directors, of which 4 were Independent Directors, (including a Woman Director); 6 Directors were Non-Executive while 1 Executive Director, being the Managing Director.

The composition of the Board is in conformity with the Companies Act, 2013. The composition of the Board, other directorships of the Board members, number of Board Meetings held along with the attendance of the Directors thereat during the Financial Year 2019-20 along with the details of Committees of the Board, its membership and Terms of reference (ToR) are contained hereunder:

Sr. No.	Name of Director	Category	No. of Directorships in other Companies (as on date)
1.	Mr. Anup Kumar Singh	Managing Director	1
2.	Ms. Chandni Gupta Ohri	Independent Director	1
3.	Mr. Anal Kumar Jain	Independent Director	4
4.	Mr. Sethuraman Ganesh	Independent Director	1
5.	Mr. Pradip Kumar Saha	Independent Director	1
6.	Mr. Kenneth Dan Vander Weele	Nominee Director	11
7.	Mr. Saurabh Kumar Johri	Nominee Director	-
8.	Mr. Sanjay Goyal	Nominee Director	1
9.	Mr. R.V Dilip Kumar	Nominee Director	6
10.	Mr. Aditya Mohan	Nominee Director	-
11.	Mr. Benoit Marie Luc Monsaingeon	Nominee Director	-

b) Number of meetings and attendance of the Board of Directors

The Board met five (5) times in financial year 2019-20. The maximum interval between any two meetings did not exceed 120 days.

Sr. No.	Date of Board Meeting	Place of Meeting	Members attended Board Meeting
1.	May 30, 2019	Hotel Taj Vivanta, Gomti Nagar, Lucknow	Ms. Mona Kachhwaha, Chairperson Mr. Aditya Mohan, Mr. Anal Kumar Jain, Mr. Anup Kumar Singh, Mr. Benoit Monsaingeon, Ms. Chandni Gupta Ohri, Mr. Kenneth Dan Vander Weele, Mr. Pradip Kumar Saha, Mr. Sethuraman Ganesh.
2.	August 13, 2019	Hotel Aloft, New Delhi Aerocity	Mr. Pradip Kumar Saha, Chairman, Mr. Aditya Mohan, Mr. Anal Kumar Jain, Mr. Anup Kumar Singh, Mr. Benoit Monsaingeon, Mr. Kenneth Dan Vander Weele, Mr. R. V. Dilip Kumar, Mr. Saurabh Kumar Johri, Mr. Sethuraman Ganesh.

3.	September 30, 2019	Registered Office, Lucknow	Mr. Pradip Kumar Saha, Chairman, Mr. Anal Kumar Jain, Mr. Anup Kumar Singh, Mr. Saurabh Kumar Johri.
4.	November 11, 2019	Hotel Aloft, New Delhi Aerocity	Mr. Pradip Kumar Saha, Chairman, Mr. Aditya Mohan, Mr. Anal Kumar Jain, Mr. Anup Kumar Singh, Mr. Benoit Monsaingeon, Mr. Kenneth Dan Vander Weele, Mr. R. V. Dilip Kumar, Mr. Saurabh Kumar Johri, Mr. Sethuraman Ganesh.
5.	February 21, 2020	Hotel Taj Vivanta, Gomti Nagar, Lucknow	Mr. Pradip Kumar Saha, Chairman, Mr. Aditya Mohan, Mr. Anup Kumar Singh, Mr. Benoit Monsaingeon, Ms. Chandni Gupta Ohri Mr. R. V. Dilip Kumar Mr. Sanjay Goyal, Mr. Saurabh Kumar Johri, Mr. Sethuraman Ganesh.

Notes:

a. None of the Directors held directorship in more than 10 Public Limited Companies
b. None of the Directors were related to any Director or were a member of an extended family.

(iii) *AUDIT COMMITTEE*

The Chairman of the Committee is an Independent Director. During the financial year 2019-20 the Committee has met four times. The composition of the Audit Committee and the brief terms of reference are shown below:

Sr. No.	Date of Meeting	Place of Meeting	Members attended Meeting
1.	May 29, 2019	Hotel Taj Vivanta, Gomti Nagar, Lucknow	Mr. Pradip Kumar Saha, Chairman Mr. Anal Kumar Jain, Ms. Chandni Gupta Ohri, Ms. Mona Kachhwaha,
2.	August 12, 2019	Hotel Aloft Aerocity, New Delhi	Mr. Pradip Kumar Saha, Chairman Mr. Anal Kumar Jain, Mr. R. V. Dilip Kumar, Mr. Saurabh Kumar Johri
3.	November 11, 2019	Hotel Aloft Aerocity, New Delhi	Mr. Pradip Kumar Saha, Chairman Mr. Anal Kumar Jain, Mr. R. V. Dilip Kumar, Mr. Saurabh Kumar Johri
4.	February 20, 2020	Hotel Taj Vivanta, Gomti Nagar, Lucknow	Mr. Pradip Kumar Saha, Chairman Mr. Sethuraman Ganesh, Mr. R. V. Dilip Kumar, Mr. Saurabh Kumar Johri

Brief Terms of Reference of Audit Committee:

a) To review the Financial Reporting & to ensure the correctness of Financial Statements.

b) Recommendation of Internal and External Auditors, scope of their Audits and Audit reports to the Board.

c) To review the functioning of the whistle-blower mechanism.

d) To review the valuations of undertakings and assets of the Company, wherever necessary;

e) Reviewing and scrutinizing with management the periodic financial statements/results before submission to the Board, focusing primarily on:

- matters required to be included in the Directors' 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;
- any changes in accounting policies and practices;
- any related party transaction
- the adequacy of internal audit function

f) Reviewing the findings of any internal investigations by the internal auditors into the 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;

g) To ensure that an Information System Audit of the internal systems and processes is conducted yearly to assess operational risks faced by the Company.

h) To consider the approval and subsequent modification of any transactions of the Company with related parties.

(iv) ***REMUNERATION & NOMINATION COMMITTEE***

The Chairman of the Committee is an Independent Director. During the financial year 2019-20 the Committee has met two (2) times. The composition of the Remuneration and Nomination committee and the brief terms of reference are shown below:

Sr. No.	Date of Meeting	Place of Meeting	Members attended Meeting
1.	May 29, 2019	Hotel Taj Vivanta, Gomti Nagar, Lucknow	Mr. Anal Kumar Jain, Chairman Mr. Anup Kumar Singh, Ms. Chandni Gupta Ohri, Mr. Pradip Kumar Saha.
2.	February 20, 2020	Hotel Taj Vivanta, Gomti Nagar, Lucknow	Mr. Kenneth Dan Vander Weele, Chairman Mr. Anup Kumar Singh, Mr. Pradip Kumar Saha.

Brief Terms of reference of Remuneration and Nomination Committee:

a) To identify the persons who are qualified to become the directors or appointed as Senior Management Personnel and to ensure fit and proper credentials of proposed/ existing Directors.

b) To evaluate the Board of Directors, the committees constituted by the Board and the Board as a whole in accordance with the section 178 (2) of the Companies Act, 2013 and requirements of Rule 8(4) of the Companies (Accounts) Rules, 2014.

c) To recommend the sitting fee payable to the Independent directors and to decide the remuneration for the Whole Time Director / Managing Director.

d) To review the administration of ESOP Schemes of the Company, determining the eligibility criteria, vesting conditions, grant of options, performance evaluation and recommending the same to the board.

(v) ***CORPORATE SOCIAL RESPONSIBILITY COMMITTEE***

The Board of Directors, in compliance of the Companies Act, 2013 and rules made thereunder, constituted Corporate Social Responsibility (CSR) Committee at their meeting held on November 15, 2013.

During the financial year 2019-20, the Committee has met two times. The composition of the Corporate Social Responsibility committee and the brief terms of reference are shown below:

Sr. No.	Date of Meeting	Place of Meeting	Members attended Meeting
1.	August 12, 2019	Hotel Aloft, Aerocity, New Delhi	Mr. Sethuraman Ganesh, Chairman, Mr. Anup Kumar Singh.
2.	November 11, 2019	Hotel Aloft, Aerocity, New Delhi	Mr. Sethuraman Ganesh, Chairman, Mr. Anup Kumar Singh.

Brief Terms of reference of Corporate Social Responsibility Committee:

a) Formulation and recommendation to the Board, a Corporate Social Responsibility Policy, which shall indicate the activities to be undertaken by the company in areas or subject, as specified in Schedule VII of the Companies Act 2013.
b) Recommendation of the amount of expenditure to be incurred on the CSR activities and monitoring the same.
c) Monitoring the Corporate Social Responsibility Policy of the company from time to time.

(vi) ***RISK MANAGEMENT COMMITTEE***

During the financial year 2019-20 the Committee has met two (2) times. The composition of the Risk Management committee and the brief terms of reference are shown below:

Sr. No.	Date of Meeting	Place of Meeting	Members attended Meeting
1.	August 12, 2019	Hotel Aloft, Aerocity, New Delhi	Mr. Sethuraman Ganesh, Chairman Mr. Aditya Mohan, Mr. Anup Kumar Singh, Mr. Akhilesh Kumar Singh, Mr. Shrikant Bhargava, Mr. Snehdeep Agnihotri
2.	February 21, 2020	Hotel Taj Vivanta, Gomti Nagar, Lucknow	Mr. Sethuraman Ganesh, Chairman Mr. Aditya Mohan, Mr. Akhilesh Kumar Singh, Mr. Shrikant Bhargava, Mr. Snehdeep Agnihotri

Brief Terms of reference of Risk Management Committee:

a) To assist in setting risk strategy policies in liaison with management.
b) To review and assess the quality, integrity and effectiveness of the risk management systems and ensure that the risk policies and strategies are effectively managed.
c) To review processes and procedures to ensure the effectiveness of internal systems of control so that decision-making capability and accuracy of reporting and financial results are always maintained at an optimal level.

d) To provide an independent and objective oversight and view of the information presented by management on corporate accountability and specifically associated risks.
e) To review the risk bearing capacity of the Company in light of its reserves, insurance coverage, guarantee funds or other such financial structures.

(vii) *IT STRATEGY COMMITTEE*

The Board of Directors, in compliance with the RBI directions constituted IT strategy Committee in their meeting held on August 22, 2017. During the financial year 2018-19 the Committee has met two (2) times. The composition of the IT Strategy Committee and the brief terms of reference are shown below:

Sr. No.	Date of Meeting	Place of Meeting	Members attended Meeting
1.	May 29, 2019	Hotel Taj Vivanta, Gomti Nagar, Lucknow	Mr. Anal Kumar Jain, Chairman Mr. Anup Kumar Singh, Mr. Akhilesh Kumar Singh, Mr. Ashutosh Chaturvedi, Mr. Shyam Kanhaiya Yadav.
2.	February 20, 2020	Hotel Taj Vivanta, Gomti Nagar, Lucknow	Mr. Anup Kumar Singh, Chairman Mr. Akhilesh Kumar Singh, Mr. Ashutosh Chaturvedi.

Brief Terms of reference of IT Strategy Committee:

a) To approve the IT strategy and Policy documents and ensuring that an effective strategic planning process has been put in place.
b) To ensure that such process and practices have been implemented so that the IT delivers value to the business.
c) To review and amend the IT strategies in line with the corporate strategies, Board Policy reviews, Cyber security arrangements, and any other matter related to IT Governance.
d) To ensure that the IT investments represent a balance of risks and benefits and that the budgets are acceptable.
e) To monitor and provide direction for sourcing and use of IT resources.
f) To ensure a balance between IT investments and exposure towards IT risks and controls.
g) To oversee the implementation of new software and to monitor the progress of the project and the milestones to be reached according to the project timetable.
h) To ensure due compliance of RBI Master Direction DNBS.PPD.No.04/66.15.001/2016-17 dated June 08, 2017 or any amendment thereof.

(viii) *GENERAL MEETING*

A. Date, Venue and Time for the last three Annual General Body Meetings

AGM for the FY	Date & time of AGM	Venue of the AGM
2018-19	September 30, 2019	II Floor, CP-1, PG Towers, Kursi Road, Vikas Nagar, Lucknow – 226026 (Register Office)
2017-18	September 28, 2018	II Floor, CP-1, PG Towers, Kursi Road, Vikas Nagar, Lucknow – 226026 (Register Office)
2016-17	September 27, 2017	II Floor, CP-1, PG Towers, Kursi Road, Vikas Nagar, Lucknow – 226026 (Register Office)

B. Details of special resolutions passed in the previous three Annual General Meetings

AGM Date	As per Companies Act, 2013	Particulars of Special Resolutions
September 30, 2019	N.A	None
September 28, 2018	• U/s 152(2), 196, 117(3) & 203 • U/s 149 and 152 read with Schedule IV	• Re-Appointment of Mr. Anup Kumar Singh as Managing Director of the Company, for a period of 5 (Five) consecutive yearsw.e.f from April 01, 2019 upto March 31, 2024. • Re-Appointment of Mr. Anal Kumar Jain as an Independent Director of the Company,not liable to retire by rotation, to hold office for a second term of 5 (five) consecutive years, i.e. up to March 31, 2024. • Re-Appointment of Ms. Chandni Gupta Ohri as an Independent Director of the Company,not liable to retire by rotation, to hold office for a second term of 5 (five) consecutive years, i.e. up to March 31, 2024.
September 27, 2017	U/s 14	• Alteration & Adoption of Articles of Association on conversion of Optionally Convertible Preference Shares held by SIDBI into Equity Shares of the Company.

C. Details of Extra-Ordinary General Meetings held during the year:

May 30, 2019	U/s 180 (1) (a) and 180 (1) (c)	• Approval u/s 180 (1) (c) of Companies Act, 2013 to borrow any sum or sums of money from time to time exceeding the aggregate of its pad-up capital, free reserves & securities premium • Approval of creation of charge, mortgage or hypothecation on the assets of the Company under section 180 (1)(a) of the Companies Act, 2013
December 05, 2019	U/s 42	• Approval for issuance of Non-convertible Debentures on Private Placement Basis
February 21, 2020	U/s 149,152 U/s 13,61 & 64	• Re-appointment of Mr. Sethuraman Ganesh as an Independent Director • Increase in Authorised Share capital of the Company

(ix) ***CODE OF CONDUCT***

The board has laid down a “Code of Conduct” for all the board members and the senior management and other employees of the company and the Code of Conduct has been posted on www.sonataindia.com, the website of the company.

(x) ***DISCLOSURES***

a. There has been no non-compliance by the Company nor any penalties imposed on the Company by any regulator.

b. The Company has a Whistle Blower Policy duly approved by the Board, which has been circulated to all the employees of the Company and also placed on www.sonataindia.com, the website of the Company. Further, it is affirmed that no personnel have accessed to the Audit Committee.

c. During the year, no expenditure has been debited in the books of accounts, which are not for the purposes of business of the company.

d. During the year, no expenses, which are of personal nature, have been incurred for the Board of Directors and top management.

(xi) ***MEANS OF COMMUNICATION***

The Annual Report and other statutory information are being sent to shareholders through electronic mode.

(xii) ***TRAINING OF BOARD OF DIRECTORS***

The Board of Directors are regularly informed about the developments in reference to the performance of the Company, industry scenario & regulatory changes. Apart from above, the Company also organised Training of Directors on Indian Accounting Standard (Ind-AS) and IT Developments on 20th and 21st February 2020 at Lucknow to update them about the latest technological advancements, future of IT technology in MFI industry and the impact of applicability of Ind-AS on the Company.

(xiii) **GENERAL SHAREHOLDERS INFORMATION**

a) As per the notice attached to this Annual Report, the Annual General Meeting of the Company will be held on September 30, 2020.

b) The Financial Year of the Company is from April 01 to March 31.

18. PARTICULARS OF GUARANTEES AND INVESTMENTS

The Company is a Non-Banking Financial Company – Micro Finance Institution and is providing micro loans to marginal / financially weak clients and is therefore exempt from the provisions of section 186 of the Companies Act, 2013. Therefore, no disclosure of loans given, or any guarantee provided has been made in the Financial Statement, as required therein.

19. INTERNAL CONTROL

Your Company has laid down set of standards, processes and structure which enables it to implement internal financial control across the organization and ensure that the same are adequate and operating effectively. Further the company's financial system and procedures were duly audited by M/s S. R. Batliboi & Associates, LLP, Chartered Accountants, Kolkata who have reported that the financial systems are as per the requirements.

20. RISK MANAGEMENT

Your Company has Board approved Risk Management Policy wherein all material risks faced by the Company are identified and assessed. Further, the Risk Management is overseen by the Risk Management Committee/ Audit Committee of the Company on a continuous basis.

The Company has an efficacious risk management structure. It works simultaneously to review policies and procedures, identify risk, understand existing risk mitigation/controlling strategies and identify gaps in the existing controlling strategies and to improve upon the same.

21. INSTANCES OF FRAUD, IF ANY REPORTED BY THE AUDITOR PURSUANT TO SECTION 143 (12) OF THE COMPANIES ACT 2013

During the year under review, the Statutory Auditors and the Secretarial Auditors have not reported any instances of frauds committed in the Company by its Officers or Employees to the Audit Committee under section 143(12) of the Companies Act, 2013, details of which need to be mentioned in this Report.

22. VIGILANCE MECHANISM

The Company promotes ethical behaviour in all its business activities and as per Section 177 (9) and (10) of Companies Act 2013, read with Rule 7 of the Companies (Meeting of Board and its Powers) Rules, 2014 the Company has established a vigilance mechanism for Directors, employees and stakeholders associated with the company to report their genuine concerns. The Company has also framed the Vigilance Mechanism Policy, to provide adequate safeguards against victimization of persons who avail the mechanism and a provision for direct access to the Chairperson of the Audit Committee. We would like to bring to your knowledge that during the year under review, no employee was denied access to the Audit Committee.

Further, the Vigilance Mechanism Policy and other details are also available on the website of the Company.

23. SUBSIDIARIES/ JOINT VENTURE/ ASSOCIATE

Your Company does not have any subsidiary/ joint venture/ associate company.

24. STATUTORY AUDITORS &AUDITORS' REPORT

M/s. S. R. Batliboi & Associates. LLP, Chartered Accountants, Kolkata were Appointed as the statutory auditors of the company by the members at the 24th Annual General Meeting of the Company held on September 30, 2019 for the period of 4 years until the conclusion of the Annual General Meeting to be held for the FY 2022-23.

There are no qualifications, adverse observations, or other remarks made by the Statutory Auditors in their report.

25. SECRETARIAL AUDIT REPORT

The Board of Directors of the Company had appointed M/s Amit Gupta & Associates, Practicing Company Secretary, Lucknow to conduct the Secretarial Audit of the Company for Financial Year 2019-20 and the same has been duly conducted and there are no major observations in the Secretarial Audit Report that requires clarification on behalf of the Board of Directors. The Secretarial Audit Report for the FY 2019-20 has been appended as **Annexure-IV**

26. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

As required by the listing agreement, a report on Management Discussion and Analysis Report is appended as **Annexure-V** to the Board Report.

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

The company being a Non-Banking Financial Company, the particulars of conservation of energy, technology absorption are not applicable on the company. The only use of energy is the consumption of electricity at the offices of the company.

Further, there was no foreign exchange inflow during the year under review and the details of foreign exchange outflow is as under:

Foreign Exchange transaction	As at March 31, 2020 (In Mn.)	As at March 31, 2019 (In Mn.)
Travelling Expenses	-	-
Total	**-**	**-**

28. CLIENT GRIEVANCE

During the year under review, the status of client grievances is as follows:

No. of complaints*	March 31, 2020	March 31, 2019
Pending at the beginning of the year	70	97
Received during the year	216	354
Redressed during the year	266	381
Pending at the end of the year	20	70

**** excluding general enquiry from customers on loans products.***

29. APPLICABILITY FOR MAINTENANCE OF COST RECORDS

The company is engaged into the Micro Finance activities and therefore is not required to maintain Cost records under section 148 (1) of the Companies Act, 2013.

30. COMPLIANCE WITH SECRETARIAL STANDARDS

The Company has complied with the applicable Secretarial Standards issued by the Institute of Companies Secretaries of India.

31. DOCUMENTS PLACED ON THE WEBSITE

The following documents have been placed on the website in compliance with the Act:

- Fair Practice Code in English and Hindi language
- Fit and Proper Criteria Policy
- Know Your Customer (KYC), Anti Money Laundering (AML) & Combating Financing of Terrorism (CFT) Policy General Risk Management Policy
- Loan Policy
- Recovery Policy
- Investment Policy
- Fraud Prevention Policy
- Corporate Governance Policy
- Corporate Social Responsibility Policy as per section 135(4)(a)
- Information Technology (IT) Policy
- IS Audit Policy
- Business Continuity Planning Policy
- Change Management Policy
- Cyber Security Policy
- Information Security Policy
- Social Media Policy

- IT Services Outsourcing Policy
- Document Retention and Disposal Policy
- Procurement Policy
- General Risk Management Policy
- Code for fair Disclosure of Unpublished Price sensitive Information
- Equal Opportunity Policy
- Ombudsman Scheme Policy
- Sonata Credit Loss Estimation Policy
- Policy against Sexual Harassment
- Whistle Blower Policy
- Financial statements of the Company along with relevant documents as per third proviso to section 136(1).
- Details of vigil mechanism for directors and employees to report genuine concerns as per proviso to section 177(10).
- The terms and conditions of appointment of independent directors as per schedule IV to the Act.
- Related Party Transactions Policy as per guidelines issued by the Reserve Bank of India.
- Resource Planning Policy

32. ANNEXURES

The list of annexure's forming part of the Board Report are as follows:

Name of the Annexure	***Annexure No.***
Related Party Transactions (AOC-2)	I
Extract of Annual Return (MGT-9)	II
Corporate Social Responsibility Report	III
Secretarial Audit Report	IV
Management Discussion and Analysis Report (MDAR)	V
Ratio of the remuneration of each director to the median employees remuneration	VI

ACKNOWLEDGEMENTS

The Directors wish to convey their appreciation to business associates for their support and contribution during the year. The Directors would also like to thank the employees, shareholders, customers, suppliers, alliance partners and bankers for the continued support given by them to the Company and the confidence reposed in the management.

On behalf of the Board of Directors
Of Sonata Finance Private Limited

Sd/-	**Sd/-**
Anup Kumar Singh	**Pradip Kumar Saha**
Managing Director	**Director**
DIN: 00173413	**DIN: 02947368**

Place: Lucknow
Date: 22.09.2020

ANNEXURE- I

Form No. AOC-2

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

This form pertains to the disclosure of particulars of contracts/arrangements entered into by the Company with related parties referred to in Sub-section (1) of Section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto.

Details of contracts or arrangements or transactions not at arm's length basis

There were no contracts or arrangements or transactions entered during the year ended March 31, 2020, which were not at arm's length basis.

Detail of material contracts or arrangements or transactions at arm's length basis

Name of the Related Party & Nature of Relationship	Nature of contracts/ arrangements/ transactions	Duration of the contracts / arrangements /transactions	Salient terms of the contracts or arrangements or transactions including the value	Date(s) of approval by the Board/ Audit Committee	Amount paid as advances
Vivriti Capital Private Limited (Mr. Kenneth Dan Vander Weele (being common director on the board of Vivriti Capital Private Limited and Sonata Finance Private Limited))	In the Ordinary Course of Business	24 months	Term Loan Facility of Rs. 7,50,00,000 /-(Rupees Seven Crores Fifty Lakhs Only). Interest rate : 13.80% p.a Processing Fees: 1% Security: Exclusive charge by way of hypothecation on receivables of at least 1.1x at all times during the currency of the facility.	Passed through circular resolution dated 17th September 2019 and taken note in the Audit Committee Meeting held on 11/11/2019.	Nil
Vivriti Capital Private Limited (Mr. Kenneth Dan Vander Weele (being common director on the board of Vivriti Capital Private Limited and Sonata Finance Private Limited))	In the Ordinary Course of Business	24 months	To act as a Guarantor, for the term loan facility of Rs. 25,00,00,000/- (Rupees Twenty Five Crores Only) from Axis Bank Limited, to provide unconditional, irrevocable, payable on demand guarantees, that covers minimum of 16% of the initial principal value of the facility amount and the duration is 24 months. Guarantee Cap: Covering minimum of 16% of the initial principal value of	Audit Committee Meeting dated 20.02.2020	Nil

			the facility amount.		
Vivriti Capital Private Limited (Mr. Kenneth Dan Vander Weele (being common director on the board of Vivriti Capital Private Limited and Sonata Finance Private Limited))	In the Ordinary Course of Business	24 months	Term Loan Facility of Rs. 15,00,00,000 /-(Rupees Fifteen Crores Only) Interest rate : 14.5% p.a Processing Fees: 1% Security: Exclusive charge by way of hypothecation on receivables of at least 1.1x at all times during the currency of the facility.	Passed through circular resolution dated 21st March 2020 and taken note in the Audit Committee Meeting held on 25/06/2020.	Nil

On behalf of the Board of Directors
Of Sonata Finance Private Limited

Sd/- **Sd/-**

Anup Kumar Singh **Pradip Kumar Saha**
Managing Director **Director**
DIN: 00173413 **DIN: 02947368**

Place: Lucknow
Date: 22.09.2020

ANNEXURE- II

FORM MGT-9

Extract of Annual Return as on the financial year ended on March 31, 2020

[Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS:

Sl. No	Particulars	Details
1.	CIN	U65921UP1995PTC035286
2.	Registration Date	06-04-1995
3.	Name of the Company	Sonata Finance Private Limited
4.	Category / Sub-Category of the Company	Company Limited by Shares / Indian Non-Government Company
5.	Address of the Registered office and contact details	II Floor, CP-1, PG Towers, Kursi Road, Vikas Nagar, Lucknow-226026 Email: cs@sonataindia.com Ph:91-522-2334900
6.	Whether listed company Yes / No	Yes (Debentures of the Company are listed in BSE)
7.	Name, Address and Contact details of Registrar and Transfer Agent, if any	**Skyline Financial Services Private Limited (For Shares)** D-153 A| Ist Floor | Okhla Industrial Area, Phase - I | New Delhi-110 020. Tel.: +91 11 64732681 - 88 | Fax: +91 11 26812682| Web:www.skylinerta.com **NSDL Database Management Limited (For Debentures)** 4th Floor, Trade World, A Wing, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai – 400 013 Tel.: 91-22-2499 4200 Fax: 91-22-2497 6351 Web: www.nsdl.co.in

II.PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10 % or more of the total turnover of the company are as stated here under: -

SI. No	Name and description of main products / services	NIC code of the product/ service	% to total turnover of the Company
1.	Micro Finance Lending	64990	100%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

No	Name and address of the company	CIN	Holding / Subsidiary/ Associate	% of shares Held	Applicable Section

IV. SHAREHOLDING PATTERN (Equity share capital breakup as percentage of total equity)

i. Category-wise shareholding

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1)Indian									
a)Individual/ HUF	8,75,462	2,50,000	11,25,462	5.33 %	11,25,462	-	11,25,462	4.25%	(1.08%)
b)Central Govt.	-	-	-	-	-	-	-	-	-
c)State Govt.	-	-	-	-	-	-	-	-	-
d)Bodies Corporate	-	-	-	-	-	-	-	-	-
e)Bank/FI	-	-	-	-	-	-	-	-	-
f) Any other	-	-	-	-	-	-	-	-	-
SUB TOTAL:(A) (1)	**8,75,462**	**2,50,000**	**11,25,462**	**5.33 %**	**11,25,462**	**-**	**11,25,462**	**4.25%**	**(1.08%)**
(2)Foreign									
a)NRIs-Individuals	-	-	-	-	-	-	-	-	-
b)Other Individuals	-	-	-	-	-	-	-	-	-
c)Bodies Corporate	-	-	-	-	-	-	-	-	-
d)Banks/FI	-	-	-	-	-	-	-	-	-
e)Any other	-	-	-	-	-	-	-	-	-
SUB	-	-	-	-	-	-	-	-	-

TOTAL:(A) (2)									
Total Shareholding of Promoter (A)= (A)(1)+(A)(2)	**8,75,462**	**2,50,000**	**11,25,462**	**5.33 %**	**11,25,462**	**-**	**11,25,462**	**4.25%**	**(1.08%)**
B.PUBLIC SHAREHOLDING									
(1)Institutions	-	-	-	-	-	-	-	-	-
a)Mutual Funds	-	-	-	-	-	-	-	-	-
b)Banks/FI	13,27,856	19,27,801	32,55,657	15.43 %	13,27,856	33,56,371	46,84,227	17.71%	2.28%
c)Central Govt.	-	-	-	-	-	-	-	-	-
d)State Govt.	-	-	-	-	-	-	-	-	-
e)Venture Capital Funds	-	-	-	-	-	-	-	-	-
f)Insurance Companies	-	-	-	-	-	-	-	-	-
g)FIIs (Private Equity)	38,90,700	-	38,90,700	18.44 %	38,90,700	-	38,90,700	14.71%	(3.73%)
h)Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i)Others (Partnership & Proprietorship Firm)	44,73,364	-	44,73,364	21.20 %	59,01,934	-	59,01,934	22.31%	1.11%
SUB TOTAL (B) (1):	**96,91,920**	**19,27,801**	**1,16,19,721**	**55.07 %**	**1,11,20,490**	**33,56,371**	**1,44,76,861**	**54.73%**	**(0.34%)**
(2)Non Institutions									
a)Bodies Corporate									
i)Indian	11,39,142	22,03,226	33,42,368	15.85%	11,39,142	32,74,653	44,13,795	16.69%	0.84%
ii)Overseas	6,20,643	19,27,800	25,48,443	12.09 %	6,20,643	33,56,370	39,77,013	15.03%	2.94%
b)Individuals									
i)Individual shareholders holding nominal share capital upto 1 Lakh	-	4,43,481	4,43,481	2.10 %	-	5,00,431	5,00,431	1.89%	(0.21%)
ii) Individual shareholders holding nominal share capital in excess of ` 1 Lakh	4,71,375	-	4,71,375	2.23 %	4,71,375	-	471,375	1.78%	(0.45%)

c)Others	-	-	-	-	-	-	-	-	-
Trust	-	15,45,269	15,45,269	7.33 %	-	14,88,319	14,88,319	5.63%	(1.7%)
SUB TOTAL (B) (2):	**22,31,160**	**61,19,776**	**83,50,936**	**39.60 %**	**22,31,160**	**86,19,773**	**1,08,50,933**	**41.02%**	**1.42%**
Total Public Shareholding (B)=(B)(1)+(B)(2)	**1,19,23,080**	**80,47,577**	**1,99,70,657**	**94.67 %**	**1,33,51,650**	**1,19,76,144**	**2,53,27,794**	**95.75%**	**1.08%**
C. Shares held by Custodian for GDRs & ADRs	-	-	-	-	-	-	-	-	-
Grand Total (A+B+C)	**1,27,98,542**	**82,97,577**	**2,10,96,119**	**100%**	**1,44,77,112**	**1,19,76,144**	**2,64,53,256**	**100%**	-

ii.Shareholding of Promoters

Sl . No.	**Shareholder's Name**	**Shareholding at the beginning of the year**			**Shareholding at the end of the year**			
		No. of Shares	% of total Shares of the Company	%of Shares Pledged/ encumbered to total shares	No. of Shares	% of total Shares of the company	%of Shares Pledged/ encumbered to total shares	% change in shareholding during the year
1.	Mr. Anup Kumar Singh	11,25,462	5.33%	-	11,25,462	4.25%	-	(1.08%)
	Total	11,25,462	5.33%	-	11,25,462	4.25%	-	(1.08%)

iii.Change in Promoters' Shareholding (please specify, if there is no change)

Sl. No.		**Shareholding at the beginning of the year**		**Cumulative Shareholding during the year**	
		No. of Shares	**% of total shares of the company**	**No. of Shares**	**% of total shares of the company**
1.	**ANUP KUMAR SINGH**				
	At the beginning of the year	11,25,462	5.33%	11,25,462	5.33%
	Change in Shareholding	11,25462	(1.08%)	11,25,462	4.25%
	At the end of the year	-	-	11,25,462	4.25%

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

S No.	Name of Shareholders	Shareholding at the beginning of the year as on April 1, 2019		Change in shareholding during the year		Shareholding at the end of the year as on March 31, 2020	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1.	Creation Investments Social Ventures Fund II, L.P.	5,901,934	22.31%	-	-	5,901,934	22.31%
2.	Societe de Promotion et de Participation pour la Cooperation Economique	3,977,013	15.03%	-	-	3,977,013	15.03%
3.	SIDBI Trustee Company Limited (A/c Samridhi Fund)	3,274,653	12.38%	-	-	3,274,653	12.38%
4.	Triodos Custody B.V as a custodian of Triodos Fair Share Fund	1,988,507	7.52%	-	-	1,988,507	7.52%
5.	Triodos SICAV II-Triodos Microfinance Fund	1,988,506	7.52%	-	-	1,988,506	7.52%
6.	Sonata Employee Welfare Trust	1,545,269	5.84%	(56,950)	(0.21%)	14,88,319	5.63%
7.	Creation Investments Social Ventures Fund I	14,91,121	5.64%	-	-	14,91,121	5.64%
8.	Indian Financial Inclusion Fund	14,80,634	5.60%	-	-	14,80,634	5.60%
9.	Michael & Susan Dell Foundation	9,18,945	3.47%	-	-	9,18,945	3.47%
10.	Small Industries Development Bank of India	7,07,214	2.67%	-	-	7,07,214	2.67%

v.Shareholding of Directors and Key Managerial Personnel:

Sl. No.		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
1.	**ANUP KUMAR SINGH**				
	At the beginning of the year	11,25,462	5.33%	11,25,462	5.33%
	Change in Shareholding	11,25462	(1.08%)	11,25,462	4.25%
	At the end of the year	-	-	11,25,462	4.25%

V.Indebtedness

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

(INR in Mn.)

	Secured Loans excluding deposits (including NCDs)	Unsecured Loans (including NCDs)	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year (01.04.2019)				
i) Principal Amount	8314.85	1315.00	-	9629.85
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	114.97	9.93	-	124.90
TOTAL (i+ii+iii)	**8429.82**	**1324.93**	**-**	**9754.75**
Change in Indebtedness during the financial Year				
Addition	7080.99	8.91	-	7089.90
(Reduction)	(5341.06)	(308.17)	-	(5649.23)
Exchange Difference	33.96	-	-	33.96
Net Change	**1773.89**	**(299.26)**	**-**	**1474.63**
Indebtedness at the end of the financial year (31.03.2020)				
i) Principal Amount	10056.64	1016.76	-	11073.40
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	147.07	8.91	-	155.98
TOTAL (i+ii+iii)	**10203.71**	**1025.67**	**-**	**11229.38**

VI.Remuneration of Directors and Key Managerial Personnel

i.Remuneration to Managing Director, Whole-time Directors and/or Manager:

Name of Managing Director : Mr. Anup Kumar Singh			
Sr. No	Particulars of Remuneration		**INR in Mn.**
1.	Gross Salary		
	1(a)	Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	7.47
	1(b)	Value of perquisites u/s 17(2) Income-tax Act, 1961	-
	1(c)	Profits in lieu of salary under section 17(3) Income-tax Act, 1961	-
2		Stock Option	-
3		Sweat Equity	-
4		Commission	-
		-as a % of profit	-

		-others (Special Bonus)	-
5		Others(Travelling & Provident Fund)	2.81
		Total	**10.28**

ii.Sitting Fee and Professional Fee paid to Directors:

INR in Mn.

S No.	**Name of the Directors**	**Fee for attending board/ committee meetings**	**Total**
1.	Mr. Sethuraman Ganesh	0.42	0.42
2.	Ms. Chandni Gupta Ohri	0.19	0.19
3.	Mr. Anal Kumar Jain	0.42	0.42
4.	Mr. Pradip Kumar Saha	0.52	0.52

iii. Remuneration to key managerial personnel other than MD/Manager/WTD

INR In Mn.

Sr. No	**Particulars of Remuneration**		**Key Managerial Personnel**	**Key Managerial Personnel**
			Chief Financial Officer	**Company Secretary**
1.	Gross Salary			
	1(a)	Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	4.99	0.83
	1(b)	Value of perquisites u/s 17(2) Income-tax Act, 1961	-	-
	1(c)	Profits in lieu of salary under section 17(3) Income-tax Act, 1961	-	-
2		Stock Option	-	-
3		Sweat Equity	-	-
4		Commission	-	-
		-as a % of profit	-	-
		-others	-	-
5		Others (Provident Fund)	0.02	0.02
		Total	**5.01**	**0.85**

VII.PENALTIES/ PUNISHMENT/ COMPOUNDING OF OFFENCES UNDER COMPANIES ACT' 2013:

Type	**Section of the Companies Act**	**Brief Description**	**Details of Penalty / Punishment / Compounding fees imposed**	**Authority [RD / NCLT/ COURT]**	**Appeal made, if any (give Details)**
A. COMPANY					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-
B. DIRECTORS					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-
C. OTHER OFFICERS IN DEFAULT					
Penalty	-	-	-	-	-

Punishment	-	-	-	-	-
Compounding	-	-	-	-	-

On behalf of the Board of Directors
Of Sonata Finance Private Limited

Sd/- **Sd/-**

Anup Kumar Singh	**Pradip Kumar Saha**
Managing Director	**Director**
DIN: 00173413	**DIN: 02947368**

Place: Lucknow
Date: 22.09.2020

ANNEXURE-III

CORPORATE SOCIAL RESPONSIBILITY

CORPORATE SOCIAL RESPONSIBILITY POLICY - OVERVIEW

The Corporate Social Responsibility Committee has formulated and recommended to the Board, a Corporate Social Responsibility Policy (CSR Policy) indicating the activities to be undertaken by the Company, which has been approved by the Board. The CSR Policy may be accessed on the Company's website.

In line with the CSR policy and in accordance of Schedule VII of the Companies Act, 2013, the Company shall undertake the Corporate Social Responsibility activities as defined under the Schedule VII to the Act.

The main objectives of CSR Policy are:

i. To directly or indirectly take up programs that benefit the communities in and around its workplace and results, over a period of time, in enhancing the quality of life and economic well-being of the local populace.
ii. To generate through its CSR initiatives, a community goodwill for the company and help reinforce a positive & socially responsible image of Sonata Finance Private Limited as a corporate entity and as a good Corporate Citizen.
iii. Ensure commitment at all levels in the organization, to operate its business in an economically, socially and environmentally sustainable manner, while recognizing the interest of all its stakeholders

The terms of reference of the CSR Committee is as under:

i. To formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII of Companies Act, 2013;
ii. To recommend the amount of expenditure to be incurred on the activities referred to in clause (i) above;
iii. To monitor the Corporate Social Responsibility Policy of the company from time to time.

Composition of CSR Committee

Members of the committee are:

i. Mr. Sethuraman Ganesh (Chairman)
ii. Mr. Anup Kumar Singh
iii. Mr. Pradip Kumar Saha
iv. Mr. Sanjay Goyal

Average net profits and prescribed CSR expenditure:

The average net profits and prescribed CSR expenditure for the period under consideration is as detailed below:

Particulars	INR in Mn
Average net profits/(Loss) for last three financial years	(64.77)
2% of 3 Yrs Avg. Net Profit/(Loss)	(1.29)
Prescribed CSR expenditure	Nil

With reference to the above computation, the Company was not obligated to spend any amount on CSR activities in the financial year 2019-20 as the average net profit/(loss) for previous three financial years, computed to a loss of INR 12,95,338. However, despite there being no obligation to deploy funds for CSR activities in the Financial Year 2019-20, keeping in view the improved profitability outlook for the Company, the CSR Committee in its meeting dated 12th August 2019 approved an amount of Rs. 20,00,000 including the unspent carried forward amount of Rs. 3,99,760 towards CSR activities in the FY 2019-20 including maintenance and upgradation of the existing assets provided to the schools adopted by the Company. Further, the Company has also adopted some more schools in the current financial year as part of the ongoing CSR initiatives, by providing them with basic infrastructure for education in the first phase.

Details of CSR spent in FY, 2019-20

Particulars	**INR in Rs.**
Total amount allotted for CSR activities	**20,00,000**
Total amount spent for the year:	12,76,464
Amount unspent	7,23,536

Manner in which the amount spent during the financial year:

S. No	**CSR project or activity identified**	**Sector in which the Project is covered**	**Specify the state where project/ Program was undertaken**	**Specify the district where project / Program was undertaken**	**Amount outlay (budget) project or Program wise (in Rs.)**	**Amount spent on the project/ program (in Rs.)**	**Expenditure on Administrative overheads (in Rs.)**	**Cumulative expenditure upto to the reporting period (in Rs.)**	**Amount spent: Direct/ through implementing agency***
1	Provide learning infrastructure and teaching material: Ensure proper sitting arrangement, Almirah, Library set-up and ceiling fan	Promotion of education	Uttar Pradesh	Allahabad	2,05,25	2,05,250	7,523	2,12,773	Direct
				Lucknow	3,56,850	3,56,850	48,200	4,05,050	Direct
				Varanasi	3,08,500	3,08,500	-	3,08,500	Direct
2	Supporting institutions working for differently abled person: Setting of	Promotion of education	Uttar Pradesh.	Rehabilitation Society of the Visually Impaired	1,09,500	1,09,500	-	1,09,500	Direct

	advance computer lab to help in learning and connect with outer world.			(RSVI), Luckn ow,					
3	Beautification and cleanliness of the school	Promotion of education	Uttar Pradesh	Lucknow	1,90,755	1,90,755	-	1,90,755	Direct
				Pratapgarh	40,261	40,261	-	40,261	Direct
4	Repair & Maintenance	Promotion of education	Uttar Pradesh	Allahabad	9,625	9,625	-	9,625	
Total expenditure								**12,76,464.00**	

RESPONSIBILITY STATEMENT

Pursuant to the provisions of Companies Act, 2013 and Companies Rules (Corporate Social Responsibility Policy) Rules, 2014, Mr. Anup Kumar Singh, Managing Director and Mr. Sethuraman Ganesh, Chairman of CSR Committee, do confirm that the implementation and monitoring of CSR policy, is in compliance with the CSR objectives and policy of the Company.

On behalf of the Board of Directors
Of Sonata Finance Private Limited

Sd/-	**Sd/-**
Anup Kumar Singh	**Sethuraman Ganesh**
Managing Director	**Chairman - CSR Committee**
DIN: 00173413	**DIN: 02947368**

Place: Lucknow
Date: 22.09.2020

AMIT GUPTA & ASSOCIATES
Practicing Company Secretaries
B-12 Basement, Murli Bhawan, 10-A, Ashok Marg, Lucknow – 226 001
Phone : 0522 – 4024033, Mobile : 94150 05108, 7905798954
E-mail : amitguptacs@gmail.com

FORM NO. MR.3
SECRETARIAL AUDIT REPORT
FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2020
[Pursuant to section 204(1) of the Companies Act, 2013 and rule No.9 of the Companies (Appointment and Remuneration Personnel) Rules, 2014]

To,
The Members,
SONATA FINANCE PRIVATE LIMITED,
(CIN - U65921UP1995PTC035286)
II FLOOR, CP. 1, PG. TOWERS, KURSI ROAD,
VIKAS NAGAR LUCKNOW UP 226026 INDIA

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by M/s SONATA FINANCE PRIVATE LIMITED (hereinafter called “the Company”). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company’s books, papers, minute books, forms, returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit,

We hereby report that in our opinion

i. The Company has, during the audit period covering the financial year ended on 31st March, 2020 complied with the statutory provisions listed hereunder and also
ii. That the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter.

We have examined the books, papers, minute books, forms, returns filed and other records maintained by the Company for the financial year ended on 31st March, 2020 according to the provisions of:

i. The Companies Act, 2013 (the Act) and the rules made there under;
ii. The Securities Contracts (Regulation) Act, 1956 (‘SCRA’) and the rules made there

under**;**

iii. The Depositories Act, 1996 and the Regulations and Bye-laws framed there under**;**

iv. Foreign Exchange Management Act, 1999 and the rules and regulations made there under to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings**;**

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

a. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011- **Not applicable as the Company has not made any public offer of securities during the period under review;**

b. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992**- Not applicable as the Company has not made any public offer of securities during the period under review;**

c. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009**- Not applicable as the Company has not made any public offer of securities during the period under review;**

d. The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 - **Not applicable as the equity shares of the company are not listed;**

e. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008**;**

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

g. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 – **Not applicable as the Company is not having any listed equity shares;**

h. The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 - **Not applicable as the Company has not bought back/propose to buyback any of its securities during the financial year under review.**

vi. The following other laws as may be applicable specifically to the Company:

a. RBI Act, 1934 and Rules, Directions & Guidelines including MFI regulations made there under,

b. Master Circular –Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016, as amended

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

(i) Secretarial Standards issued by The Institute of Company Secretaries of India; and

(ii) Listing Agreements entered into by the Company with BSE Limited for its debt instruments.

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

We further report that:

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

- Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting, However, we have noted delays in sharing of the Audited Financial Statements with the Audit Committee and the Board Members.
- Majority decision is carried through while the dissenting members' views, if any, are captured and recorded as part of the minutes.

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

We further report that during the audit period:

- The company has converted 44,91,015 Non-Cumulative, 0.01% Compulsorily Convertible Preference Shares (CCPS) to 53,57,137 Equity Shares of Rs. 10 each at a premium of Rs. 130 each ranking *pari passu* with the existing equity shares of the Company on 13th August 2019.
- Ms. Chandni Gupta Ohri and Mr. Anal Kumar Jain have been re-appointed as Independent Directors of the Company for a second term of 5 (five) consecutive years with effect from April 01, 2019 (upon expiry of their present term of office i.e. on March 31, 2019) till March 31, 2024. However, after the expiry of the audit period, Ms. Chandni Gupta Ohri has resigned from the directorship of the company on 26th June,2020.
- Mr. Anup Kumar Singh has been re-appointed as the Managing Director of the Company for a term of 5 (five) consecutive years with effect from April 01, 2019 upto March 31, 2024.
- Mr. Sanjay Goyal and Mr. Saurabh Kumar Johri have been appointed on the Board of the company in place of Mr. Prakash Kumar and Ms. Mona Kachhwaha being nominee directors representing SIDBI and Caspian Funds, respectively. The appointment of Mr. Sanjay Goyal and Mr. Saurabh Kumar Johri was made wef. May 30, 2019 and June 01, 2019 respectively
- The company has increased the Authorized Share Capital from Rs. 40,00,00,000 (Rupees Forty Crores Only) divided into 30,000,000 (Three Crore) Equity Shares of Rs. 10/- (Rupees Ten Only) Each, and 10,000,000 (One Crore) Preference Shares of Rs. 10/- (Rupees Ten Only) to Rs. 50,00,00,000 (Rupees Fifty Crores

only) divided into 40,000,000 (Four Crore) Equity Shares of Rs. 10/- (Rupees Ten Only) each, and 10,000,000 (One Crore) Preference Shares of Rs. 10/- (Rupees Ten Only) each ranking pari passu in all respect with the existing shares of the Company.

- The members of the company had accorded authorisation to the Board u/s 180 (1) (c) of Companies Act, 2013 to borrow any sum or sums of money from time to time exceeding the aggregate of its pad-up capital & free reserve provided that the total amount upto which monies may be borrowed by the Board of Directors or the Committee authorized by Board shall not exceed Rs. 2100 Crores (Rupees Two Thousand One Hundred Crores Only) at any time.
- The members of the Company had accorded approval to the Board for the creation of charge, mortgage or hypothecation on the assets of the Company under section 180 (1)(a) of the Companies Act, 2013 provided that maximum amount of the indebtedness secured by the properties of the Company shall not exceed Rs. 2310 Crores (Rupees Two Thousand Three Hundred and Ten Crores Only) at any time.
- The Board has been empowered to issue Non-Convertible Debentures on Private Placement basis under section 42 read with section 71 of the Companies Act, 2013 provided that the aggregate amount of non-convertible debentures offered/proposed to be offered shall not exceed Rs. 300 crores (Rupees Three hundred crore only), which shall be within the overall borrowing limit of Rs. Rs. 2,100 Crores (Rupees Two thousand one hundred crore only) provided for the Company pursuant to the shareholder's resolution passed under Section 180(1) (c) of the Companies Act, 2013.

For Amit Gupta & Associates
Company Secretaries

AMIT GUPTA

Digitally signed by AMIT GUPTA
DN: c=IN, st=Uttar Pradesh,
2.5.4.20=2eb544dda096a3615ff9a81325df04cf7c99d37a7d41a1c290031855d0f3b213,
postalCode=226023, street=VINAY NAHAR KRISHANA NAGAR MANSANAGAR S. O,
serialNumber=8a3c4b4c0395f3c234edd3319b374e251da6913eb981e15b802b45f0a75f2940,
o=Personal, cn=AMIT GUPTA,
pseudonym=4f8afc33644c8b4b6709f7d869f1fa80
Date: 2020.09.09 21:00:21 +05'30'

Amit Gupta
Proprietor
Membership No. : F5478
C.P. No. 4682

UDIN - F005478B000680671
Date: September 09, 2020
Place: Lucknow

Note: This report should be read with the letter of even date by the Secretarial Auditors.

To,

The Members,
SONATA FINANCE PRIVATE LIMITED,
II FLOOR, CP. 1, PG. TOWERS, KURSI ROAD,
VIKAS NAGAR LUCKNOW U.P. 226026 INDIA

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

1. Maintenance of secretarial record is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and process as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and books of accounts of the Company.
4. Wherever required, we have obtained the management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The Compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedure on test basis.
6. The Secretarial Audit Report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

For Amit Gupta & Associates
Company Secretaries

AMIT
GUPTA

Amit Gupta
Proprietor
Membership No. : F5478
C.P. No. 4682

UDIN - F005478B000680671
Date: September 09, 2020
Place: Lucknow

ANNEXURE-V

Management Discussion & Analysis Report

OVERVIEW

Sonata Finance Private Limited ('Company') is private limited company duly registered with the Reserve Bank of India as Non-Banking Financial Company - Micro Finance Institution (NBFC-MFI) vide Registration No. B-12.00445.The Company is primarily engaged in providing microfinance loans to low income households. The Company focuses its operations in 8 states in India, through 443 Branches and 2,920 regular employees, as on March 31, 2020. The core business of the Company is to provide small value loans and certain other basic financial services to its clients who either do not have any access to loans from institutional sources of financing or the same is very limited. The Company aims to provide financial services at the doorstep of its clients. The borrowers of the company are predominantly located in rural/ semi urban areas and the Company extends loans to them mainly for use in small businesses or for other income-generating activities.

The Company follows a village-centric, group-lending model to provide unsecured loans to its Members. This model relies on a form of 'social collateral' and ensures credit discipline through peer support within the group. The Company believes this model makes its Members prudent in conducting their financial affairs and prompt in repaying their loans. Failure by an individual borrower to make timely loan repayments will prevent other members in the group from being able to borrow from any MFI in future. Therefore, the group will use peer support to encourage the delinquent borrower to make timely repayments or will often make a repayment on behalf of a defaulting borrower, effectively providing an informal joint guarantee on the Borrower's loan.

In addition to its core business of providing micro-credit, the Company uses its distribution channel to provide certain other financial products and services that its Members may need. The Company offers loans for the purchase of products such as mobile phones, solar lamps, sewing machines and bicycles, etc. which help its borrowers to enhance their productivity.
Due to outspread of COVID-19 pandemic, the Government of India announced the 1st Lockdown of the country in the last week of March, 2020. This resulted in the complete standstill of the activities of the company. The field movement of the staff was completely restricted and thus the collections of the loan instalments were affected severely and the fresh disbursements were stopped completely. The company was although proactive in its approach and even before the announcement of lockdown the company ensured the precautions towards the health and safety of its field staff and has been regularly addressing the feeling of fear amongst our human capital, from the virus infection. Even though there was a lockdown however the key officials of the back office were constantly working from home.

The COVID-19 pandemic has not impacted the profitability of the Company for the FY 2019-20, the Company's total revenue from operations and profit/loss after tax is INR 3438.35 Mn. and INR 140.91 Mn., respectively. Further the Company had 0.85 Mn. active borrowers with a Gross Loan Portfolio of INR 17,550.06 Mn. However, the lockdown imposed by the Government of India typically impacted the collections and disbursements of the company the results of which shall reflect in the financials of FY 2020-21.

INDUSTRY STRUCTURE AND DEVELOPMENTS

NBFC's are emerging as an alternative to mainstream banking. They are also emerging as an integral part of the Indian Financial System and are contributing commendably towards Government's agenda of Financial inclusion. NBFC's in India have recorded marked growth in recent years. NBFC's complement the banking sector in reaching out credit to the unbanked segments of society, especially to the micro, small and medium enterprises (MSMEs), which form the cradle of entrepreneurship and innovation. What sets the NBFCs apart is the fact that they do not depend on grants or subsidies to provide unsecured loans to people with low incomes and with negligible access to the banking system.

As on March 31, 2020, aggregated GLP of NBFC-MFIs stood at INR 74,371 Cr, with a growth of 31% in comparison to March 31, 2019**.** In terms of regional distribution of portfolio (GLP), East and North East accounts for 34% of the total NBFC-MFI portfolio, South 27%, North 13%, West 15% & Central contributes 11%.

During the FY 19-20, MFIN Member NBFC-MFIs disbursed 2.78 crores loans worth INR 77,072 crores and compared with FY 18-19, there has been a YoY increase of 16 percent in number of loans disbursed and 23 per cent in loan amount disbursed.

As per MFIN during the FY 19-20, NBFC-MFIs received a total of INR 42,150 crores in debt funding (from Banks and Financial Institutions). This represents a growth of 33% as compared to previous financial year

As on 31 March 2020, NBFC-MFIs on aggregated basis have a network of 14,275 branches and employee base of 1,16,738 staff

Based on data available with MFIN for FY 19-20, the majority of NBFC-MFIs have disbursed 90% of their loan through cashless mode. The Asset and Liability Management (ALM) analysis shows that all sizes of NBFC- MFIs are well placed in terms of ALM across various buckets. It is evident from ALM analysis that borrowings of MFIs are of longer term while assets are of shorter term. As a result, they have a comfortable gap to manage their obligations.

Inspite of strong competition faced by the NBFCs, the inner strength of NBFCs viz local knowledge, credit appraisal skill, well trained collection machinery, close monitoring of borrowers and personalized attention to each client, are catering to the needs of small and medium enterprises in the rural and semi urban area, enabling the Government and Regulators to further the mission of financial inclusion.

BUSINESS REVIEW

Financial year under review was a Profitable year for the Company. The Company Assets under Management have been increased from INR 14,410.83 Mn. to INR 17,550.06 Mn. The Non-Performing assets reduced to 1.2% from 3.3% and Profit after tax is INR 1,40.91 Mn. The disbursements and collections have improved but the growth path has been slow due to limited liquidity. In order to achieve its' growth target, the Company enhanced cashless disbursement, developed a new application known as “SAKHEE” for encouraging digital transactions and also focused on training of manpower and improved system and processes during the year.

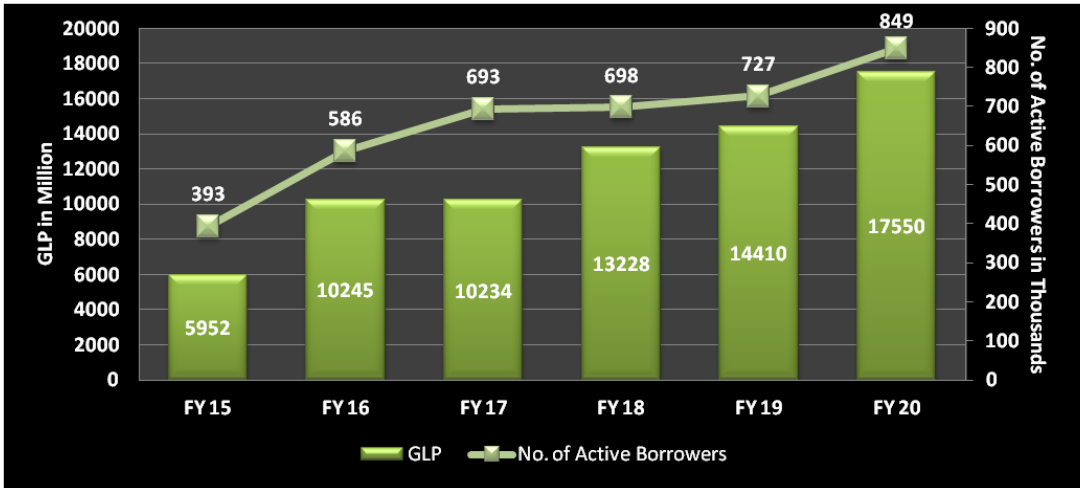
Over years of operation, your Company has developed partnerships with over large number of public sector banks, private sector banks, foreign banks and other domestic and overseas financial institutions. During the year under review, the Company has availed various External Commercial Borrowings and other credit facilities from Banks, domestic and international lenders and from institutions for its microfinance operation, which is the main activity of the Company.

The rating agency, ICRA ratings assigned grading of M2+ (M two plus) to the Company. During the year under review the credit rating of the Company remained Stable.

DISCUSSION ON FINANCIAL PERFORMANCE VIS A VIS OPERATIONAL PERFORMANCE

The company has shown an increase in the Gross Loan portfolio during the year under review as compared to the previous financial years. During the FY 2019-20, the Gross Loan Portfolio increased from INR 14,410.83 Mn. to INR 17,550.06 Mn. The number of active borrowers also increased from .727 Mn. to .849 Mn.

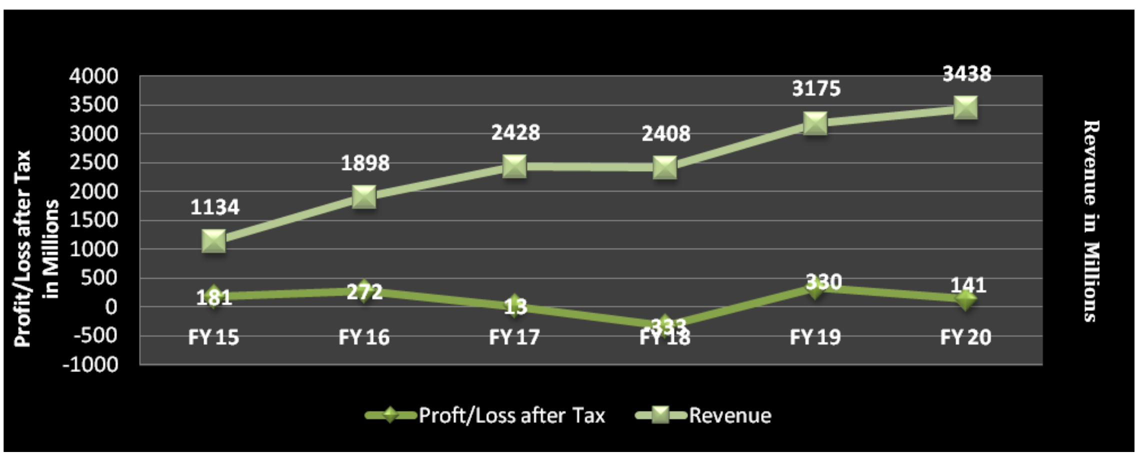
The year on year position of the Gross Loan Portfolio and number of active borrowers of the Company is as under:



FINANCIAL PERFORMANCE

During the period under review, the total revenue from operations of the company increased from INR 3174.77 Mn. to INR 3438.35 Mn. in FY 2019-20.

Further, the Company earned a net profit of INR 140.91 Mn. against a profit of INR 329.90 Mn. in the previous FY 2018-19.



- ***Figures of FY 19 & 20 are as per Ind-AS***

OPPORTUNITIES

NBFCs have been playing a very important role both from macroeconomic prospective and the structure of the Indian Financial System. We offer quick and efficient services. Microfinance industry has already proved its viability as a business model, as well as, its ability to reach out to a significant section of the population, which needs mainstreaming. It will continue to remain a relevant and important conduit for providing financial services to a vast segment of the population, acting in complementarily to banks. Moreover, the banking system clearly constrained in terms of expanding their lending activities, the role of NBFCs becomes even more important now, especially when the government has a strong focus on promoting entrepreneurship so that India can emerge as a country of job creators instead of being one of job seekers. Innovation and diversification are the important contributors to achieve the desired objectives. Currently, Company can see lot of potential for growth in various regions, which are still untapped, and where there is substantial need, demand and opportunity for microfinance. We intend to expand our reach and operations in the states where we are currently present and new states by establishing new offices, both by increasing business transacted through existing branches, and by establishing new branches.

The Company continuously efforts to focus on their strengths while improving on their weaknesses. We will continue to evaluate opportunities for alliances, collaborations and partnerships, that meet our strategic and financial return criteria, and to strengthen our portfolio.

CHALLENGES

There are several challenges for microfinance sector in India that are limiting the growth of MFIs in terms of reach and disbursement. NBFC-MFIs operate under certain regulatory constraints, which put them at a disadvantage vis-à-vis banks. While there has been a regulatory convergence between banks and NBFCs on the asset side, on the liability side, NBFCs still do not enjoy a level playing field. Further, the funds to the sector has dried up of late and resulting in higher cost of funds. This needs to be addressed to help NBFCs by realizing their full potential and thereby perform their duties with greater efficiency. The rapid growth of the microfinance industry is leading to a scenario of over-borrowing on the part of loan seekers, putting the sector at considerable risk. MFIs incur high operational costs, especially for searching and collecting information during loan origination and during monitoring and collections, which limits their ability to maximize the outreach. The small loan sizes and short tenure further intensify the challenge. Further, to compete with Banks, MFIs are facing challenge to raise capital and manage credit risks.

The outspread of COVID-19 has deeply impacted the business of the company. During the lockdown the collections were severely hit and the company has to stop its disbursements. The company opened its offices from 4th May 2020 in a staggered manner. The company has been making efforts to improve the collections and is still focussing on conserving the liquidity before starting the fresh disbursements. The biggest challenge due to this pandemic is at one hand the company has to ensure the safety of its human resources during the times when the outspread is exponentially increasing and on the other the business activity should not be impacted. The challenge is to achieve the targets of profits as per the business plan when due to uncertainty in the markets due to pandemic is very high. The situation of un-certainty has caused the liquidity issues in the sector. Though the Reserve Bank of India in order to address the liquidity issues has announced various relief measures for NBFC-MFI, which have been struggling to operate in such situation including the moratorium for repayment of loan instalments however the real impact of the same shall be assessed over the period of time.

RISK & CONCERNS

As an NBFC, the Company is exposed to specific risks that are specific to its business and environment within which it operates including economic cycle, credit, liquidity and interest rate risk. Managing risk effectively also helps in achieving the desired outcome, while fixing the responsibility and accountability. Sustained efforts to strengthen the risk framework and portfolio quality have yielded consistently better outcomes for the Company. Furthermore, our Company is exposed to various types of risks relating to failure to comply with financial and other covenants under our loan agreements, which may materially and adversely affect our financial condition, results of operations, cash flows and business prospects. Similarly, financial performance is exposed to interest rate risk, and an inability to manage our interest rate expenses may have a material adverse effect on our business prospects and result of operations.

Operations involve handling of cash through a dispersed network of branches, which makes us susceptible to operational risks. The sector in which we operate is highly regulated. Regulations governing us may in future become more stringent and onerous and the changes introduced may adversely affect our business prospects and financial performance.

To prepare itself for these risks, Company maintains reserves and provisions in its financials for meeting expected or unexpected future contingencies. The Company follows a conservative financial approach by following prudent business and risk management practices. Further, Company has sufficient caution in the system/ process to mitigate the adverse effect of the risk. The Board periodically reviews the risk assessment and mitigation procedures and suggests the controlling actions.

HUMAN RESOURCES

The Company believes that employees are the key of achievement of Company's objectives and strategies. The Company provides its employees a fair and equitable work environment and support from their peers with a view to develop their capabilities leaving them with the freedom to act and to take responsibilities for the task assigned. We provide our employees outstanding career development opportunities and reward to the staff for their good performance and loyalty towards the organization.

The Company provides a wide range of benefits to its employees including health insurance for all employees and their dependents. We also provide stock option benefits to the eligible employees by which the employees get opportunity to acquire shares in the company. The number of regular employees as at the end of the year was 2,920.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUENCY

The Company has an effective Internal Control System, commensurate with its size and nature to ensure smooth business operations to provide reasonable assurance that all of its assets are safeguarded and protected from any kind of loss or misuse, transactions are authorized, recorded and reported properly and that all the applicable statutes and corporate policies are duly complied with. Our internal control framework also includes internal financial controls, encompassing clear delegation of authority and standard operating procedures across all businesses and functions. As part of the effort to evaluate the effectiveness of the internal control systems, the Internal Auditors of the Company conduct audit of various departments covering key area of operations and reviews and evaluates the adequacy and effectiveness of internal controls, ensuring adherence to operating guidelines and systems and recommending improvements for strengthening them.

The Audit Committee of the Board of Directors, comprising of independent directors, periodically reviews the internal audit reports, covering findings, adequacy of internal controls, compliances applicable on the Company. The Audit Committee also meet the Company's Statutory Auditors to ascertain their views on the financial statements, including the financial reporting system, compliance to accounting policies and procedures, the adequacy and effectiveness of the internal control and systems followed by the Company. The Management acts upon the observations and suggestions of the Audit Committee. Further, the company has the financial system and procedures duly audited by M/s S. R. Batliboi & Associates LLP, Chartered Accountants, Kolkata, who have reported that the financial systems are as per the requirements.

CAPITAL ADEQUACY

At the end of the year, the Capital to Risk Adjusted Assets Ratio [CRAR] of the Company stood comfortably at 23.07% (Tier I: 17% and Tier: 6.07%) as against the RBI requirement of 15%.

On behalf of the Board of Directors
Of Sonata Finance Private Limited

Sd/-	**Sd/-**
Anup Kumar Singh	**Pradip Kumar Saha**
Managing Director	**Director**
DIN: 00173413	**DIN: 02947368**

Place: Lucknow
Date: 22.09.2020

Source of Industry data: MFIN Micrometer data as of March 31, 2020

❖ **The ratio of the remuneration of each Director to the median employee's remuneration and such other details in terms of Section 197(12) of the Companies Act, 2013 read with Rule 5 (1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.**

S.No.	Requirements	Disclosure
i.	The ratio of the remuneration of each director to the median remuneration of the employees of the Company for the financial year.	Mr. Anup Kumar Singh (MD): 62.19:1
ii.	The percentage increase in remuneration of each director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year.	Mr. Anup Kumar Singh (MD): 4.32% Mr. Akhilesh Kumar Singh (CFO): 11.23% Ms. Paurvi Srivastava (CS): 25.71%
iii.	The percentage increase in the median remuneration of employees in the financial year.	The percentage increase in the median remuneration of employees in the financial year is around 3%
iv.	The number of permanent employees on the rolls of the Company.	2920
v.	Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration	Average percentile increase already made in the salaries of employees other than the managerial personnel: 2.55% The average increase in the managerial remuneration: 7.35%

❖ **Statement in terms of Section 197(12) of the Companies Act, 2013 read with Rule 5 (2) & (3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.**

Names of the top ten employees in terms of remuneration drawn and the name of every employee, who-

i. If employed for a part of the financial year, was in receipt of remuneration for any part of that year, at a rate which, in the aggregate, was not less than eight lacs and fifty thousand rupees per month; - None

ii. If employed throughout the financial year or part thereof, was in receipt of remuneration in that year which, in the aggregate, or as the case may be, at a rate which, in the aggregate, is in excess of that drawn by the managing director or whole-time director or manager and holds by himself or along with his spouse and dependent children, not less than two percent of the equity shares of the company. - None

iii. If employed throughout the financial year, was in receipt of remuneration for that year which, in the aggregate, was not less than one crore and two lakh rupees - None

List of Top Ten Employees of the Company:

S. No.	Employee Name & Designation	Previous Organization	Qualification and Experience	Date of Joining	Age	Remuneration received (annually)	Percentage of equity shares held by the employee	Relative of any director of the company
1.	Akhilesh Kumar Singh (Chief Financial Officer)	Microsave & Casphor Micro Credit	Certified Expert in SME Finance, Frankfurt School of Finance and Management, Germany, 2016, Graduate In mathematics, Economics& Statistic and 21 years of experience	03-04-17	48	51,50,400	-	None
2.	Megha Goel (Planning and Monitoring Head) – resigned as on date of the report	Indusind Bank, Essel Finance Business Loan Ltd.,Bajaj Finance Ltd. & HSBC	PGDM(IIM Lucknow),B Tech (NIT Allahabad) and 17 years of experience	01-06-17	41	32,78,468	-	None
3.	Manish Raj (Chief Account Controller)	Sahara India Financial Co. Ltd	MBA(FMS BHU)	07-07-18	47	37,04,724	-	None
4.	Bramhanand, (Finance Head)	Casphor Micro Credit	CA (Inter),M.com and 20 years of experience	26-12-05	42	30,44,724	0.0038%	None
5.	Davendra Singh, (Chief Compliance Officer)	Sahara India Medical Institute Ltd	Fellow Company Secretary and 33 years of experience	09-06-16	58	27,44,724	-	None
6.	Ashish Singh, (IL Head)	Casphor Micro Credit	Masters of Business Administration and 17 years of experience	19-08-06	38	22,64,724	0.11%	None
7.	Vinay Pratap Singh, (Operations Head)	Casphor Micro Credit	Masters of Business Administration and 20 years of experience	31-08-09	45	22,64,724	0.106%	None
8.	Tarun Kumar Srivastava, Permanent Employee (Audit Head)	Casphor Micro Credit	Bachelor of Laws and 17 years of experience	01-02-07	49	22,04,724	0.11%	None

9.	Shyam Kanhaiya, (IT Head)	NA	Master of Computer Applications and experience of 13 years	04-08-06	39	22,04,724	0.08%	None
10.	Richa Sharma, (Accounts Head)	Hindustan Glass Works Ltd	Chartered Accountant and experience of 10 years	15-05-13	36	19,64,724	0.076%	None

On behalf of the Board of Directors
Of Sonata Finance Private Limited

Sd/-

Anup Kumar Singh
Managing Director
DIN: 00173413

Sd/-

Pradip Kumar Saha
Director
DIN: 02947368

Place: Lucknow
Date: 22.09.2020

2nd & 3rd Floor
Golf View Corporate Tower - B
Sector - 42, Sector Road
Gurugram - 122 002, Haryana, India
Tel : +91 124 681 6000

INDEPENDENT AUDITOR'S REPORT

To the Members of SONATA Finance Private Limited

Report on the Audit of the Ind AS Financial Statements

Opinion

We have audited the accompanying Ind AS financial statements of SONATA Finance Private Limited ("the Company"), which comprise the Balance sheet as at March 31 2020, the Statement of Profit and Loss, including the statement of Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Ind AS financial statements give the information required by the Companies Act, 2013, as amended ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2020, its profits including other comprehensive income its cash flows and the changes in equity for the year ended on that date.

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 45 of the Ind AS financial statements, which describes the economic and social disruption as a result of the COVID-19 pandemic on the Company's business and financial metrics, including the Company's estimates of impairment of loans to customers and that such estimates may be affected by the severity and duration of the pandemic. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Ind AS financial statements for the financial year ended March 31, 2020. These matters were addressed in the context of our audit of the Ind AS financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have determined the matters described below to be the key audit matters to be communicated in our report. We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the Ind AS financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the Ind AS financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying Ind AS financial statements.

S.R. BATLIBOI & ASSOCIATES LLP

<table>
<tr><th>Key audit matters</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2"><u>(a) Transition to Ind AS accounting Framework</u> (as described in Note 44 of the Ind AS financial statements)</td></tr>
<tr><td>In accordance with the roadmap for implementation of Ind AS for non-banking financial companies, as announced by the Ministry of Corporate Affairs, the Company has adopted Ind AS from April 1, 2019 with an effective date of April 1, 2018 for such transition. For periods up to and including the year ended March 31, 2019, the Company had prepared and presented its financial statements in accordance with the erstwhile generally accepted accounting principles in India (Indian GAAP). In order to give effect of the transition to Ind AS these financial statements for the year ended March 31, 2020, together with the comparative financial information for the previous year ended March 31, 2019 and the transition date balance sheet as at April 1, 2018 have been prepared under Ind AS.

The transition has involved significant changes in the Company's financial reporting processes, including generation of reliable and supportable financial information. The transition has also required the management to exercise judgement in determining the impact of Ind AS on specific disclosure requirements prescribed under extant Reserve Bank of India (RBI) directions.

In view of the complexities in implementing Ind AS discussed above, we have focused on this area in our audit.</td><td>Our audit procedures included the following:
• Read the Ind AS impact assessment performed by the management and the resultant changes made to the accounting policies considering the requirements of the new framework.
• Assessed the judgement exercised by the management in applying the first-time adoption principles of Ind AS 101 especially in respect of fair valuation of assets and liabilities existing as at transition date.
• Read changes made to accounting policies in light of the requirements of the new framework.
• We understood the financial statement closure process and the additional controls (including IT controls) established by the Company for transition to Ind AS.
• Assessed the judgement applied by the Company in determining its business model for classification of financial assets.
• Tested the accounting adjustments posted as at the transition date and in respect of the previous year to convert the financial information reported under erstwhile Indian GAAP to Ind AS.
• Assessed the judgements applied by the Company in respect of areas where the accounting treatment adopted or the disclosures made under the new accounting framework were inconsistent with the extant RBI Directions.
• Assessed disclosures made by the management for compliance with Ind AS</td></tr>
<tr><td colspan="2"><u>(b) Impairment of financial assets as at balance sheet date (including provision for expected credit losses)</u> (as described in note 8, 43.2 and 45 of the Ind AS financial statements)</td></tr>
<tr><td>Ind AS 109 requires the Company to provide for impairment of its loan receivables (financial instruments) using the expected credit loss (ECL) approach. ECL involves an estimation of probability-weighted loss on financial instruments over their life, considering reasonable and supportable information about past events, current conditions, and forecasts of future economic conditions which could impact the credit quality of the Company's loans and advances. In the process,</td><td>Our audit procedures included the following:

• Considered the Company's accounting policies for impairment of loan receivables and assessing compliance with the policies in terms of Ind AS 109.
• Tested the assumptions used by the Company for grouping and staging of loan portfolio into various categories and default</td></tr>
</table>

a significant degree of judgement has been applied by the management for: 1. Defining qualitative/ quantitative thresholds for 'significant increase in credit risk' ("SICR") and 'default'. 2. Grouping of loan portfolio under homogenous pools to determine probability of default on a collective basis. 3. Determining effect of less frequent past events on future probability of default. **Additional considerations on account of CoVID-19** Pursuant to the Reserve Bank of India circular dated March 27, 2020 and May 23, 2020 ("RBI circular") allowing lending institutions to offer a moratorium to customers on payment of instalments falling due between March 1, 2020 and August 31, 2020 read with advisory issued by the Microfinance Institutions Network dated March 30, 2020 ("MFIN advisory"), the Company has extended a moratorium to its borrower in accordance with its Board approved policy as described in Note 45. In accordance with the guidance from ICAI, extension of the moratorium to borrowers by itself is not considered to result in a SICR for a borrower, however the entity needs to evaluate whether the borrowers to which moratorium is granted will remain regular once the moratorium period gets over. The Company has recorded a total provision of Rs. 6535.70 lacs as part of its ECL, to reflect among other things an increased risk of deterioration in macro-economic factors caused by Novel Coronavirus (CoVID-19) pandemic. Given the unique nature and scale of the economic impact of this pandemic, its timing being close to the year-end, and no reliable data being available regarding the impact of various regulatory packages, the macroeconomic overlay estimate is based on various highly uncertain and unobservable factors. In accordance with the guidance in Ind AS 109, the macroeconomic overlay estimate takes into account reasonably and supportable information without incurring significant cost. The actual credit losses for the next 12 months could be significantly different than the ECL estimates prepared by the Company depending upon the impact and duration of the pandemic and various regulatory and policy measures announced by the Government. Given the high degree of management's judgement involved in estimation of ECL, accentuated by the considerations for CoVID-19 related developments, it is an area of material uncertainty and a key audit matter.	buckets for determining the PD and LGD rates. • Tested the operating effectiveness of the controls for staging of loans based on their past-due status. Tested a sample of performing (stage 1) loans to assess whether any loss indicators were present requiring them to be classified under stage 2 or 3. • Tested the input data used for determining the PD and LGD rates and agreed the data with the underlying books of accounts and records. • Performed inquiries with the Company's management and its risk management function to assess the impact of lock-down on the business activities of the Company. • Assessed the Company's policy with respect to moratorium pursuant to the RBI circular and MFIN advisory and tested the implementation of such policy on a sample basis. • Assessed the additional considerations applied by the management for staging of loans as SICR/ default in view of Company's policy on moratorium. • Tested assumptions used by the management in determining the overlay for macro-economic factors (including CoVID-19 pandemic) in accordance with the governance framework approved by the Board of Directors pursuant to Reserve Bank of India guidelines issued on March 13, 2020. • Tested the arithmetical accuracy of computation of ECL provision performed by the Company in spreadsheets. • Compared the disclosures included in the Ind AS financial statements in respect of expected credit losses with the requirements of Ind AS 107 and 109. Reviewed specific disclosures made in the Ind AS financial statements with regards to the impact of CoVID-19 on ECL estimation.

S.R. BATLIBOI & ASSOCIATES LLP

Other Information

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Annual report, but does not include the Ind AS financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

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

In connection with our audit of the Ind AS financial statements, our responsibility is to read the other information and, in doing so, consider whether such other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management for the Ind AS Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the Ind AS financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Ind AS Financial Statements

Our objectives are to obtain reasonable assurance about whether the Ind AS financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Ind AS financial statements.

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

- Identify and assess the risks of material misstatement of the Ind AS financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may

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involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Ind AS financial statements, including the disclosures, and whether the `Ind AS financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Ind AS financial statements for the financial year ended March 31, 2020 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the "Annexure 1" a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by Section 143(3) of the Act, we report that:

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

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

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

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(d) In our opinion, the aforesaid Ind AS financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended;

(e) On the basis of the written representations received from the directors as on March 31, 2020 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2020 from being appointed as a director in terms of Section 164 (2) of the Act;

(f) With respect to the adequacy of the internal financial controls over financial reporting of the Company with reference to these Ind AS financial statements and the operating effectiveness of such controls, refer to our separate Report in "Annexure 2" to this report;

(g) The provisions of Section 197 read with Schedule V of the Act are not applicable to the Company for the year ended March 31, 2020;

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

   i. The Company has disclosed the impact of pending litigation on its financial position in its Ind AS financial statements – Refer Note 49 to the Ind AS financial statements;

   ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts;

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

For **S.R. Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm Registration Number: 101049W/E300004

per Amit Kabra
Partner
Membership Number: 094533
UDIN: 20094533AAAAEA2144
Place of Signature: Gurugram
Date: June 26, 2020

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Annexure 1 referred to in paragraph 1 under the heading "Report on Other Legal and Regulatory Requirements" of our report of even date to the members of SONATA Finance Private Limited as at and for the year ended March 31, 2020

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

(b) Majority of the fixed assets have been physically verified by the management during the year and there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.

(c) According to the information and explanations given by the management, there are no immovable properties, included in fixed assets are held in the name of the Company and accordingly, the requirements under paragraph 3(i)(c) of the order are not applicable to the Company.

(ii) The Company's business does not involve inventories. Accordingly, the requirements under paragraph 3(ii) of the Order is not applicable to the Company.

(iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, limited liability partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Accordingly, the provisions of clause 3 (iii) (a), (b) and (c) of the Order are not applicable to the Company and hence not commented upon.

(iv) In our opinion and according to the information and explanations given to us, there are no loans, investments, guarantees, and securities given in respect of which provisions of section 185 and 186 of the Companies Act 2013 are applicable and hence not commented upon.

(v) The Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.

(vi) To the best of our knowledge and as explained, the Company is not in the business of sale of any goods. Therefore, in our opinion, the provisions of clause 3 (vi) of the Order are not applicable to the Company.

(vii) (a) Undisputed statutory dues including provident fund, employees' state insurance, income-tax, goods and service tax, cess and other statutory dues, applicable to the Company, have generally been regularly deposited with the appropriate authorities. During the year, sales-tax, duty of excise and value added tax are not applicable to the Company.

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(b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, goods and service tax, cess and other statutory dues, applicable to the Company, were outstanding, at the year-end, for a period of more than six months from the date they became payable.

(c) According to the records of the Company, the dues of income tax on account of any dispute, are as follows:

Nature of Statute	Nature of Dues	Amount under dispute (Rs. In Lacs)	Period to which it relates	Forum where dispute is pending
Income Tax Act,1961	Income Tax	12.82	A.Y. 2017-18	CIT (Appeal)

(viii) In our opinion and according to the information and explanations given by the management, the Company has not defaulted in repayment of loans or borrowing to financial institutions, banks or dues to debenture holders. The Company did not have any dues of loans or borrowings to government during the year.

(ix) According to the information and explanation given by the management, money raised by the Company by way of term loans/debt instruments were applied, on an overall basis, for the purpose for which they were raised. The Company has not raised any money way of initial public offer / further public offer.

(x) Based on the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanation given by the management, we report that no fraud by the Company or no material fraud on the company by the officers and employees of the company has been noticed or reported during the year except for instances of cash embezzlements by certain employees of the Company aggregating to an amount of Rs 38.60 lacs and out of which Rs 24.33 lacs have been recovered .

(xi) The Company being a private Company, the provisions of section 197 read with Schedule V of the Act are not applicable and hence not commented upon.

(xii) In our opinion, the Company is not a nidhi company. Therefore, the provisions of clause 3(xii) of the order are not applicable to the Company and hence not commented upon.

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

(xiv) According to the information and explanations given to us and on an overall examination of the balance sheet, the company has not made any preferential allotment or private placement of shares

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or fully or partly convertible debentures during the year under review and hence, reporting requirements under clause 3(xiv) are not applicable to the company and, not commented upon.

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

(xvi) According to the information and explanations given to us, we report that the Company has registered as required, under section 45-IA of the Reserve Bank of India Act, 1934.

For **S.R. Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm Registration Number: 101049W/E300004

per Amit Kabra
Partner
Membership Number: 094533
UDIN: 20094533AAAAEA2144
Place of Signature: Gurugram
Date: June 26, 2020

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ANNEXURE 2 TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE Ind AS FINANCIAL STATEMENTS OF ANNAPURNA FINANCE PRIVATE LIMTED

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of SONATA Finance Private Limited ("the Company") as of March 31, 2020 in conjunction with our audit of the Ind AS financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting with reference to these Ind AS financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing as specified under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting with reference to these Ind AS financial statements was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls over financial reporting with reference to these Ind AS financial statements and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting with reference to these Ind AS financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls over financial reporting with reference to these Ind AS financial statements.

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Meaning of Internal Financial Controls Over Financial Reporting with Reference to these Ind AS Financial Statements

A company's internal financial control over financial reporting with reference to these Ind AS financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting with reference to these Ind AS financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the Ind AS financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting With Reference to these Ind AS Financial Statements

Because of the inherent limitations of internal financial controls over financial reporting with reference to these Ind AS financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting with reference to these Ind AS financial statements to future periods are subject to the risk that the internal financial control over financial reporting with reference to these Ind AS financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, adequate internal financial controls over financial reporting with reference to these Ind AS financial statements and such internal financial controls over financial reporting with reference to these Ind AS financial statements were operating effectively as at March 31, 2020, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **S.R. Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm Registration Number: 101049W/E300004

per Amit Kabra
Partner
Membership Number: 094533

S.R. BATLIBOI & ASSOCIATES LLP

UDIN: 20094533AAAAEA2144
Place of Signature: Gurugram
Date: June 26, 2020

1. Corporate information

Sonata Finance Private Limited ("the Company") is a private company incorporated in India having registered office at Lucknow, Uttar Pradesh, India. The Company was registered as a systematically important non-deposit accepting Non-Banking Financial Company ('NBFC-ND-SI') with the Reserve Bank of India ('RBI') and has got classified as a Non-Banking Financial Company – Micro Finance Institution ('NBFC-MFI') with effect from December 3, 2013. The Company has raised Non-Convertible Debentures (NCDs) and three of these securities are listed on Bombay Stock Exchange in India.

The Company is engaged in providing financial services to women in the rural areas of India who are organized as Joint Liability Groups.

2. Basis of preparation

(a) The financial statements of the Company have been prepared in accordance with Indian Accounting Standards (Ind AS) as per the Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time) and notified under Section 133 of the Companies Act, 2013 (""the Act""). The financial statements have been prepared on a going concern basis.

For all periods up to and including the year ended March 31, 2019, the Company prepared its financial statements in accordance with generally accepted accounting principles in India (Indian GAAP) notified under section 133 of the Companies Act, 2013 ('the Act'), read with Rule 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016 and the Master Direction – Non-Banking Financial Company –Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions,2016 ('the NBFC Master Directions') issued by RBI.

The financial statements for the year ended March 31, 2020 are the first, the Company has prepared in accordance with Ind AS. The Company has applied Ind AS 101 - First time adoption of Indian Accounting Standards, for transition from previous GAAP to Ind AS. An explanation of how transition to Ind AS has affected the previously reported financial position, financial performance and cash flows of the Company is provided in note no. 41 of the notes forming integral part of financial statements.

In view of the matters as mentioned in note no. 43, the Company has assessed the impact of the Novel Coronavirus (COVID 19) pandemic on its liquidity and ability to repay its obligations as and when they are due. With the gradual relaxation of lockdown rules, as well as resumption of commercial activities by borrowers in a majority of geographies in which the Company operates, management is confident that collections will resume, albeit likely at a lower level than earlier. In this regard, all branches of the Company are in a state of readiness with optimal workforce to deal with normal business operations, while continuing to comply with regulatory guidelines on businesses, social distancing etc. The Company has also commenced field visits to meet customers. Also, the management has considered various stimulus packages announced by the Government of India which will directly or indirectly benefit NBFC- MFI, current status/

outcomes of discussions with the Company's lenders to seek/ extend moratorium and various other financial support from other banks / agencies in determining the Company's liquidity position over the next 12 months. Based on the foregoing and necessary stress tests considering various scenarios, management believes that the Company will be able to pay its obligation as and when these become due in the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

The financial statements have been prepared on a historical cost convention except for financial assets and liabilities designated at fair value through Profit or Loss(FVTPL) and fair value through other Comprehensive Income (FVOCI), all of which has been measured at fair value.

The financial statements are presented in Indian rupees (INR) and all values are rounded to nearest lacs upto 2 decimal places except when otherwise indicated.

(b) Presentation of financial statements

The Company presents its balance sheet in order of liquidity. An analysis of recovery or settlement within twelve months after the reporting date (current) and more than twelve months after the reporting date (non – current) is presented in note no. 44 forming integral part of financial statements.

The Company generally reports financial assets and financial liabilities on a gross basis in the balance sheet. They are offset and reported net only when Ind AS specifically permits the same or it has an unconditional legally enforceable right to offset the recognised amounts without being contingent on a future event. Similarly, the Company offsets incomes and expenses and reports the same on a net basis when permitted by Ind AS specifically.

The financial statement for the year ended March 31, 2020 were approved by Board of Directors on June 26, 2020.

(C) Use of estimates, assumptions and judgements

The preparation of financial statements in conformity with Ind AS requires the management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. Although, these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods. Accounting estimates and judgements are used in various line items in the financial statements for example:

1. Business model assessment (refer note 3 o)
2. Effective Interest rate (refer note 3 a)
3. Impairment of financial assets (refer note 3e)

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4. Provisions (refer note 3 i)
5. Contingent liabilities and assets (refer note 3 j)
6. Income tax (refer note 3 l)

3 Summary of significant accounting policies

(a) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

i) Interest Income:

a) Interest income for all financial instruments is measured either at amortized cost and is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable and are an integral part of the EIR, but not future credit losses. The Company calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets. When a financial asset becomes credit-impaired and is, therefore, regarded as 'Stage 3', the Company calculates interest income by applying the effective interest rate to the net amortised cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Company reverts to calculating interest income on a gross basis.

b) Interest on financial assets at fair value through profit and loss (FVTPL) is recognised in accordance with the contractual terms of the instrument.

ii) Dividend Income:

Dividend income is recognised when the right to receive payment is established.

iii) Net gain/ (loss) on Fair Value Changes:

The Company recognises gains on fair value change of financial assets measured at FVTPL and realised gains on derecognition of financial asset measured at FVTPL on net basis.

iv) Fees and commission income:

Income from services rendered in connection with loans given on behalf of banks to joint liability groups organized / monitored by the Company are recognized on accrual basis as and when such services are rendered.

v) Other income and expenses:

All other income and expenses are recognized on an accrual basis.

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(b) Finance cost

Borrowing cost on financial liabilities are recognised by applying the EIR.

(c) Cash and cash equivalents

Cash and cash equivalents for the purposes of cash flow statement comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

(d) Property, plant equipment (PPE)

All PPE are stated at historical cost (including incidental expenses directly attributable to bringing the asset to its working condition for its intended use), net of accumulated depreciation and accumulated impairment losses, if any. The cost comprises the purchase price and any directly attributable cost of bringing the asset to its working condition for its intended use. Subsequent expenditure related to PPE is capitalized only when it is probable that future economic benefits associated with these will flow to the Company and the cost of item can be measured reliably. Other repairs and maintenance costs are expensed off as and when incurred.

(e) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any.

(f) Depreciation on property, plant and equipment

Depreciation on property, plant and equipment is calculated on the written down value method as per the useful life prescribed under Schedule II to the Companies Act, 2013, which is the useful lives of the underlying assets as estimated by the management.
Property, plant and equipment assets costing upto Rs. 5,000 individually are fully depreciated over a period of one year.

Category of Asset	Useful Life (Years)
Furniture and fittings	10
Office equipment	05
Vehicles Car	08
Vehicles Motorcycle	10
Computers Hardware	03

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(g) Amortization of intangible assets

Intangible assets are amortized on a straight line basis over the estimated useful economic life. The management has determined its estimate of useful economic life as three years. The useful lives of intangible assets are reviewed at each financial year and adjusted.

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(h) Impairment of non-financial assets

The carrying amounts of assets are reviewed at each balance sheet date to determine if there is any indication of impairment based on internal/external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount which is the greater of the asset's net selling price and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rate that reflects current market assessment of the time value of money and risks specific to the asset.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

(i) Provisions

A provision is recognized when the company has a present obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates.

(j) Contingent liabilities and assets

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the company or a present obligation that is not 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. The company does not recognize a contingent liability but discloses its existence in the financial statements.

Contingent assets are not recognized. A contingent asset is disclosed as per Ind AS 37, where an inflow of economic benefits is probable

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(k) Retirement and other employee benefits

Retirement benefit in the form of provident fund is a defined contribution scheme. The Company has no obligation, other than the contribution payable under the scheme. The Company recognizes contribution payable to the provident fund scheme as expenditure, when an employee renders the related service. If the contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognized as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognized as an asset.

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Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each year. Actuarial gains and losses through re-measurement of net benefit liabilities/ assets are recognized with corresponding charge / credit to the retained earnings through other comprehensive income in the period in which they occur.

The company treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes. Such long-term compensated absences are provided for based on the actuarial valuation using the projected unit credit method at the year-end. Actuarial gains/losses are immediately taken to the statement of profit and loss and are not deferred.

(l) Income taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities in accordance with Income tax Act, 1961. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognised outside the statement profit or loss is recognised outside the statement profit or loss (either in other comprehensive income or in equity).

Deferred tax

Deferred tax is provided using the balance sheet approach on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside the statement profit or loss is recognised outside the statement profit or loss (either in other comprehensive income or in equity). Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority. Further, MAT credit entitlement adjustment has been clubbed with deferred tax assets as per guidance note on schedule III issued by Institute of Chartered Accountants of India.

Minimum Alternate Tax (MAT)

Minimum alternate tax (MAT) paid in a year is charged to the statement of profit and loss as current tax for the year. A deferred tax asset is recognized for MAT credit available only to the extent that it is probable that the Company 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 Company recognizes MAT credit as an asset, it is created by way of credit to the statement of profit and loss shown as part of deferred tax asset. The Company reviews the "MAT credit entitlement" asset at each reporting date and writes down the asset to the extent that it is no longer probable that it will pay normal tax during the specified period.

(m) Earnings Per Share

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the year.

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

(n) Share based payments

Equity-settled share based payments to employees are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share based payments transactions are set out in Note 34. The cost of equity-settled transactions is measured using the fair value method and recognised, together with a corresponding increase in the "Share based premium" in reserves. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the company's best estimate of the number of equity instruments that will ultimately vest. The expense or credit recognised in the statement of profit and loss for the year represents the movement in cumulative expense recognised as at the beginning and end of that year and is recognised in employee benefits expense.

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(o) Financial instruments

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

SONATA Finance Pvt. Ltd. Lucknow

Financial Assets

Initial recognition and measurement

Financial assets are initially recognised on the trade date, i.e., the date that the Company becomes a party to the contractual provisions of the instrument. The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention when acquiring them. All financial assets (not measured subsequently at fair value through profit or loss) are recognised initially at fair value plus transaction costs that are attributable to the acquisition of the financial asset.

Classification and Subsequent measurement

For purposes of subsequent measurement, financial assets are classified as under: - Loans at amortised cost investments in debt instruments and equity instruments at fair value through profit or loss (FVTPL)

De-recognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is de-recognised when the rights to receive cash flows from the financial asset have expired. The Company also de-recognises the financial asset if it has transferred the financial asset and the transfer qualifies for de-recognition.

The Company has transferred the financial asset if, and only if:

- It has transferred its contractual rights to receive cash flows from the financial asset

- The Company has transferred substantially all the risks and rewards of the asset

On derecognition of a financial asset in its entirety, the difference between: (a) the carrying amount (measured at the date of derecognition) and (b) the consideration received (including any new asset obtained less any new liability assumed) is recognised in the statement of profit or loss account.

Loans at amortised costs

Loans are measured at the amortised cost if both the following conditions are met: (a) Such loan is held within a business model whose objective is to hold assets for collecting contractual cash flows, and (b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method less impairment. Amortised cost is calculated by taking into account fees or costs that are an integral part of the EIR. The EIR amortisation is included in interest income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit and loss.

Investment in debt instruments and equity instruments at fair value through profit or loss (FVTPL)

FVTPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorization as at amortized cost or as FVTOCI, is classified as at FVTPL. Debt instruments included within the FVTPL category are measured at fair value with all changes recognized in the P&L.

Financial Liabilities

Initial recognition and measurement Financial liabilities are classified and measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for trading or it is designated as on initial recognition. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and derivative financial instruments, which are measured at amortised cost.

Borrowings

After initial recognition,interest bearing loans and Borrowings are subsequently measured at ammortised cost using EIR.The EIR ammortisation is included as finance cost in the statement of profit or loss.

(p) Impairment of financial assets (also refer note 43)

(i) The Company is recording the allowance for expected credit losses for all loans at amortised cost.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL).

Accordingly, the Company groups its loans into Stage 1, Stage 2, Stage 3, as described below:
Stage 1: When loans are first recognised, the Company recognises an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2 or Stage 3.
Stage 2: When a loan has shown a significant increase in credit risk since origination, the company records an allowance for the LTECLs.

Stage 3: Loans considered credit-impaired. The Company records an allowance for the LTECLs.

For financial assets for which the company has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) de-recognition of the financial asset.

(ii) The calculation of ECL

The Company calculates ECLs based on a probability-weighted scenarios and historical data to measure the expected cash shortfalls. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

ECL consists of three key components: Probability of Default (PD), Exposure at Default (EAD) and Loss given default (LGD) (refer note 41 (2) for explanation). ECL is calculated by multiplying them. The maximum period for which the credit losses are determined is the expected life of a financial instrument.

The mechanics of the ECL method are summarised below:
Stage 1: The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Company calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to an EAD and multiplied by the expected LGD.
Stage 2: When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. The mechanics are similar to those explained above, but PDs and LGDs are estimated over the lifetime of the instrument.
Stage 3: For loans considered credit-impaired, the Company recognizes the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

(q) Write-offs

Financial assets are written off either partially or in their entirety only when the Company has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to the statement profit and loss account.

(r) Segment information

The Company operates in a single business segment i.e. lending to members, having similar risks and returns for the purpose of Ind AS 108 on 'Operating Segments'. The Company operates in a single geographical segment i.e. domestic.

(s) Foreign currency

(i) All transactions in foreign currency are recognised at the exchange rate prevailing on the date of the transaction.
(ii) Foreign currency monetary items are reported using the exchange rate prevailing at the close of the period.
(ii) Exchange differences arising on the settlement of monetary items or on the restatement of Company's

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SONATA Finance Pvt. Ltd. Lucknow

monetary items at rates different from those at which they were initially recorded during the period, or reported
in previous financial statements, are recognised as income or as expenses in the period in which they arise.

(t) Leases (where the company is the lessee)

Leases where the lessor effectively retains, substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognised as an expense in the statement of profit and loss account on a straight-line basis over the lease term.

Ind AS 116 Leases was notified by MCA on 30 March 2019 and it replaces Ind AS 17 Leases, including appendices thereto. Ind AS 116 is effective for annual periods beginning on or after 1 April 2019. Ind AS 116 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases Ind AS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under Ind AS 116 is substantially unchanged from today's accounting under Ind-AS17.

Lessors will continue to classify all leases using the same classification principle as in Ind AS 17 and distinguish between two types of leases: operating and finance leases.
The Company adopted these standards from 1 April 2019.

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(u) Investments

Investments are initially recognized on trade date that is the date on which the company becomes the party to the contractual provision of the instrument. The classification of investment at initial recognition depends on the purpose and characteristics and the management intention while acquiring them.

All financial assets are recognized initially at fair value plus transaction cost that are attributable to the acquisition of the financial assets.
Investment in equity instrument and mutual funds are measured at fair value through profit and loss account (FVTPL)

(v) Corporate Social Responsibility (CSR) expenditure

The provision made towards CSR expenses is charged to the Statement of Profit and Loss.

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SONATA Finance Pvt. Ltd

Sonata Finance Private Limited
Balance Sheet as at March 31, 2020

(In Rs. Lakhs)

Particulars	Notes	As at March 31, 2020	As at March 31, 2019	As at April 01, 2018
I ASSETS				
1 Financial assets				
a) Cash and Cash equivalents	4	7,306.47	18,802.44	9,642.38
b) Bank Balances other than included in (a) above	5	11,518.99	9,874.27	6,636.24
c) Derivative financial instruments	6	63.69	-	-
d) Trade receivables	7	205.09	166.99	207.18
e) Loans	8	1,29,098.72	1,16,147.21	1,14,059.99
f) Investments	9	19.00	15.97	15.51
g) Other Financial Assets	10	3,514.66	2,582.71	2,415.35
		1,51,726.62	1,47,589.59	1,32,976.65
2 Non-financial assets				
a) Current tax assets (net)	11 A	32.12	485.04	489.69
b) Deferred tax assets (net)	11 B	2,896.04	1,966.06	3,007.47
c) Property, plant and equipment	12	215.83	169.13	150.71
d) Intangible assets	13	31.54	44.75	78.57
e) Other non-financial assets	14	255.88	103.61	47.63
		3,431.41	2,768.59	3,774.07
Total assets		1,55,158.03	1,50,358.18	1,36,750.72
II LIABILITIES AND EQUITY				
Liabilities				
1 Financial liabilities				
a) Trade payables				
- total outstanding dues of micro enterprises and small enterprises		-	-	-
- total outstanding dues of creditors other than micro enterprises and small enterprises		150.80	160.93	91.39
b) Debt securities	15	26,314.96	36,116.93	40,299.60
c) Borrowings (other than debt securities)	16	87,144.85	82,970.79	70,046.67
d) Subordinated liabilities	17	8,986.23	8,985.88	8,980.81
e) Other financial liabilities	18	3,634.61	3,109.75	1,676.50
		1,26,231.45	1,31,344.28	1,21,094.97
2 Non-financial liabilities				
a) Provisions	19	1,459.75	629.14	1,101.06
b) Other non-financial liabilities	20	198.00	199.72	163.54
		1,657.75	828.86	1,264.60
Total liabilities		1,27,889.20	1,32,173.14	1,22,359.57
Equity				
a) Equity share capital	21	2,496.50	1,955.09	1,898.63
b) Other equity	22	24,772.33	16,229.95	12,492.52
Total Equity		27,268.83	18,185.04	14,391.15
Total liabilities and equity		1,55,158.03	1,50,358.18	1,36,750.72

Summary of significant accounting policies 1
The accompanying notes are an integral part of the financial statements.

As per our report of even date

For S.R.Batliboi & Associates LLP
Chartered Accountants
ICAI Firm Registration No.: 101049W/E300004

per Amit Kabra
Partner
Membership No.: 094533

Place: Gurugram
Date: June 26, 2020

For and on behalf of the Board of Directors of Sonata Finance Private Limited

Anup Kumar Singh
Managing Director
DIN: 00173413

Pradip Kumar Saha
Director
DIN: 02947368

Akhilesh Kumar Singh
Chief Financial Officer

Paurvi Srivastava
Company Secretary

Place: Lucknow
Date: June 26, 2020

Sonata Finance Pvt. Ltd. Lucknow

S.R. BATLIBOI & ASSOCIATES LLP

Sonata Finance Private Limited
Statement of profit and Loss for the year ended March 31, 2020

(In Rs. Lakhs)

		Particulars	Notes	For year ended March 31, 2020	For year ended March 31, 2019
		Revenue from operations			
	i)	Interest income	23	29,572.30	27,934.51
	ii)	Fees and commission income	24	1,895.45	1,292.26
	iii)	Net gain on derecognition of financial instruments under amortised cost category		1,487.15	668.88
	iv)	Bad loan recovery		1,428.59	1,852.12
I		**Total revenue from operations**		34,383.49	31,747.77
II		Net gain on derecognition of property, plant and equipment		2.35	-
III		Other income	25	502.53	276.04
IV		**Total income (I + II + III)**		34,888.37	32,023.81
		Expenses			
	i)	Finance cost	26	15,589.74	15,555.34
	ii)	Impairment of financial instruments	27	8,368.16	3,607.42
	iii)	Employee benefit expenses	28	6,423.06	5,920.13
	iv)	Depreciation, amortization and impairment	29	161.90	133.16
	v)	Other expenses	30	2,351.58	1,896.51
V		**Total expenses**		32,894.44	27,112.56
VI		**Profit before tax (IV-V)**		**1,993.93**	**4,911.25**
VII		**Tax expense:**			
		Current tax		1,843.51	570.83
		Less : MAT credit entitlement		-	(570.83)
		Deferred tax charge / (credit)		(1,258.75)	1,612.24
		Income tax expense		584.76	1,612.24
VIII		**Profit for the year (V-VI)**		1,409.17	3,299.01
IX		**Other comprehensive income (OCI)**			
		i) Items that will not be reclassified subsequently to profit or loss			
		- Re-measurement gains/(losses) on defined benefit plans		15.45	227.99
		(ii) Income tax relating to the above items		-	(79.67)
		Other Comprehensive Income (i+ ii)		15.45	148.32
X		**Total Comprehensive Income for the year (VII+VIII)**		**1,424.62**	**3,447.33**
XI		**Earnings per equity share (face value of Rs.10/-)**	31		
		Basic		5.75	15.64
		Diluted		5.42	14.57

Summary of significant accounting policies 1
The accompanying notes are an integral part of the financial statements.

As per our report of even date

For S.R.Batliboi & Associates LLP
Chartered Accountants
ICAI Firm Registration No.: 101049W/E300004

per Amit Kabra
Partner
ICAI Firm Registration No.: 101049W/E300004

Place: Gurugram
Date: June 26, 2020

For and on behalf of the Board of Directors of Sonata Finance Private Limited

Anup Kumar Singh
Managing Director
DIN: 00173413

Pradip Kumar Saha
Director
DIN: 02947368

Akhilesh Kumar Singh
Chief Financial Officer

Paurvi Srivastava
Company Secretary

Place: Lucknow
Date: June 26, 2020

Sonata Finance Private Limited

Cash Flow statement for the year ended March 31, 2020

Particulars	2019-20	(In Rs. Lakhs) 2018-19
Cash flow from operating activities		
Profit before tax	1,993.93	4,911.25
Interest received	(29,572.30)	(27,934.51)
Interest paid	15,427.40	15,426.91
Adjustments to reconcile profit before tax to net cash flows:	-	
Depreciation & amortisation	161.90	133.16
Impairment on financial instruments	8,322.91	3,502.43
Unrealised foreign exchange gain/loss	276.16	-
Net gain on financial instrument recognised through FVTPL	(3.03)	(0.47)
Share based payments to employees	135.27	299.94
Profit on sale of property , plant and equipments	(2.35)	-
Operational cash flows from interest		
Cash inflow from interest	29,730.28	27,902.63
Cash outflow from interest	(15,445.31)	(15,527.40)
Cash flow from working capital changes		
(Increase)/decrease in Loans	(20,243.35)	(5,883.94)
(Increase) / decrease in bank balance other than cash and cash equivalents	(1,644.71)	(3,238.03)
(Increase)/decrease in trade receivables	(38.11)	40.18
(Increase)/decreasein other financial assets	(1,288.29)	(287.90)
(Increase) / decrease in other non-financial assets	(176.02)	(147.15)
Increase/(decrease) in trade payables	(10.13)	69.55
Increase / (decrease) in other financial liabilities	712.62	1,422.53
Increase/(decrease) in provisions	(2.10)	65.89
Increase / (decrease) in other non-financial liabilities	(1.71)	36.18
	(11,666.94)	791.25
Income tax paid	(1,061.82)	(566.18)
Net cash flows from/(used in) operating activities	(12,728.76)	225.07
Cash flow from investing activities		
Purchase of property , plant and equipment	(151.89)	(113.05)
Purchase of intangible assets	(5.43)	(4.70)
Proceeds from sale of property and equipment	3.48	-
Net cash flows from/(used in) investing activities	(153.84)	(117.75)
Cash flow from financing activities		
Debt securities issued	3,690.00	2,000.00
Debt securities repaid	(13,120.00)	(6,100.00)
Borrowings other than debt securities issued	77,684.57	62,726.33
Borrowings other than debt securities repaid	(66,891.85)	(57,268.59)
Proceeds from issuance of equity share capital including securities premium	32.93	225.31
Proceeds from issuance of Non-Cumulative 0.01% Compulsorily convertible preference shares (CCPS)including securities premium	-	7,500.00
Expenses incurred towards issuance of equity shares	(9.02)	(30.31)
Net cash flows from financing activities	1,386.63	9,052.74

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SONATA Finance Pvt. Ltd.

Sonata Finance Private Limited

Statement of changes in equity for the year ended March 31, 2020

Equity Share Capital

Equity shares of Rs. 10 each issued, subscribed and fully paid.

Particulars	In Nos.	In Rs. Lakhs
As at April 1, 2018 #	1,89,86,269	1,898.63
Issued during the year	5,64,581	56.46
As at March 31, 2019	1,95,50,850	1,955.09
Issued during the year	53,57,137	535.71
Issued to employee via ESOP	56,950	5.70
As at March 31, 2020 #	2,49,64,937	2,496.50

Net of equity shares issued to the Sonata Employee Welfare Trust.

Other Equity

Particulars	Statutory reserve (As required by Sec 45-IC of Reserve Bank of India Act, 1934)	Capital reserve	Securities premium	Stock option outstanding	Retained earnings	Total
As at April 1, 2018	1,363.24	22.68	12,838.37	-	(1,731.77)	12,492.52
Profit for the year	-	-	-	-	3,299.01	3,299.01
Remeasurement of net defined benefit obligation	-	-	-	-	148.32	148.32
Premium on CCPS shares issued during the year	-	-	7,050.89	-	-	7,050.89
Premium on exercise of Stock options	-	-	196.80	-	-	196.80
Transferred to statutory reserve	375.34	-	-	-	(375.34)	-
Employee stock option compensation for the year	-	-	-	123.68	-	123.68
Dividend payment	-	-	-	-	(0.05)	(0.05)
Share/ dabenture issue expenditure	-	-	(30.31)	-	-	(30.31)
Conversion of CCPS to borrowings on account of IND AS adjustment	-	-	(7,050.89)	-	-	(7,050.89)
As at March 31, 2019	1,738.58	22.68	13,004.85	123.68	1,340.16	16,229.95
Profit for the year	-	-	-	-	1,409.17	1,409.17
Remeasurement of net defined benefit obligation	-	-	-	-	15.45	15.45
Premium on equity shares issued during the year	-	-	6,964.27	-	-	6,964.27
Premium on exercise of Stock options	-	-	58.01	-	-	58.01
Transferred to statutory reserve	281.83	-	-	-	(281.83)	-
Transferred to securities premium	-	-	13.01	(13.01)	-	-
Employee stock option compensation for the year	-	-	-	104.50	-	104.50
Share/ debenture issue expenditure	-	-	(9.02)	-	-	(9.02)
As at March 31, 2020	2,020.41	22.68	20,031.11	215.17	2,482.95	24,772.33

Summary of significant accounting policies - note number 1

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

As per our report of even date

For S.R.Batliboi & Associates LLP
Chartered Accountants
ICAI Firm Registration No.: 101049W/E300004

per Amit Kabra
Partner
Membership No.: 094533

Place: Gurugram
Date: June 26, 2020

For and on behalf of the Board of Directors of Sonata Finance Private Limited

Anup Kumar Singh
Managing Director
DIN: 00173413

Pradip Kumar Saha
Director
DIN: 02947368

Akhilesh Kumar Singh
Chief Financial Offic

Paurvi Srivastava
Company Secretary

Place: Lucknow
Date: June 26, 2020

Sonata Finance Private Limited
Cash Flow statement for the year ended March 31, 2020

Net increase/(decrease) in cash and cash equivalents	(11,495.97)	9,160.06
Cash and cash equivalents at the beginning of the year	18,802.44	9,642.38
Cash and cash equivalents at the end of the year	**7,306.47**	**18,802.44**
Components of cash and cash equivalents		
Cash on hand	253.96	264.63
Balances with banks		
In current accounts	7,052.51	18,163.66
In deposit account	-	374.15
Total cash and cash equivalents	**7,306.47**	**18,802.44**

Summary of significant accounting policies - note number 1

The accompanying notes are an integral part of the financial statements.
As per our report of even date

For S.R.Batliboi & Associates LLP
Chartered Accountants
ICAI Firm Registration No.: 101049W/E300004

per Amit Kabra
Partner
Membership No.: 094533

Place: Gurugram
Date: June 26, 2020

For and on behalf of the Board of Directors of Sonata Finance Private Limited

Anup Kumar Singh
Managing Director
DIN: 00173413

Pradip Kumar Saha
Director
DIN: 02947368

Akhilesh Kumar Singh
Chief Financial Officer

Paurvi Srivastava
Company Secretary

Place: Lucknow
Date: June 26, 2020

4 Cash and cash equivalents

(In Rs. Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019	As at April 01, 2018
Cash on hand	253.96	264.63	154.53
Balances with banks in current accounts	7,052.51	18,163.66	9,478.47
Bank deposit with maturity of less than 3 months*	-	374.15	9.38
Total	7,306.47	18,802.44	9,642.38

5 Bank balance other than cash and cash equivalents

(In Rs. Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019	As at April 01, 2018
Fixed deposits with bank with original maturity for more than 3 months but less than 12 months*	1,127.07	297.41	1,418.89
Fixed deposits with bank with original maturity for more than 12 months*	10,391.92	9,576.86	5,217.35
Total	11,518.99	9,874.27	6,636.24

(*) Includes deposit certificates of Rs. 10,895.31 Lakhs (March 31, 2019: Rs. 9,386.54 lakhs, March 31, 2018: Rs. 6,645.61 lakhs) marked as lien towards term loans availed from banks, towards cash collateral placed in connection with portfolio loan securitised and business correspondent activities entered with bank.

6 Derivative financial instruments

(In Rs. Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019	As at April 01, 2018
External commercial borrowings	63.69	-	-
Total	63.69	-	-

7 Trade receivables

(In Rs. Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019	As at April 01, 2018
Accrued commission on business correspondent activities (unsecured, secured good)	205.09	166.99	207.18
	205.09	166.99	207.18

No trade or other receivable are due from directors or other officers of the company either severally or jointly with any other person. Nor any trade or other receivable are due from firms or private companies respectively in which any director is a partner, a director or a member. Trade receivable are non-interest bearing and are generally on terms of 30-90 days

8 Loans

(In Rs. Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019	As at April 01, 2018
i) Term loans at amortised cost (including securitised pool)	1,35,159.36	1,19,185.44	1,18,247.47
Gross	1,35,159.36	1,19,185.44	1,18,247.47
Less: Impairment loss allowance	6,060.64	3,038.23	4,187.48
Net	1,29,098.72	1,16,147.21	1,14,059.99
i) Unsecured	1,35,159.36	1,19,185.44	1,18,247.47
Gross	1,35,159.36	1,19,185.44	1,18,247.47
Less : Impairment loss allowance	6,060.64	3,038.23	4,187.48
Net	1,29,098.72	1,16,147.21	1,14,059.99
Loans in India			
i) Public Sector	-	-	-
ii) Others	1,35,159.36	1,19,185.44	1,18,247.47
Total - Gross	1,35,159.36	1,19,185.44	1,18,247.47
Less: Impairment loss allowance	6,060.64	3,038.23	4,187.48
Total - Net	1,29,098.72	1,16,147.21	1,14,059.99
Loans outside India			
Less: Impairment loss allowance			
Total - Net			
Total	1,29,098.72	1,16,147.21	1,14,059.99

8A Term loans

Gross carrying value of assets as at 31st March 2020

Particulars	Stage 1	Stage 2	Stage 3	Total
Standard	1,33,127.18	702.32	-	1,33,829.5
Non Performing assets	-	-	1,329.86	1,329.8
Total	**1,33,127.18**	**702.32**	**1,329.86**	**1,35,159.3**

Gross carrying value of assets as at 31st March 2019

Particulars	Stage 1	Stage 2	Stage 3	Total
Standard	1,14,248.18	1,727.55	-	1,15,975.7
Non Performing assets	-	-	3,209.71	3,209.71
Total	**1,14,248.18**	**1,727.55**	**3,209.71**	**1,19,185.44**

Gross carrying value of assets as at 31st March 2018

Particulars	Stage 1	Stage 2	Stage 3	Total
Standard	1,10,519.76	2,783.01	-	1,13,302.77
Non Performing assets	-	-	4,944.70	4,944.70
Total	**1,10,519.76**	**2,783.01**	**4,944.70**	**1,18,247.47**

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to loans :

Particulars	Stage 1	Stage 2	Stage 3	Total
Gross carrying value of assets as on March 31, 2019	1,14,248.18	1,727.55	3,209.71	1,19,185.44
New assets originated during the year, netted off for repayments and derecognised portfolio	17,179.22	(447.71)	3,353.86	20,085.37
Assets Written off	-	-	(3,636.39)	(3,636.39)
Adjustment on account of shifting of BC - DPD portfolio			(475.07)	(475.07)
Movement between stages				
Transfer from Stage 1	(1,706.75)	681.52	1,025.23	-
Transfer from Stage 2	6.71	(104.23)	97.52	-
Transfer from Stage 3	0.27	0.23	(0.50)	-
Gross carrying value of assets as on March 31, 2020	**1,33,127.18**	**702.32**	**1,329.86**	**1,35,159.36**

Particulars	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at March 31, 2019	584.67	304.84	2,148.72	3,038.23
New Assets originated and netted off	3,961.01	51.15	210.50	4,222.67
Assets written off/ transferred	-	-	(4,111.45)	(4,111.45)
Movement between stages				
Transfer from Stage 1	-660.02	89.14	570.88	-
Transfer from Stage 2	-	(74.29)	74.29	-
Trasnfer from Stage 3	-	-	-	-
Impact on ECL on movement of stages	1,120.75	(225.41)	2,015.86	2,911.19
ECL allowance as at March 31, 2020	5,006.42	145.42	908.80	6,060.64

Particulars	Stage 1	Stage 2	Stage 3	Total
Gross carrying value of assets as on March 31, 2018	1,10,519.76	2,783.01	4,944.70	1,18,247.47
New assets originated during the year, netted off for repayments and derecognised portfolio	6,380.43	(1,883.42)	1,254.75	5,751.76
Assets Written off	-	-	(4,813.79)	(4,813.79)
Movement between stages				
Transfer from Stage 1	(2,652.01)	1,270.91	1,381.10	
Transfer From Stage 2		(442.95)	442.95	
Trasnfer from Stage 3	-	-		
Gross carrying value of assets as on March 31, 2019	1,14,248.18	1,727.55	3,209.71	1,19,185.44

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Particulars	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at March 31, 2018	356.14	408.09	3,423.26	4,187.48
New Assets originated and netted off	529.04	71.78	243.95	844.77
Assets written off	-	-	(4,813.79)	(4,813.79)
Movement between stages				
Transfer from Stage 1	(1,307.21)	260.94	1,046.27	-
Transfer From Stage 2	-	(334.77)	334.77	-
Trasnfer from Stage 3 of 2018	-	-	-	-
Impact on ECL on movement of stages	1,006.70	(101.21)	1,914.27	2,819.76
ECL allowance as at March 31, 2019	**584.67**	**304.84**	**2,148.72**	**3,038.23**

9 Investments (fair value through profit and loss account)

(In Rs. Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019	As at April 01, 2018
Investments			
i) Equity instruments 50,000 (March 31, 2019: 50,000)(April 1, 2018): 50,000 fully paid up shares of Alpha Micro Finance Consultants Private Limited at face value of Rs. 10 (March 31, 2019 : Rs. 10) (March 31, 2018 : Rs. 10) per share	8.40	5.00	5.00
ii) Mutual funds 1,00,000 units (March 31, 2019 : 1,00,000)(April 1, 2018 : 1,00,000) of SBI Dual Advantage - Series XXII - Regular Growth	10.60	10.97	10.51
Total	**19.00**	**15.97**	**15.51**
Investments in India	19.00	15.97	15.51
Investments outside India	-	-	-
Total	19.00	15.97	15.51
Aggregate value of unquoted investments at cost	15.00	15.00	15.00

10 Other financial assets

(In Rs. Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019	As at April 01, 2018
Security deposits (unsecured, considered good)	20.32	16.44	16.73
Interest accrued on loans and advances, classified at amortized cost	1,551.08	934.85	822.48
Interest accrued on fixed deposits, classified at amortized cost	513.63	277.38	334.78
Excess interest spread receivable on direct assignment (unsecured, considered good)	847.85	480.54	-
Less: Provisioning on direct assignment portfolio	(285.26)	(120.54)	-
Insurance Claim Recoverable	105.62	239.67	303.28
Less: Provision on insurance claim recoverable	(50.09)		(160.49)
Recoverable from BC clients	475.07	-	
Less: Provision on recoverable from BC clients	(475.07)	-	
Margin money with non-banking financial companies and financial institutions	261.75	90.00	320.48
Staff advance (unsecured, considered good)	95.42	80.66	76.54
Others (unsecured, considered good)	454.34	583.71	701.55
Total	3,514.66	2,582.71	2,415.35

* comprises of recoverable from [illegible] banks, advances to vendors etc.

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11 Current tax assets and deferred tax assets

(In Rs. Lakhs

	Particulars	As at March 31, 2020	As at March 31, 2019	As at April 01 2018
A	Current tax assets (Net of provision) (refer note 40 A)	32.12	485.04	489.69
	Total	**32.12**	**485.04**	**489.69**
B	Deferred Tax assets			
	Deferred tax relating to origination and reversal of temporary differences (Net of liabilities) (refer note 40 B)	2,653.98	1,395.23	3,007.47
	MAT credit entitlement	242.06	570.83	-
	Total	**2,896.04**	**1,966.06**	**3,007.47**

12 Property, plant and equipment

(In Rs. Lakhs)

Particulars	Office equipment	Furniture & Fixures	Vehicles	Computers	Total
Cost:					
At April 1, 2018	146.33	260.76	15.14	186.03	608.26
Additions	36.58	29.79	-	46.68	113.05
At March 31, 2019	182.91	290.55	15.14	232.71	721.31
Additions	42.64	25.51	35.19	48.55	151.89
Disposals	-	-	14.84	-	14.84
At March 31, 2020	225.55	316.06	35.49	281.26	858.36
Depreciation and impairment:					
At April 1, 2018	110.29	178.93	13.04	155.29	457.55
Depreciation charge for the year	28.42	38.13	0.64	27.44	94.63
At March 31, 2019	138.71	217.06	13.68	182.73	552.18
Depreciation charge for the year	28.88	29.24	3.42	42.52	104.06
Disposals	-	-	13.71	-	13.71
At March 31, 2020	167.59	246.30	3.39	225.25	642.53
Net book value:					
At April 1, 2018	36.04	81.83	2.10	30.74	150.71
At March 31, 2019	44.20	73.49	1.46	49.98	169.13
At March 31, 2020	57.96	69.76	32.10	56.01	215.83

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13 Intangible assets

(In Rs. Lakhs)

Particulars	Licence Fees	Computer software	Total
Deemed Cost:			
At April 1, 2018	17.70	60.90	78.60
Additions	-	4.70	4.70
Disposals	-	-	-
At March 31, 2019	17.70	65.61	83.31
Additions	-	5.43	5.43
Disposals	-	-	-
At March 31, 2020	**17.70**	**71.04**	**88.74**
Accumulative amortisation:			
At April 1, 2018	-	0.03	0.03
Amortisation charge for the year	17.70	20.83	38.53
At March 31, 2019	17.70	20.86	38.56
Disposals	-	-	-
Amortisation charge for the year	-	18.64	18.64
At March 31, 2020	17.70	39.50	57.20
Net book value:			
At April 1, 2018	17.70	60.87	78.57
At March 31, 2019	-	44.75	44.75
At March 31, 2020	-	31.54	31.54

14 Other non-financial assets (unsecured, considered good)

(In Rs. Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019	As at April 01, 2018
Prepaid expenses	82.80	88.58	46.13
Others*	22.57	15.03	1.50
Right to use asset (refer note 33)	150.51	-	-
Advances considered doubtful	76.42	90.52	45.25
Less: Provision for doubtful advances	(76.42)	(90.52)	(45.25)
	255.88	**103.61**	**47.63**

* comprises of GST receivable and advance given to employees for expenses

15 Debt securities at amortized cost

(In Rs. Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019	As at April 01, 2018
Redeemable non-convertible debentures (secured) (refer note 15 A)	26,314.96	36,116.93	40,299.60
Total	26,314.96	36,116.93	40,299.60
Debt securities in India	26,314.96	36,116.93	40,299.60
Debt securities outside India	-	-	-
Total	26,314.96	36,116.93	40,299.60

All the debentures have face value of Rs. 10 Lakhs each and are secured by way of exclusive charge on receivables from underlying portfolio loans.

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15 A Debentures (secured) (at amortised cost)

	Types of debentures	Number of debentures			Face Value	Amount in lakhs		
		Mar-20	Mar-19	Mar-18		Mar-20	Mar-19	Mar-18
1	14.05 % Tridos 2020 secured redeemable non convertible debentures amounting to Rs. 33,20,00,000 has a call / put option available with the Company / Debenture holder at the end of 3 years from the date of allotment (January 30, 2014).Redeemable on maturity if option not excercised or communication for roll-over received from lender	-	332	332	10,00,000	-	3,320	3,320
2	14.70 % Blue Orchard Micro Finance Fund 2020 secured redeemable non convertible debentures amounting to Rs. 30,00,00,000 has a call / put option available with the Company / Debenture holder at the end of 36 months from the date of allotment (June 30, 2015). Redeemable on maturity if option not excercised or communication for roll-over received from lender	300	300	300	10,00,000	3,000	3,000	3,000
3	14.75 % IFMR FIMPACT Investment secured redeemable non convertible debentures amounting to Rs. 15,00,00,000 has a call / put option available with the Company / Debenture holder at the end of 24 months from the date of allotment (July 17, 2015).Redeemable on maturity if option not excercised or communication for roll-over received from lender	150	150	150	10,00,000	1,500	1,500	1,500

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SONATA Finance Pvt. Ltd.

	Types of debentures	Number of debentures			Face Value	Amount in lakhs		
		Mar-20	Mar-19	Mar-18		Mar-20	Mar-19	Mar-18
4	14.00 % Resposibility secured redeemable non convertible debentures amounting to Rs. 68,00,00,000 has a call / put option available with the Company / Debenture holder at the end of 36 months from the date of allotment (June 22, 2016)*. Redeemable on maturity if option not excercised or communication for roll-over received from lender	-	680	680	10,00,000	-	6,800.00	6,800.00
5	14.50 % Blue Orchard Micro FIN Fund 2020 secured redeemable non convertible debentures amounting to Rs. 67,00,00,000 (2017-2018: Rs 67,00,00,000) has a call / put option available with the Company / Debenture holder at the end of 36 months from the date of allotment (October 26, 2016)*. Redeemable on maturity if option not excercised or communication for roll-over received from lender	670	670	670	10,00,000	6,700.00	6,700.00	6,700.00
6	14.70 % Blue Orchard SFPL 2022 secured redeemable non convertible debentures amounting to Rs. 78,00,00,000 has a call / put option available with the Company / Debenture holder at the end of 36 months from the date of allotment (July 31, 2017). Redeemable on maturity if option not excercised or communication for roll-over received from lender	780	780	780	10,00,000	7,800.00	7,800.00	7,800.00

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SONATA Finance Pvt. Ltd.

	Types of debentures	Number of debentures			Face Value	Amount in lakhs		
		Mar-20	Mar-19	Mar-18		Mar-20	Mar-19	Mar-18
7	14.20 % IFMR FIMPACT Medium Term Opportunities Fund 2020 secured redeemable non convertible debentures amounting to Rs. 20,00,00,000 has a call / put option available with the Company / Debenture holder at the end of 22 months from the date of allotment (September 30, 2020). Redeemable on maturity if option not excercised or communication for roll-over received from lender	200	200	0	10,00,000	2,000.00	2,000.00	-
8	12.165 % IFMR Hinduja Leyland Finance secured redeemable non convertible debentures amounting to Rs.30,00,00,000 has a call / put option available with the Company / Debenture holder at the end of 36 months from the date of allotment (March 21, 2017)*. Redeemable on maturity if option not excercised or communication for roll-over received from lender	-	300	300	10,00,000	-	3,000.00	3,000.00
9	14.00 % IFMR FIMPACT TIER 2 NCD secured redeemable non convertible debentures amounting to Rs. 10,00,00,000 has a call / put option available with the Company / Debenture holder at the end of 36 months from the date of allotment (March 3, 2016)*. Redeemable on maturity if option not excercised or communication for roll-over received from lender	100	100	100	10,00,000	1,000.00	1,000.00	1,000.00

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SONATA Finance Pvt. Ltd.

	Types of debentures	Number of debentures			Face Value	Amount in lakhs		
		Mar-20	Mar-19	Mar-18		Mar-20	Mar-19	Mar-18
10	14.75 % MEF Blue Orchard secured redeemable non convertible debentures amounting to Rs. 24,00,00,000 has a call / put option available with the Company / Debenture holder at the end of 24 months from the date of allotment (July 24, 2014). Redeemable on maturity if option not excercised or communication for roll-over received from lender	-	-	240	10,00,000	-	-	2,400.00
11	14.00 % Microvest Short duration Fund (MVSDF) secured redeemable non convertible debentures amounting to Rs. 37,00,00,000 has a call / put option available with the Company / Debenture holder at the end of 36 months from the date of allotment (March 25, 2015). Redeemable on maturity if option not excercised or communication for roll-over received from lender	-	-	370	10,00,000	-	-	3,700.00
12	13.50 % ACTIAM Fund-DWM secured redeemable non convertible debentures amounting to Rs. 21,00,00,000. Redeemable on maturity if option not excercised or communication for roll-over received from lender	210.00	-	-	10,00,000	2,100.00	-	-
13	10.07% Water Credit Investment Fund secured redeemable non convertible debentures amounting to Rs. 15,90,00,000 . Redeemable on maturity if option not excercised or communication for roll-over received from lender	159.00	-	-	10,00,000	1,590.00	-	-
	Sub total					25,690.00	35,120.00	39,220.00
	Add : Interest accrued on borrowings but not d[illegible]					624.96	996.93	1,079.60
	Grand total					26,314.96	36,116.93	40,299.60

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16 Borrowings other than debt securities

(In Rs. Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019	As at April 01 2018
Term Loan (Secured)			
Banks	34,535.75	29,630.12	31,846.26
Financial institutions	11,922.69	1,273.24	7,128.87
Non banking financial institutuions	17,194.19	16,874.43	19,222.98
External commercial borrowings	11,640.80	-	-
Term Loan (Unsecured)			
Non banking financial institutuions	1,270.43	4,256.29	7,335.09
Other borrowings			
Non-Cumulative 0.01% Compulsorily convertible preference shares (CCPS) of Rs. 10/- each	-	7,500.00	-
Borrowings under securitisation arrangement **	10,422.23	23,436.71	4,513.47
Lease Liability	158.76	-	-
Total	**87,144.85**	**82,970.79**	**70,046.67**
Borrowings in India	75,504.05	82,970.79	70,046.67
Borrowings outside India	11,640.80	-	-
Total*	**87,144.85**	**82,970.79**	**70,046.67**

* Refer note 16 A for terms of repayment of long term borrowings

**** Borrowings under securitisation arrangement:**

Represents securities issued by the Special Purpose Vehicles (SPVs) to the investors pursuant to the securitisation arrangement. Since such arrangements do not fulfil the derecognition criteria under Ind AS 109, the Company has recognised the associated liabilities.

16 A Long-term borrowings

Terms of repayment of borrowings other than debt securities and subordinated liabilities on 31 March 2020

Original Maturity of Loan	Due within 1 Year		Due between 1 and 2 Year		Due between 2 and 3 Year		Due between 3 and 5 Year		Above 5 Year		Interest Rate (%)	Total (In Rs. Lakhs)
	No. of instalments	In Rs. Lakhs	No. of instalments	In Rs. Lakhs	No. of instalments	In Rs. Lakhs	No. of instalments	In Rs. Lakhs	No. of instalments	In Rs. Lakhs		
I Borrowings other than debt securities												
Term Loans												
Secured												
Monthly Repayment Schedule												-
From Banks												-
Upto 1 year	4	166.67									12.00%	166.67
1-3 Years	85	12,563.23	38	3,769.49	6	545.22					10.65%-13.50%	16,877.94
3-5 Years		-		-		-						-
More than 5 Years	13	3.32	12	3.35	12	3.65	24	8.33	20	8.13	8.70%	26.78
From Financial Institutions		-		-		-						-
1-3 Years		-		-		-						-
From NBFC												
1-3 Years	270	10,311.24	138	5,111.10	6	142.43					10.98%-15.00%	15,564.77
3-5 Years	28	684.41	24	750.93	2	88.80					13.75%-14.22%	1,524.13
Total (A)	400	23,728.86	212	9,634.87	26	780.10	24	8.33	20	8.13		34,160.28
Quarterly Repayment Schedule												
From Banks												
1-3 Years	15	2,478.80	12	2,516.89	7	1,153.09					10.85%-13.65%	6,148.77
3-5 Years	4	333.33	1	83.33		-					13.25%	416.67
From NBFC												
1-3 Years		-		-		-						-
Total (B)	19	2,812.13	13	2,600.22	7	1,153.09	-	-	-	-		6,565.44
Half yearly Repayment Schedule												
From NBFC		-		-		-						-
1-3 Years		-		-		-						-

From Financial Institutions												
1-3 Years	2	250.00	1	125.00		-					11.50%	375.00
3-5 Years		-		-		-						-
More than 5 Years	4	3,750.00	4	3,750.00	4	2,775.00	8	1,000.00	1	100.00	11.60%	11,375.00
Total (C)	6	4,000.00	5	3,875.00	4	2,775.00	8	1,000.00	1	100.00		11,750.00
One time Repayment Schedule		-		-								-
From Banks		-		-								-
Upto 1 Year	12	11,050.00		-								11,050.00
		-		-								-
From NBFC		-		-								-
1-3 Years		-		-								-
3-5 Years		-		-	1	4,152.48		-			12.14%	4,152.48
More than 5 Years		-		-	2	7,198.26		-			11.10%-11.68%	7,198.26
Total (D)	12	11,050.00	-	-	3	11,350.74	-	-	-	-		22,400.74
		-		-		-		-				-
Unsecured		-		-		-		-				-
Monthly Repayment Schedule		-		-		-		-				-
From NBFC		-		-		-		-				-
1-3 Years	25	1,267.59		-		-		-			14.65%-14.70%	1,267.59
Total (E)	25.00	1,267.59	-	-	-	-	-	-	-	-	-	1,267.59
II Subordinated liabilities												
One time Repayment Schedule												
From Banks				-		-		-				-
More than 5 Years		-		-		-		-				-
From NBFC		-	1	2,000.00		-	1	2,000			14.25%-15.60%	4,000.00
More than 5 Years		-		-		-		-				-
From Financial Institutions		-	1	1,000.00	1	1,500.00		-			16.25% -17.00%	2,500.00
More than 5 Years		-		-		-		-				-
Total (F)	-	-	1	1,500.00	1	900.00		-			15.50%-15.70%	2,400.00
			3.00	4,500.00	2.00	2,400.00	1.00	2,000.00				8,900.00
Add : interest accrued on borrowings but not due								-				934.77
Less: Unamortized processing fees												(428.74)
GRAND TOTAL	462	42,859	233	20,610	42	18,459	33	3,008	21	108	-	85,550.08

Note:

a) The term loans are secured by hypothecation of portfolio loans covered by hypothecation loan agreement and margin money deposits.

b) The above does not include borrowings under securitization arrangement and lease liability

16 A Long-term borrowings

Terms of repayment of borrowings other than debt securities and subordinated liabilities on 31 March 2019

Original Maturity of Loan	Due within 1 Year		Due between 1 and 2 Year		Due between 2 and 3 Year		Due between 3 and 5 Year		Above 5 Year		Interest Rate (%)	Total (INR)
	No. of instalments	Amount (in Rupees)	No. of instalments	Amount (in Rupees)	No. of instalments	Amount (in Rupees)	No. of instalments	Amount (in Rupees)	No. of instalments	Amount (in Rupees)		
Borrowings other than debt securities												
Term Loans												
Secured												
Monthly Repayment Schedule												
From Banks												
1-3 Years	47	7,590.91	13	3,738.64							11.60%-13.50%	11,329.55
3-5 Years	12	228.60	6	114.19							12.50%	342.79
From Financial Institutions												
1-3 Years												
From NBFC												
1-3 Years	195	9,399.60	77	4,584.26	4	219.86					10.98%-14.00%	14,203.72
3-5 Years	22	516.13	24	652.67	24	754.49	2	76.71			13.75%-14.22%	2,000.00
Total (A)	276	17,735.24	120	9,089.75	28	974.35	2	76.71				27,876.05
Quarterly Repayment Schedule												
From Banks												
1-3 Years	13	2,530.41	7	1,376.98	4	1,272.73					11.35%-13.65%	5,180.12
3-5 Years	4	333.33	4	333.33	1	93.11					13.25%	759.78
From NBFC												
1-3 Years	4	625.00									13.50%	625.00
Total (B)	21	3,488.75	11	1,710.31	5	1,365.84						6,564.90
Half yearly Repayment Schedule												
From NBFC												
1-3 Years												
From Financial Institutions												
1-3 Years												
3-5 Years	2	875.00	2	250.00	1	125.00					11.50%	1,250.00
Total (C)	2	875.00	2	250.00	1	125.00						1,250.00

One time Repayment Schedule												
From Banks												
1-3 Years	27	12,337.50										
											10.50%-11.75%	12,337.50
From NBFC												
More than 5 Years												
Total (D)	27	12,337.50										
Unsecured												12,337.50
Monthly Repayment Schedule												
From NBFC												
1-3 Years	52	2,991.32	25	1,258.67								
Total (E)	52.00	2,991.32	25.00	1,258.67							13.95%-14.70%	4,249.99
II Subordinated liabilities												4,249.99
One time Repayment Schedule												
From Banks												
More than 5 Years												
From NBFC					1	2,000.00			1	2,000.00	14.25%-15.60%	4,000.00
More than 5 Years												
From Financial Institutions					1	1,000.00	1	1,500.00			16.25% -17.00%	2,500.00
More than 5 Years												
Total (F)	-	-	-	-	1	1,500.00	1	900.00			15.50%-15.70%	2,400.00
					3	4,500	2	2,400	1	2,000		8,900.00
Add : Interest accrued on borrowings but not due												
Less: Unamortized processing fees												252.09
Grand Total	378	37,427.81	158	12,308.73	37	6,965.19	4	2,476.71	1	2,000.00		(410.83)
												61,019.71

Note:

a) The term loans are secured by hypothecation of portfolio loans covered by hypothecation loan agreement and margin money deposits.

b) The above does not include borrowings under securitization arrangement, lease liability and CCPS convertion into borrowings on account of adoption of INA AS

17 Subordinated liabilities at amortized cost

(In Rs. Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019	As at April 01, 2018
Unsecured subordinated liability	8,986.23	8,985.88	8,980.81
Total	**8,986.23**	**8,985.88**	**8,980.81**
Subordinate liabilities in India	8,986.23	8,985.88	8,980.81
Subordinate liabilities outside India	-	-	-
Total*	**8,986.23**	**8,985.88**	**8,980.81**

* Refer note 16 A for terms of repayment of long term borrowings

18 Other financial liabilities

(In Rs. Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019	As at April 01, 2018
Payable for portfolio loan securitised/ assigned	2,582.88	2,273.93	472.41
Payable to bank against direct sale agreement (DSA)	13.39	10.34	440.78
Salary payable	108.77	176.64	70.46
Others*	929.58	648.84	692.84
Total	**3,634.62**	**3,109.75**	**1,676.50**

* comprises advance income received from clients, expenses payable etc.

19 Provisions

(In Rs. Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019	As at April 01, 2018
Provision for compensated absences for employee benefits	161.63	128.37	81.27
Provision for gratuity	-	35.36	16.57
Provision for direct sale agreement - portfolio	1,298.12	465.41	1,003.22
Total	**1,459.75**	**629.14**	**1,101.06**

20 Other non-financial liabilities

(In Rs. Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019	As at April 01, 2018
Statutory dues payable	198.00	199.72	163.54
Total	**198.00**	**199.72**	**163.54**

21 Equity Share Capital

The reconciliation of equity shares outstanding at the beginning and at the end of the year

(In Rs. Lakhs)

Authorised	As at March 31, 2020	As at March 31, 2019	As at April 01, 2018
4,00,00,000 (March 31, 2019 : 3,00,00,000) equity shares of Rs.10/- each	4,000.00	3,000.00	3,000.00
1,00,00,000 (March 31, 2019 : 1,00,00,000) preference shares of Rs.10/-	1,000.00	1,000.00	1,000.00
Total	5,000.00	4,000.00	4,000.00
Issued			
2,64,53,256 (March 31, 2019 :2,10,96,119) equity shares of Rs.10/- each	2,645.33	2,109.61	2,109.61
Subscribed and paid up			
2,64,53,256 (March 31, 2019 :2,10,96,119) equity shares of Rs.10/- each	2,645.33	2,109.61	2,109.61
Less: amount recoverable from Sonata Employee Welfare Trust #	148.83	[illegible]	210.98
Total issued, subscribed and fully paid-up share capital	2,496.50	[illegible]	[illegible]
Total	2,496.50	[illegible]	[illegible]

Represents equity shares issued to the Sonata Employee Welfare Trust, which are yet to be exercis[illegible] the [illegible]ciaries under the terms of ESOP plans administered through a trust.

Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the year

Equity shares	As at March 31, 2020		As at March 31, 2019		As at March 31, 2018	
	Number	In Rs. Lakhs	Number	In Rs. Lakhs	Number	In Rs. Lakhs
At the beginning of the year #	1,95,50,850	1,955.09	1,89,86,269	1,898.63	1,89,86,269	1,898.63
Issued during the year on account of fresh capital infusion	53,57,137	535.71	-	-	-	-
Issued during the year- Employees stock option scheme	56,950	5.70	5,64,581	56.46	-	-
Outstanding at the end of the year #	**2,49,64,937**	**2,496.50**	**1,95,50,850**	**1,955.09**	**1,89,86,269**	**1,898.63**

Net of equity shares issued to the Sonata Employee Welfare Trust.

(b) Terms/rights attached to equity shares

The Company has only one class of equity shares having par value of Rs. 10/- per share. Each holder of equity shares is entitled to one vote per share for matters other than "Investor Reserved Matters".
The Company declares and pays dividends. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.
In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

(c) Details of shareholders holding more than 5% shares in the Company

Name of shareholder	As at March 31, 2020		As at March 31, 2019		As at March 31, 2018	
Equity Shares of Rs. 10/- each fully paid	No. of shares held	% of Holding in the class	No. of shares held	% of Holding in the class	No. of shares held	% of Holding in the class
Creation Investments Social Ventures Fund II LP	59,01,934	22%	44,73,364	21%	44,73,364	21%
Societe De Promotion Et De Participation Pour La Cooperation Economique	39,77,013	15%	25,48,443	12%	23,48,654	11%
SIDBI Trustee Company Limited [A/c Samridhi Fund]	32,74,653	12%	22,03,226	10%	22,03,226	10%
Triodos Custody B.V. As A Custodian of Triodos Fair Share Fund	19,88,507	8%	12,74,222	6%	11,74,327	6%
Triodos SICAV II- Triodos Microfinance Fund	19,88,506	8%	12,74,221	6%	11,74,326	6%
Sonata Employee Welfare Trust	14,88,319	6%	15,45,269	7%	21,09,850	10%
Creation Investments Social Ventures Fund	14,91,121	6%	14,91,121	7%	14,91,121	7%
India Financial Inclusion Fund, LLC	14,80.634	6%	14,80,634	7%	14,80,634	7%

As per the records of the Company, including its register of shareholders/members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownerships of shares.

(d) For details of shares reserved for issue under the employee stock option (ESOP) plan of the Compa[illegible] Note 36

22 Other Equity

(In Rs. Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019	As at April 01, 2018
Statutory Reserve pursuant to Section 45-IC of the Reserve Bank of India Act, 1934	2,020.41	1,738.58	1,363.24
Capital reserve	22.68	22.68	22.68
Securities premium	20,031.11	13,004.85	12,838.37
Stock option oustanding account	215.17	123.68	-
Retained earnings	2,482.95	1,340.16	(1,731.77)
Total	**24,772.32**	**16,229.95**	**12,492.52**

Nature and purpose of reserve

Statutory reserve (As required by Sec 45-IC of Reserve Bank of India Act, 1934)
Statutory reserve represents the accumulation of amount transferred from surplus year on year based on the fixed percentage of profit for the year, as per section 451C of Reserve Bank of India Act 1934.

Capital reserve

The capital reserve created out of gains of capital nature and it cannot be distributed by way of dividend amongst the share holders. The capital reserve may however be utilized either for the purpose of writing off intangible assets.

Securities premium reserve
Securities premium reserve is used to record the premium on issue of shares. The reserve can be utilised only for limited purposes such as issuance of bonus shares in accordance with the provisions of the Companies Act, 2013.

Stock option oustanding account
The stock option outstanding account is used to recognise the grant date fair value of option issued to employees under employee stock option scheme.

Retained Earnings

Retained earnings represent the cumulative profit/(loss) of the Company and effects of re-measurement of defined benefit obligations and can be utilised in accordance with the provisions of the Companies Act, 2013.

Other comprehensive income
Re-measurement of the net defined benefit liability/(asset) comprises actuarial gain and losses and return on plan assets (excluding interest income). And net fair valuation gain/(loss) on financial assets measured at fair value through other comprehensive income.

23 Interest Income

(In Rs. Lakhs)

Particulars	For year ended March 31, 2020	For year ended March 31, 2019
Interest - on financial assets measured at amortised cost		
Portfolio loans	28,713.04	27,361.99
Bank deposits	852.05	568.34
Employee loans	7.21	4.18
Total	[illegible],572.30	27,934.51

24 Fee and commission income

(In Rs. Lakhs)

Particulars	For year ended March 31, 2020	For year ended March 31, 2019
Service fees	1,862.67	1,261.26
Servicer fee on portfolio loans securitized and assigned	32.78	31.00
Total	**1,895.45**	**1,292.26**

25 Other Income

(In Rs. Lakhs)

Particulars	For year ended March 31, 2020	For year ended March 31, 2019
Net gain on fair value changes on FVTPL		
- Income from Investments	427.52	235.40
- Income from derivatives	63.69	-
Miscellaneous income	11.32	40.64
Total	**502.53**	**276.04**

26 Finance cost

(In Rs. Lakhs)

Particulars	For year ended March 31, 2020	For year ended March 31, 2019
Interest on financial liabilites measured at amortised cost		
- Debt securities	4,332.27	5,527.26
- borrowing other than debt securities	9,347.60	8,273.06
- subordinated debt	-	-
- Other borrowings	1,747.53	1,626.58
Others		
- interest expense on lease liability	15.59	-
- bank charges	92.06	80.45
- other borrowing cost	54.69	47.99
Total	**15,589.74**	**15,555.34**

27 Impairment on financial instruments

(In Rs. Lakhs)

Particulars	For year ended March 31, 2020	For year ended March 31, 2019
Loss assets written off (Net) - Loans	3,636.39	4,977.78
Receivables written off	108.85	45.89
Loss on off balance sheet	45.25	105.00
Impairment provision		
- portfolio loans/ managed / securitised loans	4,494.90	(1,566.52)
- others	82.77	45.27
Total	8,368.16	3,607.42

28 Employee benefit expenses

(In Rs. Lakhs)

Particulars	For year ended March 31, 2020	For year ended March 31, 2019
Salaries and bonus	5,756.20	5,221.56
Contributions to provident fund	365.75	301.42
Contribution to employees' state insurance	36.10	46.22
Gratuity expenses (refer note 42)	[illegible]	35.36
Staff welfare expenses	[illegible]	15.63
Share based payments to employees	[illegible]	299.94
Total	[illegible]	5,920.13

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29 Depreciation, amortization and impairment

(In Rs. Lakhs)

Particulars	For year ended March 31, 2020	For year ended March 31, 2019
Depreciation of property , plant and equipment	104.06	94.63
Depreciation of right to use asset	39.20	-
Amortization of intangible asset	18.64	38.53
Total	161.90	133.16

30 Other expenses

(In Rs. Lakhs)

Particulars	For year ended March 31, 2020	For year ended March 31, 2019
Rent	463.01	457.70
Rates and taxes	40.90	12.32
Repairs & maintenance		
'- Office maintenance	189.27	182.91
'- Others	16.73	17.00
Travelling and conveyance	184.87	192.19
Communication expenses	85.43	78.52
Printing & stationery	110.50	111.41
Legal and professional fees	283.87	249.80
Director's fees and expenses	32.57	37.84
Payment to auditors	65.77	50.25
Insurance	16.79	4.15
IT support charges	127.32	138.66
Electricity charges	69.60	57.67
Membership fees	52.51	49.30
CSR expenditure (refer note 35)	12.76	18.50
Foreign exchange difference	339.86	-
Miscellaneous expenses	259.82	238.29
Total	**2,351.58**	**1,896.51**

Payment to auditors:

(In Rs. Lakhs)

Particulars	For year ended March 31, 2020	For year ended March 31, 2019
As auditors:		
Audit fee (excluding taxes)	43.00	35.00
Other services (certification, etc.)	11.48	6.00
Reimbursement of expenses	5.52	5.58
Goods and service tax	5.77	3.27
Total	65.77	50.25

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31 Earnings per equity share (EPS)

(In Rs. Lakhs)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Profit/(loss) for the year	1,409.17	3,299.01
Less:		
Dividend on Non cumulative 0.01% compulsorily convertible preference shares	-	0.05
Net profit/(loss) for calculation of basic EPS	1,409.17	3,298.96
Net Profit/(loss) as above	1,409.17	3,298.96
Add:Non cumulative 0.01% compulsorily convertible preference shares & tax thereon	-	0.05
Net profit/(loss) for calculation of diluted EPS	1,409.17	3,299.01
Weighted average number of equity shares in calculating basic EPS	245.01	210.96
Effect of dilution:		
Equity shares attributable to convertible preference shares	-	-
Stock options granted under ESOP (In lakhs)	14.88	15.45
Weighted average number of equity shares in calculating diluted EPS	259.88	226.41
Basic EPS	5.75	15.64
Diluted EPS	5.42	14.57
Nominal value per share	10.00	10.00

32 Related party disclosures

A. Names of related parties and related party relationship (as per IND AS - 24)

Key Management Personnel (KMP)	
Name	Designation
Mr. Anup Kumar Singh	Managing Director
Mr. Akhilesh Kumar Singh	Chief Financial Officer
Ms. Paurvi Srivastava	Company Secretary
Ms. Chandani Gupta Ohri	Independent Director
Mr. S. Ganesh	Independent Director
Mr. Anal Jain	Independent Director
Mr. P.K. Saha	Independent Director

B. Nature of transactions

(In Rs. Lakhs)

Particulars	For year ended March 31, 2020	For year ended March 31, 2019
Key Management Personnel		
Salary, incentive and perquisites (Refer Note (ii) below)		
Mr. Anup Kumar Singh	102.75	98.50
Mr. Akhilesh Kumar Singh	50.11	45.03
Ms. Paurvi Srivastava	8.50	[illegible]
Shares issued under ESOP to Mr. Anup Kumar Singh	-	61.54
Total	161.36	211.31
Sitting fees paid		
Ms. Chandani Gupta Ohri	1.96	5.45
Mr. S. Ganesh	4.25	[illegible]
Mr. Anal Jain	4.25	5.45
Mr. P.K. Saha	5.23	5.45
Total	15.69	20.93

i) Related parties have been identified on the basis of the declaration received by the management and other records available.

ii) As the future liability for gratuity and leave has been provided for the Company as a whole, the amount pertaining to the Key Management Personnel are separately not ascertainable, and therefore not included above.

Shares issued under ESOP to KMP as on March 31, 2020 is Nil (P.Y. [illegible]). Refer note 36 for ESOP details.

33 A Leases

Operating Lease

Short term leases not covered under Ind AS 116 are classified as operating lease. Lease payment during the year are charged to statement of Profit and loss. Further minimum rentals payable under non

i)

(In Rs. Lakhs)

Particulars	March 31, 2020	March 31, 2019
Minimum Lease obligations	463.01	457.7
Not later than one year	463.01	457.7
Later than 1 year but not later than 5 years	-	-
Later than 5 years	-	-

ii) Effective April 1, 2019, the compnay has applied the standard to all lease contracts existing on April 1, 2019, using the Modified Retrospective method along with the transaction option to recognise the Right to use asset (ROU) at an amount equal to the Lease liability. being the first year of IND AS adoption, the company has recognised the ,lease liability and right of use asset as per above mentioned measurement principle at the date of transition to IND AS as permitted by the standard.

iii) The following is the summary of practical expedients elected on initial application:

a) Applied a single discount rate to a portfolio of leases a similar assets in similar economic enviornment with a similar end date.

b) Applied the exemption not to recognise right to use assets and liabilities for leases with less than 12 months of lease term on the date of initial application.

c) Excluded the initial effect costs from the measurement of the right to use assets at the date of initial application.

iv) The company's leased assets mainly comprise office building taken on lease. Lease contains of wide range of different term and condition. The terms of property lease ranges from 1 to 5 years. The company has used an incremental borrowing rate of 13.22% to determine the lease liability and right to use asset leases for leases entered in 2019-20.

a) **Total lease liabilities are analysed as at :**

(In Rs. Lakhs)

Denominated in Foreign currencies:	As at March 31, 2020
Rupees	158.76
Foriegn currency	-
Total	158.76

b)

(In Rs. Lakhs)

Maturity of lease liability	As at March 31, 2020
Current	10.42
Non current	148.34
Total	158.76

(v) The following amount were recognised as expense in the year:

(In Rs. Lakhs)

Particulars	For year ended March 31, 2020
Depreciation of Right to use assets	39.20
Interest on Lease Liabilities	15.59
Total recognised in the income statement	54.79

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(vi) The following are the undiscounted contractual cash flows of lease liabilities. The payment profile has been based on management forcasts and could in reality be diffrent from expectations:

(In Rs. Lakhs

Maturity analysis	As at March 31, 2020
Less than 1 year	68.93
Between 1 and 2 years	61.80
Between 2 and 5 years	63.93
More than 5 years	
Total	194.66

(vii) **The following is the movement in lease liabilities during the year ended march 31, 2020**

(In Rs. Lakhs)

Particulars	As at March 31, 2020
Balances as on April 1, 2019	-
Addition during the period	189.71
Finance cost incurred during the period	15.59
Less: Payment of lease liabilties	46.54
Balances as on March 31, 2020	158.76

34 Details of dues to micro and small enterprises as defined under the MSMED Act, 2006

	Particulars	March 31, 2020	March 31, 2019	April 1, 2018
1	The principal amount remaining unpaid to supplier as at the end of accounting year	-	-	-
2	The interest due thereon remaining unpaid to supplier as at the end of accounting year	-	-	-
3	The amount of interest paid in terms of Section 16, along with the amount of payment made to the supplier beyond the appointment day during the year 2019-20	-	-	-
4	The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under this Act.	-	-	-
5	The amount of interest accrued during the year and remaining unpaid at the end of the accounting year.	-	-	-
	Total	-	-	-

35 Corporate Social Responsibility

A. Gross amount required to be spent by the Company during the year ended March 31, 2020 is Nil/- (Previous year ended March 31, 2019 : Nil)

B. The following table sets forth, for the years indicated, the amount spent by the Company on CSR related activities;

(In Rs. Lakhs)

	Particulars	Year ended 31st March 2020			Year ended 31st March 2019		
		In Cash (charged to P & L account)	Yet to be paid in Cash	Total	In Cash (charged to P & L account)	Yet to be paid in Cash	Total
i	Construction / acquisition of any new asset			-	18.50	-	18.50
ii	On purpose other than (i) above	12.76	-	12.76	-		

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36 The Company had issued 16,46,300 equity shares of INR 10 each to Sonata Employee Welfare Trust for the purpose of issuing shares under ESOPs to the employee c the company in the Financial Year 2009-10. Subsequently in the Financial Year 2012-13, 14,70,000 equity shares had been issued to the Sonata Employee Welfare Trust

Out of the above mentioned shares issued to Sonata Employee Welfare Trust 3,96,300, 2,65,000, 2,16,250 and 2,50,000 Equity Shares were transferred to Mr Anu Kumar Singh (Managing Director) through the Trust during the Financial Year 2009-10, 2012-13, 2015-16 and 2018-19 respecively.

Further, the company has provided Employee Stock Option Scheme to its employee under Plan 2 (b) (c) (d) & 3. Till FY 2018-19 few eligible employees had exercise their right and 5,00,431 equity shares had been transfered from Trust to the respective employees. The Plan wise detail of ESOP schemes are as given below:

Particulars	Plan 1(c)(ii)	Plan 1(c)(iii)	Plan 1 (d)	Plan 2(b)(i)	Plan 2(b)(ii)	Plan 2(b)(iii)	Plan 2(c)(i)	Plan 2(c)(ii)	Plan 2(c)(iii
Date of Grant	6-May-10	6-May-10	12-Jun-12	9-Jul-10	9-Jul-10	9-Jul-10	9-Jul-10	9-Jul-10	9-Jul-1(
Date of Board Approval	6-May-10	6-May-10	12-Jun-12	9-Jul-10	9-Jul-10	9-Jul-10	9-Jul-10	9-Jul-10	9-Jul-1(
Date of Shareholder's Approval	8-Feb-10	8-Feb-10	28-Aug-12	17-Sep-10	17-Sep-10	17-Sep-10	17-Sep-10	17-Sep-10	17-Sep-1(
Date of Modification of the scheme, if any	N.A.	12-Jun-12	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Number of Options granted	1,82,500	73,750	75,000	34,800	39,600	57,600	34,800	34,800	46,40(
Number of Options vested	1,82,500	73,750	75,000	30,600	34,650	48,000	32,400	27,600	28,000
Exercise Price	Rs.18.56	Rs.18.56	Rs.18.56	Rs. 26	Rs. 26	Rs. 26	Rs. 26	Rs. 26	Rs. 26
Method of Settlement	Equity	Equity	Equity	Equity	Equity	Equity	Equity	Equity	Equity
Vesting Period	31-Mar-13	31-Mar-14	31-Mar-13	31-Mar-14	31-Mar-15	31-Mar-16	31-Mar-15	31-Mar-16	31-Mar-17
Exercise Period	31-Mar-18	31-Mar-19	31-Mar-18	31-Mar-19	31-Mar-20	31-Mar-21	31-Mar-20	31-Mar-21	31-Mar-22
Vesting Conditions	Linked to continued association with Company and performance milestones stipulated by Compensation committee	Linked to continued association with Company and performance milestones stipulated by Compensation committee	Linked to continued association with Company and performance milestones stipulated by Compensation committee	Linked to continued association with Company and subject to annual performance appraisal	Linked to continued association with Company and subject to annual performance appraisal	Linked to continued association with Company and subject to annual performance appraisal	Linked to continued association with Company and subject to annual performance appraisal	Linked to continued association with Company and subject to annual performance appraisal	Linked to continued association with Company and subject to annual performance appraisal
Name of the	ESOP Plan 2009	ESOP Plan 2009	ESOP Plan 2009	ESOP Plan 2011	ESOP Plan 2011	ESOP Plan 2011	ESOP Plan 2011	ESOP Plan 2011	ESOP Plan 2011

Particulars	Plan 2(d)(i)	Plan 2(d)(ii)	Plan 2(d)(iii)	Plan 3	Plan 3 (i)	Plan 3 (ii)	Plan 3 (iii)	Plan 4
Date of Grant	9-Jul-10	9-Jul-10	9-Jul-10	1-Oct-13	1-Oct-14	1-Oct-15	1-Oct-16	1-Oct-13
Date of Board Approval	9-Jul-10	9-Jul-10	9-Jul-10	6-Feb-14	6-Feb-14	6-Feb-14	6-Feb-14	6-Feb-14
Date of Shareholder's Approval	17-Sep-10	17-Sep-10	17-Sep-10	20-Mar-14	20-Mar-14	20-Mar-14	20-Mar-14	20-Mar-14
Date of Modification of the	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Number of Options granted	30,000	30,000	40,000	2,00,000	2,00,000	2,00,000	2,00,000	8,00,000
Number of Options vested	12,000	10,800	14,400	1,87,000	1,88,500	1,94,500	1,43,500	8,00,000
Exercise Price	Rs. 26	Rs. 26	Rs. 26	Rs. 54	Rs. 59	Rs. 67	Rs. 67	Rs. 67
Method of Settlement	Equity	Equity	Equity	Equity	Equity	Equity	Equity	Equity
Vesting Period	31-Mar-16	31-Mar-17	31-Mar-18	1/4 of total Grant to vest each year on 30th Sep over four years from the date of grant	1/4 of total Grant to vest each year on 30th Sep over four years from the date of grant	1/4 of total Grant to vest each year on 30th Sep over four years from the date of grant	1/4 of total Grant to vest each year on 30th Sep over four years from the date of grant	The Options will vest in equal amounts over 6 years from the date of grant
Exercise Period	31-Mar-21	31-Mar-22	31-Mar-23	Five years from the date of each vesting	Five years from the date of each vesting	Five years from the date of each vesting	Five years from the date of each vesting	Up till Promoter holds office in the Company
Vesting Conditions	Linked to continued association with Company and subject to annual performance appraisal	Linked to continued association with Company and subject to annual performance appraisal	Linked to continued association with Company and subject to annual performance appraisal	Linked to continued association with Company and subject to annual performance appraisal	Linked to continued association with Company and subject to annual performance appraisal	Linked to continued association with Company and subject to annual performance appraisal	Linked to continued association with Company and subject to annual performance appraisal	Subject to the Terms of Share Holders' Agreement of the Company entered on September 05th 2012 and performance milestones as may be stipulated by Compensation committee or the Board and also linked to continued association with Company
Name of the Plan	ESOP Plan	ESOP Plan 2011	ESOP Plan 2011	ESOP Scheme 2013	ESOP Scheme 2013	ESOP Scheme 2013	ESOP Scheme 2013	ESOP Scheme 2013

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Plan 1(c)(ii)

Particulars	As on March 31, 2020		As on March 31, 2019	
	No. of Options	Exercise Price	No. of Options	Exercise Price
Outstanding at the beginning of the year	-	-	70,000	18.56
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	70,000	18.56
Expired during the year	-	-	-	-
Outstanding at the end of the year	-	-	-	-
Exercisable at the end of the year	-	-	-	-

Plan 1(c)(iii)

Particulars	As on March 31, 2020		As on March 31, 2019	
	No. of Options	Exercise Price	No. of Options	Exercise Price
Outstanding at the beginning of the year	-	-	73,750	18.56
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	73,750	18.56
Expired during the year	-	-	-	-
Outstanding at the end of the year	-	-	-	-
Exercisable at the end of the year	-	-	-	-

Plan 1(d)

Particulars	As on March 31, 2020		As on March 31, 2019	
	No. of Options	Exercise Price	No. of Options	Exercise Price
Outstanding at the beginning of the year	-	-	75,000	18.56
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	75,000	18.56
Expired during the year	-	-	-	-
Outstanding at the end of the year	-	-	-	-
Exercisable at the end of the year	-	-	-	-

Plan 2(b)(i)

Particulars	As on March 31, 2020		As on March 31, 2019	
	No. of Options	Exercise Price	No. of Options	Exercise Price
Outstanding at the beginning of the year	12,900	26.00	15,000	26.00
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	600	26.00	2,100	26.00
Expired during the year			-	-
Outstanding at the end of the year	12,300	26.00	12,900	26.00
Exercisable at the end of the year	12,300	26.00	12,900	26.00

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Plan 2(b)(ii)

Particulars	As on March 31, 2020		As on March 31, 2019	
	No. of Options	Exercise Price	No. of Options	Exercise Price
Outstanding at the beginning of the year	13,050	26.00	18,450	26.00
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	1,200	26.00
Expired during the year	13,050	-	4,200	26.00
Outstanding at the end of the year	-	26.00	13,050	26.00
Exercisable at the end of the year	-	26.00	13,050	26.00

Plan 2(b)(iii)

Particulars	As on March 31, 2020		As on March 31, 2019	
	No. of Options	Exercise Price	No. of Options	Exercise Price
Outstanding at the beginning of the year	18,400	26.00	55,200	26.00
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	4,000	0.00	29,600	26.00
Expired during the year	-	-	7,200	26.00
Outstanding at the end of the year	14,400	26.00	18,400	26.00
Exercisable at the end of the year	14,400	26.00	18,400	26.00

Plan 2(c)(i)

Particulars	As on March 31, 2020		As on March 31, 2019	
	No. of Options	Exercise Price	No. of Options	Exercise Price
Outstanding at the beginning of the year	17,250	26.00	17,250	26.00
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	17,250	-	-	-
Outstanding at the end of the year	-	26.00	17,250	26.00
Exercisable at the end of the year	-	26.00	17,250	26.00

Plan 2(c)(ii)

Particulars	As on March 31, 2020		As on March 31, 2019	
	No. of Options	Exercise Price	No. of Options	Exercise Price
Outstanding at the beginning of the year	12,600	26.00	27,600	26.00
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	15,000	26.00
Expired during the year	-	-	-	-
Outstanding at the end of the year	12,600	26.00	12,600	26.00
Exercisable at the end of the year	12,600	26.00	12,600	26.00

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Plan 2(c)(iii)

Particulars	As on March 31, 2020		As on March 31, 2019	
	No. of Options	Exercise Price	No. of Options	Exercise Price
Outstanding at the beginning of the year	8,000	26.00	28,000	26.00
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	20,000	26.00
Expired during the year	-	-	-	-
Outstanding at the end of the year	8,000	26.00	8,000	26.00
Exercisable at the end of the year	8,000	26.00	8,000	26.00

Plan 2(d)(i)

Particulars	As on March 31, 2020		As on March 31, 2019	
	No. of Options	Exercise Price	No. of Options	Exercise Price
Outstanding at the beginning of the year	7,200	26.00	12,000	26.00
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	4,800	26.00
Expired during the year	-	-	-	-
Outstanding at the end of the year	7,200	26.00	7,200	26.00
Exercisable at the end of the year	7,200	26.00	7,200	26.00

Plan 2(d)(ii)

Particulars	As on March 31, 2020		As on March 31, 2019	
	No. of Options	Exercise Price	No. of Options	Exercise Price
Outstanding at the beginning of the year	6,000	26.00	10,800	26.00
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	4,800	26.00
Expired during the year	-	-	-	-
Outstanding at the end of the year	6,000	26.00	6,000	26.00
Exercisable at the end of the year	6,000	26.00	6,000	26.00

Plan 2(d)(iii)

Particulars	As on March 31, 2020		As on March 31, 2019	
	No. of Options	Exercise Price	No. of Options	Exercise Price
Outstanding at the beginning of the year	8,000	26.00	14,400	26.00
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	6,400	26.00
Expired during the year	-	-	-	-
Outstanding at the end of the year	8,000	26.00	8,000	26.00
Exercisable at the end of the year	8,000	26.00	8,000	26.00

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Plan 3

Particulars	As on March 31, 2020		As on March 31, 2019	
	No. of Options	Exercise Price	No. of Options	Exercise Price
Outstanding at the beginning of the year	86,950	54.00	1,39,250	54.00
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	15,250	54.00	52,300	54.00
Expired during the year	19,000	-	-	-
Outstanding at the end of the year	52,700	54.00	86,950	54.00
Exercisable at the end of the year	52,700	54.00	86,950	54.00

Plan 3 (i)

Particulars	As on March 31, 2020		As on March 31, 2019	
	No. of Options	Exercise Price	No. of Options	Exercise Price
Outstanding at the beginning of the year	92,019	59.00	1,69,000	59.00
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	17,000	59.00	72,481	59.00
Expired during the year	-	-	4,500	59.00
Outstanding at the end of the year	75,019	59.00	92,019	59.00
Exercisable at the end of the year	75,019	59.00	92,019	59.00

Plan 3 (ii)

Particulars	As on March 31, 2020		As on March 31, 2019	
	No. of Options	Exercise Price	No. of Options	Exercise Price
Outstanding at the beginning of the year	1,34,000	67.00	2,00,000	67.00
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	10,500	67.00	64,000	67.00
Expired during the year	3,500	67.00	2,000	67.00
Outstanding at the end of the year	1,20,000	67.00	1,34,000	67.00
Exercisable at the end of the year	1,20,000	67.00	83,000	67.00

Plan 3 (iii)

Particulars	As on March 31, 2020		As on March 31, 2019	
	No. of Options	Exercise Price	No. of Options	Exercise Price
Outstanding at the beginning of the year	1,55,600	67.00	2,00,000	67.00
Granted during the year				
Forfeited during the year				
Exercised during the year	9,600	67.00	41,900	67.00
Expired during the year	4,000	67.00	2,500	67.00
Outstanding at the end of the year	1,42,000	67.00	1,55,600	67.00
Exercisable at the end of the year	92,000	67.00	56,600	67.00

Plan 4

Particulars	As on March 31, 2020		As on March 31, 2019	
	No. of Options	Exercise Price	No. of Options	Exercise Price
Outstanding at the beginning of the year	7,68,750	67.00	8,00,000	67.00
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	31250	67.00
Expired during the year	-	-	-	-
Outstanding at the end of the year	7,68,750	67.00	7,68,750	67.00
Exercisable at the end of the year	7,68,750	67.00	6,35,417	67.00

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37 Additional disclosures as required by the Reserve Bank of India

A. Capital Management:

The Company maintains an actively managed capital base to cover risks inherent in the business which includes issued equity capital share premium and all other equity reserves attributable to equity holders of the Company.

As an NBFC, the RBI requires us to maintain a minimum capital to risk weighted assets ratio ("CRAR") consisting of Tier I and Tier II capita of 15% of our aggregate risk weighted assets. Further, the total of our Tier II capital cannot exceed 100% of our Tier I capital at any point of time. The capital management process of the company ensures to maintain a healthy CRAR at all the times.

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

The Company manages its capital structure and makes adjustments to it according to changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes have been made to the objectives, policies and processes from the previous years. However, they are under constant review by the Board. The Company monitors its capital to risk weighted assets ratio (CRAR) on a monthly basis.

Capital to Risk-Assets ratio (CRAR)

Particulars	March 31, 2020	March 31, 2019
CRAR (%)	23.07	25.95
CRAR - Tier I capital (%)	17.00	22.51
CRAR - Tier II capital (%)	6.07	3.44
Amount of subordinate debt raised as Tier II Capital (In Rs. Lakhs)	8900	8900
Amount raised by issue of Perpetual Debt Instrument (In Rs. Lakhs)	-	-

Notes:

Impairment allowances on stage 1 and stage 2 loans has been considered as "contingent provision for standard assets" for the purpose of determining Tier II Capital

CRAR as on March 31, 2020 has been determined in accordance with RBI master directions read with RBI notification March 13, 2020, on implementation of IND AS . Accordingly, CRAR of March 31, 2019 is not comparable

B. Exposures:

The Company has no exposures to Real Estate Sector, gold loan and capital market directly or indirectly in the current and previous year except for investment in 50,000 (March 31, 2019: 50,000) fully paid up equity shares of Alpha Micro Finance Consultants Private Limited at face value of Rs. 10 (March 31, 2019 : Rs. 10) per share, as disclosed in Note 9.

C. Asset liability management

Maturity pattern of certain assets and liabilities as on March 31, 2020:

(In Rs. Lakhs)

Particulars	Upto 1 month	Over 1 month to 2 months	Over 2 month to 3 months	Over 3 month to 6 months	Over 6 month to 1 year	Over 1 year to 3 years	Over 3 year to 5 years	Over 5 years	Total
Advances	392.88	1,939.01	5,723.15	28,046.24	63,454.55	35,603.53	-	-	1,35,159.36
Investments*	2,150.80	195.13	251.93	2,633.37	2,716.68	3,843.42	-	8.40	11,799.74
Borrowings	1,362.53	469.36	1,449.26	14,315.95	41,152.39	60,432.35	2,997.68	107.75	1,22,287.27

Maturity pattern of certain assets and liabilities as on March 31. 2019:

(In Rs. Lakhs)

Particulars	Upto 1 month	Over 1 month to 2 months	Over 2 month to 3 months	Over 3 month to 6 months	Over 6 month to 1 year	Over 1 year to 3 years	Over 3 year to 5 years	Over 5 years	Total
Advances	7,956.97	8,634.29	7,669.04	23,883.44	34,903.63	35,023.78	1,114.26	-	1,19,18[illegible]
Investments*	418.14	175.23	321.40	99.85	3,531.05	5,531.33	241.89	[illegible]	[illegible]
Borrowings	13,715.44	2,816.66	4,397.17	16,251.91	31,778.57	35,063.45	20,018.46	[illegible]	[illegible]

Maturity pattern of certain assets and liabilities as on March 31, 2018:

(In Rs. Lakhs

Particulars	Upto 1 month	Over 1 month to 2 months	Over 2 month to 3 months	Over 3 month to 6 months	Over 6 month to 1 year	Over 1 year to 3 years	Over 3 year to 5 years	Over 5 years	Total
Advances	7,022.56	7,817.24	7,294.55	24,040.82	29,477.90	41,978.47	615.94	-	1,18,247.47
Investments*	160.51	166.86	31.50	442.20	3,364.00	2,761.53	50.00	5.00	6,981.60
Borrowings	3,330.93	2,245.70	5,086.09	17,763.55	24,397.61	34,559.25	29,949.21	1,994.75	1,19,327.08

The maturity pattern of borrowings has been prepared considering the effect of moratorium on contractual repayments to the extent of information and confirmation availble with the company

The maturity pattern of advances has been prepared considering the effect of revised contractual dues of loans pursuant to moratorium granted to its borrowers

* Investments includes deposit certificate and cash collateral held with banks and financial institution and shown under cash and cash equivalents under note 4, bank balance other than cash and cash equivalents under note 5 and other finacial assets under note 10

D. Investments

(In Rs. Lakhs)

	Particulars	March 31, 2020	March 31, 2019
1	Value of investments		
	Gross Value of investments		
	In India	19.00	15.97
	Outside India	-	-
	Provision for depreciation		
	In India	-	-
	Outside India	-	-
	Net Value of investments		
	In India	19.00	15.97
	Outside India	-	-
2	Movement of provision held towards depreciation on investments		
	Opening balance	-	-
	Add: Provision made during the year	-	-
	Less: Write off / write back of excess provision during the year	-	-
	Closing balance	-	-

E. Derivatives

The company has hedged foreign curency exposure in respect of:

(In Lakhs)

Particulars	March 31, 2020			March 31, 2019		
	USD	EURO	INR	USD	EURO	INR
External commercial borrowings - DWM	40.00	-	3,015.44	-	-	
External commercial borrowings - FRANKFURT	-	50.00	4,152.48	-	-	

F. Disclosures relating to securitisation

(In Rs. Lakhs)

	Particulars	March 31, 2020	March 31, 2019
1	No of SPVs sponsored by the NBFC for securitisation tansactions during the year	3.00	10.00
2	Total amount of securitised assets as per books of the SPVs sponsored	11,870.16	23,313.75
3	Total amount of exposures retained by the NBFC to comply with MRR as on the date of balance sheet		
a)	Off-balance sheet exposures		
	First loss	-	-
	Others	-	-
b)	On-balance sheet exposures		
	First loss	5,629.85	6,591.39
	Others	-	-
4	Amount of exposures to securitisation transactions other than MRR		
a)	Off-balance sheet exposures		
i)	Exposure to own securitizations		
	First loss	-	-
	Others	-	-
ii)	Exposure to third party securitisations		
	First loss	-	-
	Others	-	-
b)	On-balance sheet exposures		
i)	Exposure to own securitizations		
	First loss	-	-
	Others	-	-
ii)	Exposure to third party securitisations		
	First loss	-	-
	Others	-	-

Details of assigned portfolio and income arising out of the same :

The information regarding the direct assignment activity as an originator is shown below:

(In Rs. Lakhs)

Particulars	March 31, 2020	March 31, 2019
Numbers of loans assigned	70,299	68,934
Total book value of the loan asset assigned during the year	15,569.63	10,500.05
Sale consideration received for the loan asset assigned during the year	15,569.63	10,500.05
Portfolio loan assigned and outstanding as at the year end	12,358.55	9,220.42
Income from direct assignment recognised in the statement of profit and loss	1,487.15	658.89
The Company has transferred all the rights and obligations relating to above assigned loan assets to the buyers.		

Details of Direct Sale Agreement (DSA) executed with banks:

The Company has entered into DSAs with banks under the following terms:
i. Amounts received from the bank are disbursed as loan to joint-liability groups organised / monitored by the Company and such joint-liability groups are considered as banks borrowers
ii. The Company provides services in connection with recovery and monitoring of such loans
iii. The Company has provided collaterals in the form of fixed deposits & corporate guarantee which would be adjusted by banks, to the extent of default made by borrowers.

(In Rs. Lakhs)

Particulars	March 31, 2020	March 31, 2019
Outstanding Balance of Loan Disbursed through DSA as at year end	27,507.68	15,007.18
Service fee income recognised during the year	1,862.67	1,261.26
Credit enhancements provided and outstanding:		
Corporate guarantee	1,583.41	1,204.50
Cash collateral	1,734.97	964.74

G. Details of financial assets sold to securitisation / reconstruction company for asset reconstruction

The Company has not sold financial assets to securitisation / reconstruction company for asset reconstruction in the current and previous year.

H. Details of non performing financial assets purchased / sold

The Company has not purchased/sold non performing financial assets in the current and previous year.

I. Details of financing of parent Company products

The disclosure is not appicable as the Company does not have any parent company.

J. Draw down from reserves

There has been no draw down from reserves during the current and previous year end.

K. Information on Net Interest Margin

Particulars	March 31, 2020	March 31, 2019
Average interest (a)	22.40%	21.39%
Average effective cost of borrowing (b)	13.14%	13.22%
Net Interest Margin (a-b)	9.26%	8.17%

Note:

1 Above computation is in accordance with the method accepted by RBI vide its letter no DNBS.PD.NO.4906/03.10.038/ 2012-13 dated April 4, 2013 to Micro-finance Institutions Network (the "MFIN format") read with the FAQs issued by RBI on October 14, 2016 and RBI Circular dated March 13, 2020 on Implementation of Indian Accounting Standards.

2 Average loan outstanding determined for the purpose of calculating NIM has been determined as under -

a) Securitised loans qualifying for de-recognition as per RBI's "true sale" criteria and related interest income have not been considered for computation of "average interest charged" in accordance with the MFIN format. Accordingly, the purchase consideration received towards such securitisations and related finance costs have not been considered for computation of "average effective cost of borrowings". As per Ind AS 109, such loans and borrowings continue to be recognized on the balance sheet in the Ind AS financial statements;

b) Impairment allowance adjusted from the carrying value of loans in accordance with Ind AS 109.

3 Interest income considered for computation of "average interest charged" excludes loan processing fee collected from customers in accordance with para 56 (vi) of the RBI Master Directions. As per Ind AS 109, such loan processing fee forms part of interest income in the Ind AS financial statements.

L. Customer Complaints *

	Particulars	March 31, 2020	March 31, 2019
1	No. of complaints pending at the beginning of the year	76	[illegible]
2	No. of complaints received during the year	[illegible]	[illegible]
3	No. of complaints redressed during the year	266	[illegible]
4	No. of complaints pending at the end of the year	20	76

* excluding general enquiry from customers on loans products and insurance related matters.
The above information is as certified by the management and relied upon by the auditors.

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M. Provisions & contingencies

(In Rs. Lakhs)

Particulars	March 31, 2020	March 31, 2019
Break up of 'Provisions and Contingencies' shown under the head expenditure in profit and loss account:		
Provision made towards income tax	1,843.51	570.83
Provision for gratuity	109.31	35.36
Provision for leave benefit	66.85	54.82
Provision for death claims/ other receivable	82.77	45.27
Provision for standard and non performing assets	3,497.48	(1,149.25)
Provision on portfolio - DSA and direct assignment	997.42	(417.26)

N. Sector wise NPAs

Sector	Percentage of NPA to Total Advances in that Sector as on 31 March 2020	Percentage of NPA to Total Advances in that Sector as on 31 March 2019
Agriculture & allied activities	1.41%	3.63%
MSME	1.55%	2.81%
Corporate borrowers	-	-
Services	1.59%	3.69%
Unsecured personal loans	0.83%	2.12%
Other personal loans	-	-

O. Movement of NPA

(In Rs. Lakhs)

Particulars	March 31, 2020	March 31, 2019
Net NPAs to net advances (%)	0.19%	2.70%
Movement of NPAs (Gross)		
Opening balance	3,228.17	4,959.59
Additions during the year	2,034.70	3,088.18
Reductions during the year	4,111.45	4,819.61
Closing balance	1,151.41	3,228.17
Movement of Net NPAs		
Opening balance	2,590.90	3,756.41
Additions during the year	1,763.16	3,088.18
Reductions during the year	4,111.45	4,753.69
Closing balance	242.61	2,590.90
Movement of provisions for NPAs (excluding provisions on standard assets)		
Opening balance	637.26	1,203.18
Provisions made during the year	271.54	-
Write-off / write-back of excess provisions	-	565.92
Closing balance	908.80	637.26

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P. Details of Registration with Financial Regulators

Regulator	Registration No.
Ministry of Company Affairs	U65921UP1995PTC035286
Reserve Bank of India	B-12.00445

Q. Ratings assigned by Credit Rating Agencies

Particulars	As at 31 March 2020	As at 31 March 2019
Long term bank facilities	ICRA BBB (Stable)	ICRA BBB (Stable)
Long term non		
Triodos 2020	-	ICRA BBB (Stable)
Microfinance	-	ICRA BBB (Stable)
Microvest Short Duration Fund, L.P	-	ICRA BBB (Stable)
Blue orchard micro	ICRA BBB (Stable)	ICRA BBB (Stable)
IFMR FIMPACT Investment	ICRA BBB (Stable)	ICRA BBB (Stable)
IFMR Fimpact Long term Multi Asset Class Fund (Secured)	ICRA BBB (Stable)	ICRA BBB (Stable)
IFMR Fimpact Long term Multi Asset Class Fund (Unsecured)	ICRA BBB (Stable)	ICRA BBB (Stable)
Responsibility	-	ICRA BBB (Stable)
IFMR_HLF	-	ICRA BBB (Stable)
Blue orchard micro finance fund	ICRA BBB (Stable)	ICRA BBB (Stable)
Japan Asean Women's Empowerment Fund	ICRA BBB (Stable)	
IFMR FImpact Medium Term Opportunities Fund	ICRA BBB (Stable)	
MFI grading	ICRA M2+	ICRA M2+
Securitisation :		
IFMR Capital Aruvi		
PTC Series A1	-	ICRA A(SO)
PTC Series A2	-	ICRA BBB(SO)
Ellaria Northern Arc 2018		
PTC Series A1	-	ICRA A+(SO)
PTC Series A2	-	ICRA BBB(SO)
Northern Arc 2018		
PTC Series A1	-	ICRA A(SO)
PTC Series A2	-	ICRA BBB+(SO)
Vivriti Delph 2018		
Series A1 PTC	-	ICRA A-(SO)
Vivriti Casemiro 2018		
PTC Series A1	-	ICRA A-(SO)
PTC Series A2		ICRA BBB(SO)
Northern Arc 2018		
Series A1 PTC	-	CARE A (SO)
Series A2 PTC	-	CARE BBB+ (SO)
Northern Arc 2019		
Series A1 PTC	ICRA A (SO)	ICRA A-(SO)
Series A2 PTC	ICRA BBB+(SO)	ICRA BBB+(SO)

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Northern Arc 2019		
Series A1 PTC	ICRR A+(SO)	ICRR A+(SO)
Vivriti Cabsec 001		-
Series A1 PTC	ICRA A-(SO)	ICRA A-(SO)
Series A2 PTC	ICRA BBB-(SO)	ICRA BBB-(SO)
Vivriti Liam 03 2019		
Series A1 PTC	CARE A (SO)	CARE A (SO)
Series A2 PTC	CARE BBB+(SO)	CARE BBB+(SO)
Vivriti Robben 01		
Series A1 PTC	ICRA A+ (SO)	ICRA A(SO)
Series A2 PTC	ICRA A- (SO)	ICRA BBB+(SO)
Vivriti Samwise 02		
Series A1 PTC	ICRA A- (SO)	ICRA A-(SO)
Series A2 PTC	ICRA BBB (SO)	ICRA BBB(SO)
Vivriti Merv 06 2019		
Series A1 PTC	ICRA A (SO)	-
Series A2 PTC	ICRA BBB+(SO)	-
Northern Arc 2019		
Series A1 PTC	ICRA A-(SO)	-
Series A2 PTC	ICRA BBB (SO)	-
Northern Arc 2019		
Series A1 PTC	ICRA A (SO)	-
Series A2 PTC	ICRA BBB (SO)	-
IFMR Mahindra PLI	-	ICRA A-(SO)
IFMR HLF PLI	ICRA A-(SO)	ICRA A-(SO)

R. Concentration of advances, exposures and NPA's

(In Rs. Lakhs)

Particulars	As at 31 March 2020	As at 31 March 2019
Concentration of advances *		
Total advances to twenty largest borrowers	42.08	43.64
(%) of advances to twenty largest borrowers to total advances	0.03%	0.05%
Concentration of Exposures *		
Total exposures to twenty largest borrowers	42.08	43.64
(%) of exposure to twenty largest borrowers to total exposure	0.03%	0.05%
Concentration of NPAs		
Total Exposure to top four NPA accounts	3.50	3.98

* Represents amount outstanding as per contract with customers

S. Disclosure of penalties imposed by RBI and other regulaton:

No penalties were imposed by RBI and other regulators during current and previous year.

T. Public Disclosure on Liquidity Risk as on March 31, 2020 pursuant to RBI Guidelines on Liquidity Risk Management Framework for Non-Banking Financial Companies dated November 4, 2019

Public Disclosures on liquidity risk management

i) Funding Concentration based on significant counterparty (both deposits and borrowings)

Number of significant counter parties	Amount (in Lakhs)*	% of Total Deposits	% of Total Liabilities
Twenty One (21)	1,02,258.32	-	79.95%

ii) Top 20 large deposits (Amount in Lakhs and % of total deposits) - Not applicable. The company being a Systematically Important Non Deposit taking NBFC - MFI registered with the RBI does not accept public deposits.

iii) Top 10 Borrowings (amount in lakhs and % of total borrowings)

Amount in Lakhs *	% of Total Borrowings
79,911	72.16%

iv) Funding Concentration based on significant instrument/product

Name of the instrument/Product	Amount in lakhs *	% of Total Liabilities
Term Loans from Banks	38,687	30.25%
Term Loans from FI	15,067	11.78%
Non Convertible debentures	27,190	21.26%
Term Loans from NBFC's	18,440	14.42%
External Commercial Borrowings	11,351	8.88%
Total Borrowings	1,10,734	86.59%
Total Liabilities	1,27,889	

Note:

a The above does not include borrowings on account of securitisation agreements recognised as per Ind AS 109.

b The above does not include borrowings on account of lease liability recognised under Ind AS 116;.

c The above does not include borrowings on account of unamortised processing fees and interest accrued.

v) Stock Ratios

Particulars	as a % of total public funds	as a % of total liabilities	as a % of total assets
Commercial Papers	-	-	-
Non-convertible debentures (original maturity of less than 1 year)	-	-	-
Other Short term liabilities	17.86%	8.64%	7.12%

*Represents amount outstanding as per contracts with lenders

vi) Institutional set up for liquidity risk management

The company's Board of Directors has the overall responsibility of management of liquidity risk. The Board decides the strategic policies and procedures of the company to manage liquidity risk in accordance with the risk tolerance limit as decided by the board

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The company also has a Risk Management Committee, which is a sub-committee of the board and is responsible for evaluating the overall risk faced by the company including liquidity risks.

Financial Advisory and Asset Liability Management Committee of the company is responsible for ensuring adherence to risk tolerance limits as well as implementing the liquidity risk management strategy of the company

The ALM support group shall be responsible for analysing, monitoring and reporting the liquidity profile to the ALCO

***Notes**

1 A significant counterparty is defined as a single counterparty or a group of connected or affiliated counterparties accountig in aggregate for more than 1% of the NBFC's-NDSI, NBFC-D's total liabilities and 10% of the other non-deposit taking NBFC's .

2 A significant instrument/product is defined as a single instrument/product of group of similar instruments/products which in aggregate amounts to more than 1% of the NBFC's-NDSI, NBFC-D's total liabilities and 10% of the other non-deposit taking NBFC's.

3 Total Liabilities has been computed as sum of all liabilities (Balance sheet figures) less equities and Reserves/Surplus.

4 Public funds shall include funds raised either directly or indirectly through Public Deposits, Commercial Paper's and debentures, inter-corporate deposits and bank finance but excludes funds raised by issue of instruments compulsorily convertible into equity shares within a period not exceeding 10 years from the date of issue as defined in Regulatory Framework for Core Investment Companies issued vide Notification No. DNBS (PD) CC No. 206/03.10.001/2010-11 dated January 5, 2011.

5 The amount stated in the disclosure is based on the audited Financial statements for the year ended March 31, 2020.

U. Information on instances of frauds:

1 Information on instances of fraud during the year ended March 31, 2020:

(Rs in Lakhs)

Nature of fraud	No. of cases	Amount of fraud	Amount Recovered	Considered as Recoverable	Amount Provided for
Cash embezzlement	3	38.60	24.33	-	14.27

2 Information on instances of fraud during the year ended March 31, 2019:

Nature of fraud	No. of cases	Amount of fraud	Amount Recovered	Considered as Recoverable	Amount Provided for
Cash embezzlement	5	42.48	21.64	-	20.85

V The company has not exceeded any limit in respect of Qualifying asset single borrower limit/group borrower limit during the current and previous year

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W. **Pursual to the adoption of ECL as prescribed under IND AS, the comparision of ECL and the income recognition and asset classification as mandated by RBI earlier is as under :**

Own, securitized portfolio and other assets

(In Rs. Lakhs)

Asset Classification as per RBI Norms	Asset classification as per Ind AS 109	Gross Carrying Amount as per Ind AS	Loss Allowances (Provisions) as required under Ind AS 109	Net Carrying Amount	Provisions required as per IRACP norms	Difference between Ind AS 109 provisions and IRACP norms
1	2	3	4	5=3-4	6	7 = 4-6
Performing Assets						
Standard	Stage 1	1,33,957.83	5,006.42	1,28,951.41	911.16	4,095.26
	Stage 2	706.70	145.42	561.27	45.30	100.12
Non-Performing Assets (NPA)						
Doubtful	Stage 3	1,338.16	908.80	429.36	408.20	500.60
Doubtful - up to 1 year	Stage 3	-	-	-	-	-
1 to 3 years	Stage 3	-	-	-	-	-
More than 3 years	Stage 3	-	-	-	-	-
Loss	Stage 3	-	-	-	-	-
Other items such as guarantees, loan commitments, etc. which are in the scope of Ind AS 109 but not covered under current Income Recognition, Asset Classification and Provisioning (IRACP) norms	Stage 1	-	-	-	-	-
	Stage 2	-	-	-	-	-
	Stage 3	-	-	-	-	-
Total	Stage 1	1,33,957.83	5,006.42	1,28,951.41	911.16	4,095.26
	Stage 2	706.70	145.42	561.27	45.30	100.12
	Stage 3	1,338.16	908.80	429.36	408.20	500.60
	Total	1,36,002.69	6,060.64	1,29,942.05	1,364.66	4,695.98

X. **Disclosures pursuant to RBI notification- RBI 2019-20/220 DOR. No.BP.BC.63/21.04.048/2019-20 dated 17th April, 2020 SMA/ overdue categories, where the moratorium/deferment was extended ("RBI circular")**

Details of moratorium granted to overdue accounts as at February 29, 2020

(In Rs. Lakhs)

Asset classification as per Ind AS 109	Exposure as on March 31, 2020 (A)	Asset classification benefit*
Stage 1	1,089.89	-
Stage 2	628.14	-
Stage 3	241.59	

* represents accounts out of A which were not classified as Stage III (non- performing assets) as at March 31, 2020

Note: Amounts indicate in the above represent gross carrying value of these exposures before adjustment for impairment allowance as required under Ind AS 109 as at March 31, 2020.

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38 Capital

The Company actively manages its capital base to cover risks inherent to its business and meet the capital adequacy requirement of RBI. The adequacy of the Company's capital is monitored using, among other measures, the regulations issued by RBI.

(i) Capital management

The Company's objective is to maintain appropriate levels of capital to support its business strategy taking into account the regulatory, economic and commercial environment. The Company aims to maintain a strong capital base to support the risks inherent to its business and growth strategies. The Company endeavours to maintain a higher capital base than the mandated regulatory capital at all times

Planning

The Company's assessment of capital requirement is aligned to its planned growth which forms part of an annual operating plan which is approved by the Board and also a long range strategy. These growth plans are aligned to assessment of risks– which include credit, liquidity and interest rate.

The Company endeavours to maintain its CRAR higher than the mandated regulatory norm. Accordingly, increase in capital is planned well in advance to ensure adequate funding for its growth.

(ii) Regulatory capital

Particulars	As at March 31, 2020	As at March 31, 2019
CRAR - Tier I capital	17.00%	22.51%
CRAR - Tier II capital	6.07%	3.44%
	23.07%	25.95%

39 Expenditure in foreign currency Nil (P.Y. Nil)

40 A The following tables provides the details of income tax assets and income tax liabilities as at :

Particulars	Year ended March 31, 2020	Year ended March 31, 2019	Year ended March 31, 2018
Income tax assets	2,987.46	1,596.87	1,030.69
Income tax liabilities	2,955.34	1,111.83	541.00
Current tax (Net of provision)	32.12	485.04	489.69

Reconciliation of the total tax charge:

The tax charge shown in the statement of profit and loss differs from the tax charge that would apply if all profits had been charged at India corporate tax rate. A reconciliation between the tax expense and the accounting profit multiplied by India's domestic tax rate for the year ended 31 March 2020 and 31 March 2019 is, as follows:

Particulars	Year ended 31 March 2020
Accounting profit before tax	1,993.92
At India's statutory income tax rate of 29.12% (2019: 34.944%)	580.[illegible]
Adjustment in respect of current income tax of prior years	-
Change in tax rates	-
Addition to Income	3,062.[illegible]
Deductions to Income	(1,283.[illegible])
Non-deductibe expenses	
Expendiuture on CSR	3.7[illegible]
Others	0.5[illegible]
Loss Brought Forward	(548.[illegible])
Income tax expense reported in the statement of profit or loss	1,[illegible]3.51
Income tax adjustment in respect of current income tax of prior years	-
Total income tax expense reported in the statement of profit or loss	1,843.5[illegible]

Income Tax Return for F.Y 2018-2019 has been filed following the Indian GAAP . The return was filed under Minimum Alternate Tax(MAT) as taxable income was nil and hence previous year figures are not provided.

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40 B Movement in balances of deferred tax for the year ended March 31, 2020

Particulars	Net balance as on April 1, 2019	(Charge)/ credit in Profit and Loss	Recognised in OCI	Net balance as on March 31, 2020	Deferred tax assets	Deferred tax liability
Deferred tax assets/ (liabilities)						
Impact of difference between tax depreciation/ amortisation	64.73	(1.46)	-	63.26	63.26	-
Impairment allowance for loans	1,359.23	907.97	-	2,267.21	2,267.21	-
Other items	(28.73)	352.24	-	323.51	323.51	-
Net Deferred tax assets / (liabilities)	**1,395.23**	**1,258.75**	-	**2,653.98**	**2,653.98**	-

Movement in balances of deferred tax for the year ended March 31, 2019

Particulars	Net balance as on April 1, 2018	(Charge)/ credit in Profit and Loss	Recognised in OCI	Net balance as on March 31, 2019	Deferred tax assets	Deferred tax liability
Deferred tax assets/ (liabilities)						
Impact of difference between tax depreciation/ amortisation	75.94	(11.22)	-	64.73	64.73	-
Impairment allowance for loans	1,664.62	(305.39)	-	1,359.23	1,359.23	-
Other items	1,266.90	(1,295.63)	-	(28.73)	-	28.73
Net Deferred tax assets / (liabilities)	**3,007.47**	**(1,612.24)**	-	**1,395.23**	**1,423.96**	**28.73**

41 Segment reporting:

The Company operates in a single reportable segment i.e. lending to members, and other related activities which has similar risks and returns for the purpose of Ind AS-108 on 'Segment Reporting'. The Company operates in a single geographical segment i.e. India.

42 Gratuity

a) The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service is eligible for gratuity on departure 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 qualifying insurance policy.

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

(Rs. in lakhs)

Particulars	March 31, 2020	March 31, 2019	April 1, 2018
Reconciliation of present value of defined benefit obligation			
Obligation at the beginning of the year	447.58	402.59	350.18
Current service cost	112.15	95.42	103.[illegible]
Interest cost	34.48	30.18	26.31
Past service cost	0.00	0.00	
Benefits settled	(38.23)	(21.24)	(21.34)
Actuarial (gains)/ losses recognised in other comprehensive income			
- Changes in experience adjustments	(26.68)	(65.70)	(63.17)
- Changes in demographic assumptions	0.00	0.00	0.00
- Changes in financial assumptions	36.73	7.34	[illegible]
Obligation at the end of the year	566.02	447.58	402.59
Reconciliation of present value of plan assets			
Plan assets at the beginning of the year, at fair value	412.22	386.02	185.01
Interest income on plan assets	37.30	29.72	[illegible]
Re-measurement- actuarial gain	5.62	1.15	12.54
Return on plan assets recognised in other comprehensive income			
Contributions	182.61	16.57	190.10
Benefits settled	(38.23)	(21.24)	(21.34)
Plan assets at the end of the year, at fair value	599.52	412.22	386.0[illegible]
Net defined benefit liability/ (asset)	(33.50)	[illegible]	15.57

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Expense recognised in profit or loss

Particulars	March 31, 2020	March 31, 2019	April 1, 2018
Current service cost	112.15	95.42	103.95
Interest cost	34.46	30.18	26.31
Past service cost	-	-	-
Interest income	(37.30)	(29.72)	(14.65)
Net gratuity cost	109.31	95.88	115.61

Re-measurement recognised in other comprehensive income

(Rs. in lakhs)

Particulars	March 31, 2020	March 31, 2019	April 1, 2018
Re-measurement of the net defined benefit liability			
- Changes in experience adjustments	(26.68)	(66.70)	(63.17)
- Changes in demographic assumptions	0.00	0.00	0.00
- Changes in financial assumptions	36.73	7.34	6.66
Re-measurement of the net defined benefit asset			
Return on plan assets (greater)/Less than discount rate	(5.62)	(1.15)	(13.54)
Total Actuarial (gain)/ loss included in OCI	**4.44**	**(60.51)**	**(70.05)**

Plan assets

(Rs. in lakhs)

Particulars	March 31, 2020	March 31, 2019	April 1, 2018
LIC Fund	100%	100%	100%

Defined benefit obligation - Actuarial assumptions

Particulars	March 31, 2020	March 31, 2019	April 1, 2018
Discount rate	6.70%	7.70%	7.75%
Future salary growth	7.50%	7.50%	7.50%
Attrition rate	18.00%	18.00%	18.00%
Average term of liabilty (in years)	29.83	29.73	30.05

Sensitivity analysis

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

Particulars	March 31, 2020		March 31, 2019
	Increase	Decrease	Increase
Discount rate (1% movement)	537.69	597.42	425.65
Future salary growth (1% movement)	599.62	535.12	473.80
Attrition rate (1% movement)	561.24	571.00	441.27

Expected payment for future years (defined benefit obligations)

(Rs. in lakhs)

Particulars	March 31, 2020	March 31, 2019
Within the next 12 months (next annual reporting period)	67.96	51.74
Between 2 and 5 years	302.70	251.16
Between 5 and 10 years	241.77	307.00
Beyond 10 years	247.49	215.04
Total expected payments	859.91	724.95

b) The estimates of future salary increases considered in actuarial valuation, takes account of inflation, seniority and other relevant factors, such as supply and demand in the employment market.

c) The company expects to contribute Rs. 1,17.44 lakhs [March 31, 2019: Rs.1,57.03 lakhs] to gratuity fund in 2020-21.

d) The overall expected rate of return on assets is determined based on market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

e) Amount incurred as expense for defined contribution to Provident Fund is Rs. 3,65.75 lakhs (March 31, 2019: Rs.3,01.41 lakhs)

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43 Risk Management

1 Introduction and risk profile

Sonata Finance Private Limited Limited ("Company") is one of the leading microfinance institutions in India focused on providing financial support to women from low income households engaged in economic activity with limited access to financial services. The Company predominantly offers collateral free loans to women from low income households, willing to borrow in a group and agreeable to take joint liability. The wide range of lending products address the critical needs of customers throughout their lifecycle and include income generation, home improvement, sanitation and personal emergency loans. With a view to diversifying the product profile, the company has introduced individual loans for matured group lending customers. These loans are offered to customers having requirement of larger loans to expand an existing business in their individual capacity.

The common risks for the company are operational, business environment, political, regulatory, concentration, expansion and liquidity. As a matter of policy, these risks are assessed and steps as appropriate, are taken to mitigate the same.

1.1 Risk management structure

The Board of Directors are responsible for the overall risk management approach and for approving the risk management strategies and principles.The Risk Management framework approved by the Board has laid down the governance structure supporting the identification, assessment, monitoring, reporting and mitigation of risk throughout the company. The objective of the risk management platform is to make a conscious effort in developing risk culture within the organisation and having appropriate systems and tools for timely identification, measurement and reporting of risks for managing them.

The Company's policy is that risk management processes throughout the Company are audited by the Internal Audit function, which examines both the adequacy of the procedures and the Company's compliance with the procedures. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Audit Committee.

1.2 Risk mitigation and risk culture

Risk assessments shall be conducted for all business activities. The assessments are to address potential risks and to comply with relevant legal and regulatory requirements. Risk assessments are performed by competent personnel from individual departments and risk management department including, where appropriate, expertise from outside the Company. Procedures shall be established to update risk assessments at appropriate intervals and to review these assessments regularly. Based on the Risk Control and Self Assessment (RCSA), the Company shall formulate its Risk Management Strategy / Risk Management plan on annual basis. The strategy will broadly entail choosing among the various options for risk mitigation for each identified risk. The risk mitigation can be planned using the following key strategies:

Risk Avoidance: By not performing an activity that could carry risk. Avoidance may seem the answer to all risks, but avoiding risks also means losing out on the potential gain that accepting (retaining) the risk may have allowed.

Risk Transfer: Mitigation by having another party to accept the risk, either partial or total, typically by contract or by hedging.

Risk Reduction: Employing methods/solutions that reduce the severity of the loss

Risk Retention: Accepting the loss when it occurs. Risk retention is a viable strategy for small risks where the cost of insuring against the risk would be greater over time than the total losses sustained. All risks that are not avoided or transferred are retained by default. This includes risks that are so large or catastrophic that they either cannot be insured against or the premiums would be infeasible

Expansion Risk mitigation measures:
- Contiguous growth
- District centric approach
- Rural focus
- Branch selection based on Census Data & Credit Bureau Data
- Three level survey of the location selected

2 Impairment assessment/ Credit risk (Also refer Note 3 p)

Credit risk is the risk of loss that may occur from defaults by our Borrowers under our loan agreements. In order to address credit risk, we have stringent credit assessment policies for client selection. Measures such as verifying client details, online documentation and the usage of credit bureau data to get information on past credit behaviour also supplement the efforts for containing credit risk. We also follow a systematic methodology in the opening of new branches, which takes into account factors such as the demand for credit in the area; income and market potential; and socio-economic and law and order risks in the proposed area. Further, our client due diligence procedures encompass various layers of checks, designed to assess the quality of the proposed group and to confirm that they meet our criteria.

The references below show where the Company's impairment assessment and measurement approach is set out in this report. It should be read in conjunction with the Summary of significant accounting policies.

2.1 Definition of default, Significant increase in credit risk and stage assessment

For the measurement of ECL, Ind AS 109 distinguishes between three impairment stages. All loans need to be allocated to one of these stages, depending on the increase in credit risk since initial recognition (i.e. disbursement date):

Stage 1 includes loans for which the credit risk at the reporting date is in line with the credit risk at the initial recognition (i.e. disbursement date)
Stage 2 includes loans for which the credit risk at reporting date is significantly higher than at the risk at the initial recognition (Significant Increase in Credit Risk)
Stage 3 includes default loans. A loan is considered default at the earlier of (i) the bank considers that the obligor is unlikely to pay its credit obligations to the company in full, without recourse by the company to actions such as realizing collateral (if held); or (ii) the obligor is past due 90 days or moreon any material credit obligation to the company.

The Company offers products with weekly/fortnightly/ monthly repayment frequency, and has identified the following stage classification to be the most appropriate for its Loans:
Stage 1: 0 to 30 DPD
Stage 2: 31 to 90 DPD (SICR)
Stage 3: above 91 DPD (Default)

2.2 Probability of Default (PD)

PD describes the probability of a loan to eventually falling into Stage 3. PD %age is calculated for each state separately and is determined by using available historical observations.

PD for stage 1: is derived as %age of all loans in stage 1 moving into stage 3 in 12-months' time.
PD for stage 2: is derived as %age of all loans in stage 2 moving into stage 3 in the maximum lifetime of the loans under observation.
PD for stage 3: is derived as 100% considering that the default occurs as soon as the loan becomes overdue for 90 days which matches the definition of stage 3.

Macroeconomic information (such as regulatory changes, market interest rate or inflation) is incorporated as part of the internal rating model. In general, it is presumed thatcredit risk has significantly increased since initial recognition if the payments are more than 30 days past due.

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1.3 Risk measurement and reporting systems

The Mangement would review the following aspects of business specifically from a risk indicator perspective and suitably record the deliberations during the monthly meeting.

- Review of business growth and portfolio quality.
- Discuss and review the reported details of PAR, Key Risk Threshold breaches (KRI's), consequent responses an review of operational loss events, if any.
- Review of process compliances including audit performance across organisation
- Review of HR management, training and employee attrition
- Review of new initiatives and product/policy/process changes
- Discuss and review performance of IT systems
- Review, where necessary, policies that have a bearing on the operational risk management and recommen amendments.
- Discuss and recommend suitable controls/mitigations for managing operational risk and assure that adequat resources are being assigned to mitigate the risks.
- Review analysis of frauds, potential losses, non-compliance, breaches etc. and determine corrective measure to prevent their recurrences.
- Understand changes and threats, concur on areas of high priority and possible actions for managing/mitigatin the same.

1.4 Risk Management Strategies

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular industry or geographical location.
The following management strategies and policies shall be adopted by the Company to manage the various key risks.

Political Risk mitigation measures:
- Low cost operations and Low pricing for customers
- Customer centric Approach, High Customer Retention
- Rural Focus
- Systematic customer awareness activities
- High Social Focused Activities
- Adherence to client protection guidelines
- Robust Grievance Redressal Mechanism
- Adherence to regulatory guidelines in letter and spirit

Concentration Risk mitigation measures:
- District Centric Approach
- District Exposure Cap
- Restriction on growth in urban locations
- Maximum Disbursement Cap per loan account
- Maximum loan exposure Cap per customer
- Diversified Funding Resources

Operational & HR Risk mitigation measures:
- Stringent customer enrolment process
- Multiple products
- Proper recruitment policy and appraisal system
- Adequately trained field force
- Weekly & fortnightly collections – higher customer touch, lower amount instalments
- Multilevel monitoring framework
- Strong, Independent and fully automated Internal Audit Function
- Strong IT system with access to real time client and loan data

Liquidity Risk mitigation measures:
- Diversified funding resources
- Asset Liability management
- Effective Fund management
- Maximum Cash holding Cap

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2.3 Exposure at default

Exposure at default (EAD) is the sum of outstanding principle and the interest amount accrued but not received on each loan as at reporting date. EAD includes on Balance Sheet portfolio, Securitized portfolio and over collateral portion (i.e. Company's own risk) pertaining to the Assigned Portfolio.

2.4 Loss given default

LGD is the opposite of recovery rate. LGD = 1 - (Recovery rate). Recovery rate is calculated based on past observations of stage 3 loans. Recovery rate is the total of discounted value of all the recoveries from the loan account after its first fall in stage 3 category divided by the outstanding of the loan account on the date it fall under stage 3 category.

2.5 Grouping financial assets measured on a collective basis

The Company believes that the all loans disbursed in a particular state have shared risk characteristics (i.e. homogeneous). Therefore, the state wise loan portfolio are treated as separate groups and the Company will separately calculate credit losses for them.

3 Liquidity risk and funding management (Also Refer Note 37 T)

Liquidity risk arises due to the unavailability of adequate amount of funds at an appropriate cost and tenure. The Company may face an asset-liability mismatch caused by a difference in the maturity profile of our assets and liabilities. This risk may arise from the unexpected increase in the cost of funding an asset portfolio at the appropriate maturity and the risk of being unable to liquidate a position in a timely manner and at a reasonable price. We monitor liquidity risk through our Financial Advisory and Asset Liability Management Committee. Monitoring liquidity risk involves categorizing all assets and liabilities into different maturity profiles and evaluating them for any mismatches in any particular maturities, particularly in the short-term. We actively monitor our liquidity position to ensure that we can meet all borrower and lender-related funding requirements.

There are Liquidity Risk mitigation measures put in place which helps in maintaining the following:

3.1 Diversified funding resources:

The Company's finance and treasury department secures funds from multiple sources, including banks, financial institutions and is responsible for diversifying our capital sources, managing interest rate risks and maintaining strong relationships with banks, financial institutions, mutual funds, insurance companies, other domestic and foreign financial institutions and rating agencies. The Company continuously seek to diversify its sources of funding to facilitate flexibility in meeting our funding requirements. Due to the composition of our loan portfolio, which also qualifies for priority sector lending, it also engages in securitization and assignment transactions.

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4 Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market factor. Such changes in the values of financial instruments may result from changes in the interest rates, credit, liquidity and other market changes. The Company is exposed to Interest rate risk as follows:

4.1 Interest Rate Risk (IRR)

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. We are subject to interest rate risk, principlely because we lend to clients at fixed interest rates and for periods that may differ from our funding sources, while our borrowings are at both fixed and variable interest rates for different periods. We assess and manage our interest rate risk by managing our assets and liabilities. Our Financial Advisory and Asset Liability Management Committee evaluates asset liability management, and ensures that all significant mismatches, if any, are being managed appropriately. The Company has Board Approved Asset Liability Management (ALM) policy for managing interest rate risk and policy for determining the interest rate to be charged on the loans given.

The following table demonstrates the sensitivity to a reasonably possible change in the interest rates on the portion of borrowings affected. With all other variables held constant, the profit before tax is affected through the impact on floating rate borrowings, as follows:

(In Rs. Lakhs)

Finance Cost	Impact on Profit		Impact on Pre tax Equity	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
0.50 % Increase	(516.73)	(525.10)	(516.73)	(525.10)
0.50 % Decrease	516.73	525.10	516.73	525.10

5 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign currency risk arise majorly on account of foreign currency borrowings. The Company manages its foreign currency risk by hedging using various financial instruments like cross currency swaps , forward contracts etc.

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44 First time adoption

These financial statements, for the year ended 31 March 2020, are the first financial statements of the Company and have been prepared in accordance with Ind AS. For periods up to and including the year ended 31 March 2019, the Company prepared its financial statements in accordance with accounting standards notified under section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 (Indian GAAP or previous GAAP).

Accordingly, the Company has prepared financial statements which comply with Ind AS applicable for periods ending on March 31, 2020, together with the comparative period data as at and for the year ended 31 March 2019, as described in the summary of significant accounting policies. In preparing these financial statements, the Company's opening balance sheet was prepared as at 1 April 2018, which is the Company's date of transition to Ind AS. This note explains the principal adjustments made by the Company in restating its Indian GAAP financial statements, including the balance sheet as at 1 April 2018 and the financial statements as at and for the year ended 31 March 2019.

Optional Exemptions applied:

Ind AS 101 allows first-time adopters certain exemptions from the retrospective application of certain requirements under Ind AS. The Company has applied the following exemptions:

> Lease Arrangements:

Ind AS requires an entity to assess whether a contract or arrangement contains a lease. In accordance with Ind AS, this assessment should be carried out at the inception of the contract or arrangement. However, the Company has used Ind AS 101 exemption and assessed all arrangements based for embedded leases based on conditions in place as at the date of transition.

> Property, Plant and Equipments & Intangible Assets:

On transition to Ind AS, the Company has elected to continue with the carrying value of all of its property, plant and equipment and intangible assets as at March 31, 2018, measured as per the previous GAAP and use that carrying value as the deemed cost of the property, plant and equipment and intangible assets as on April 1, 2018.

Mandatory Exceptions:

> Classification and measurement of Financial assets:

Ind AS 109 requires a financial asset to be measured at amortised cost if it meets two tests that deal with the nature of the business that holds the assets and the nature of the cash flows arising on those assets. A first-time adopter must assess whether a financial asset meets the conditions on the basis of the facts and circumstances that exist at the date of transition to Ind AS.

Ind AS 101 also contains mandatory exception related to classification of financial asset which states that conditions for classifying financial assets to be tested on the basis of facts and circumstances existing at the date of transition to Ind AS instead of the date on which it becomes party to the contract.

The Company has opted to classify all financial assets and liabilities based on facts and circumstances existing on transition date.

> De-recognition of Financial assets:

As per Ind AS 101 – An entity shall apply the exception to the retrospective application in case of "Derecognition of financial assets and financial liabilities" wherein a first-time adopter shall apply the Derecognition requirements in Ind AS 109 prospectively for transactions occurring on or after the date of transition to Indian Accouning Standards (Ind AS). For example, if a first time adopter derecognised non-derivative financial assets or non-derivative financial liabilities in accordance with its previous GAAP as a result of a transaction that occurred before the date of transition to Ind Accounting standard, it shall not recognise those assets and liabilities in accordance with Ind ASs (unless they qualify for recognition as a result of a later transaction or event).

The Company has opted not to re-evaluate financial assets derecognized in the past including those sold under Securitisation agreements.

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Estimates:

The estimates at 1 April 2018 and at 31 March 2019 are consistent with those made for the same dates in accordance with Indian GAAP (after adjustments to reflect any differences in accounting policies) apart from the following items where application of Indian GAAP did not require estimation:

> Impairment of financial assets based on expected credit loss model

The estimates used by the Company to present these amounts in accordance with Ind AS reflect conditions at 1 April 2018, the date of transition to Ind AS and as of 31 March 2019.

Reconciliation of equity	March 31, 2019	March 31, 2018
Equity as reported under previous GAAP	27,489.59	17,917.96
Expected credit loss on financial assets (release)	(1,950.57)	(3,710.88)
Effective interest rate impact on financial assets	(808.30)	(717.22)
Effective interest rate impact on financial liabilities	533.78	310.33
Reclassification of convertible preference shares into borrowings	(7,500.00)	-
Others	481.51	0.51
Tax impact on above adjustements	(61.00)	590.45
Equity as reported under IND AS	18,185.01	14,391.15

Reconciliation of the financial results as per previous GAAP	March 31, 2019	March 31, 2018
Profit after tax as per previous GAAP	1,876.69	(3,339.78)
Increase / decrease in profit due to :		
Expected credit loss on financial assets (release)	1,760.31	(3,710.88)
Effective interest rate impact on financial assets	31.88	(717.22)
Effective interest rate impact on financial liabilities	100.50	310.33
Fair valuation of stock option granted to employees	(151.62)	0.00
Others	481.00	0.51
Tax impact on above adjustements	(651.46)	590.45
Profit after tax as per IND AS	3,298.99	(6,866.59)
Other Comprehensive income as per IND AS	148.32	0.00

Footnotes to the reconciliation of equity as at 1 April 2018 and 31 March 2019 and profit or loss for the year ended 31 March 2019

1 **Loan Portfolio**

a. Under previous GAAP, loan processing fees received in connection with loans portfolio is recognized upfront and credited to profit or loss for the year. Under Ind AS, loan processing fee is credited to profit and loss using the effective interest rate method. The unamortized portion of loan processing fee is adjusted from the loan portfolio.

b. Under the Ind AS, allowance is provided on the loans given to customers is on the basis of percentage obtained by evaluating the loss of the previous years and management expectations for future losses. Under the previous GAAP the allowance is provided on the basis of percentage decided by the management.

c. Under Indian GAAP, the Company had recognized its Loan Portfolio at transaction value. However, the Company has made a business model assessment for its Loan portfolio and recognised a part of its portfolio as financial assets measured at FVOCI. The difference between the fair value and the Indian GAAP carrying amount has been recognised as a separate component of equity, in the FVOCI reserve, net of related deferred taxes.

2 Borrowings

Under previous GAAP, transaction costs incurred in connection with borrowings are recognised upfront and charged to profit or loss for the year. Under Ind AS, transaction costs are included in the initial recognition amount of financial liability and charged to profit or loss using the effective interest method.

3 Expected credit losses on loans:

Under the Ind AS, allowance is provided on the loans given to customers on the basis of percentage obtained by evaluating the loss of the previous years. Under Previous GAAP, the Company has created provision for loans and advances based on the provisioning norms prescribed in NBFC Master Directions. Under Ind AS, impairment allowance has veen determined based on Expected Loss model (ECL). Due to ECL model the Company impaired its loans and advances including off balance sheet portfolio as per Ind AS. The differential impact has been adjusted in Retained earning/ Profit and loss during the year. Under Previous GAAP, contingent provision against standard assets and provision for non performing assets were presented under provisions. However, under Ind AS financial assets measured at amortised cost and FVOCI are presented net of provision for expected credit losses.

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4 Defined benefit obligations:

Both under Previous GAAP and Ind AS, the Company recognised costs related to its post-employment defined benefit plan on an actuarial basis. Under Previous GAAP, the entire cost, including actuarial gains and losses, are charged to profit or loss. Under Ind AS, remeasurements [comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets excluding amounts included in net interest on the net defined benefit liability] are recognised immediately in the balance sheet with a corresponding debit or credit to retained earnings through other comprehensive income

5 Share based payments:

Under Previous GAAP, the Company recognised only the intrinsic value for the share based payments plans as an expense. Ind AS requires the fair value of the share options to be determined using an appropriate pricing model recognised over the vesting period.

6 Other comprehensive income

Under Indian GAAP, the Company has not presented other comprehensive income (OCI) separately. Hence, it has reconciled Indian GAAP profit or loss to profit or profit or loss as per Ind AS. Further, Indian GAAP profit or loss is reconciled to total comprehensive income as per Ind AS.

7 Statement of cash flows

The transition from Indian GAAP to Ind AS has not had a material impact on the statement of cash flows.

8 Deferred tax

Indian GAAP requires deferred tax accounting using the statement of profit and loss approach, which focuses on differences between taxable profits and accounting profits for the period. Ind AS 12 requires entities to account for deferred taxes using the balance sheet approach, which focuses on temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base. The application of Ind AS 12 approach has resulted in recognition of deferred tax on new temporary differences which was not required under Indian GAAP.

In addition, the various transitional adjustments lead to temporary differences. According to the accounting policies, the Company has to account for such differences. Deferred tax adjustments are recognised in correlation to the underlying transaction either in retained earnings or a separate component of equity.

9 Others

Under IGAAP, Income on Direct Assignments was recognised over the tenure of the Loans transferred based on the RBI guidelines. Under Ind AS, Loans sold under Direct Assignment agreements do not meet the de-recognition criteria as per Ind AS 109. The Company has elected the first time adoption exemption for not applying de-recognition criteria to Financial Assets recognised prior to date of transition. Hence, income on agreements entered post April 1, 2018 has been recognised upfront in the year in which such sale takes place.

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45 Impact of COVID-19 on business and Expected Credit Losses

The Novel Coronavirus (COVID-19) pandemic (declared as such by the World Health Organisation on March 11, 2020), has contributed to a significant decline and volatility in global and Indian markets, and a significant decrease in economic activity. On March 24, 2020, the Government of India announced a nation-wide lockdown till April 14, 2020, which was extended till May 31, 2020 through subsequent announcements, to contain the spread of the virus. This has led to significant disruptions and dislocations for individuals and businesses, impacting Company's regular operations including lending and collection activities due to inability of employees to physically reach the borrowers.

The Company has major proportion of its borrowers and Asset under management (AUM) in rural geographies, where the impact of COVID-19 has been relatively lower so far compared to urban geographies. Additionally, the government has announced a series of relief measures for rural India, which will further support rural borrowers' repayment capacity.

As discussed above, the COVID -19 pandemic has impacted the Company's regular operations including lending and collection activities, consequently impacting the carrying value of the financial assets, financial position and performance of the Company.

Further, pursuant to the Reserve Bank of India circulars dated March 27, 2020 and May 23, 2020 allowing lending institutions to offer moratorium to borrowers on payment of instalments falling due between March 1, 2020 and August 31, 2020. The Company has extended/will be extending moratorium to its borrowers in accordance with it's Board approved policy.

In Management's view, providing moratorium to borrowers at a mass scale based on RBI directives, by itself is not considered to result in a significant increase in credit risk ('SICR') for such borrowers. Accordingly, considering the unique and widespread impact of COVID-19 pandemic, the Company has estimated and recorded a management overlay allowance in its provision for expected credit loss, based on information available at this point in time to reflect, among others things, the deterioration in macroeconomic factors. The Company has recorded a total provision for expected credit loss of Rs. 6535.70 lakhs as at March 31, 2020. Given the dynamic nature of the pandemic situation, these estimates are based on early indicators, subject to uncertainty and may be affected by the severity and duration of the pandemic and the actual impact of the pandemic, including government and regulatory measures, on the business and financial metrics of the Company (including credit losses) could be different from that estimated by the Company.

In view of the matters referred above, the Company has assessed the impact of COVID-19 pandemic on its liquidity and ability to fulfil its obligations as and when they are due and has evaluated the asset-liability maturity (ALM) pattern in various time buckets as prescribed under the guidelines issued by the RBI. Pursuant to the orders issued by the Ministry of Home Affairs on April 15, 2020 allowing microfinance companies to operate in specified areas, the Company resumed operations in those specified areas from May 04, 2020, by complying with the regulatory guidelines on the businesses, social distancing etc.

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Note 46: Maturity analysis of assets and liabilities

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

(Rs. in Lakhs)

	Particulars	Within 12 months	After 12 months	Total as at March 31, 2020	Within 12 months	After 12 months	Total as at March 31, 2019	Within 12 months	After 12 months	Total as at March 31, 2018
I	ASSETS									
	1 Financial assets									
	a) Cash and Cash equivalents	7,306.47	-	7,306.47	18,802.44	-	18,802.44	9,642.38	-	9,642.38
	b) Bank Balances other than included in (a) above	7,303.61	4,215.37	11,518.99	3,049.90	6,824.37	9,874.27	2,770.78	3,865.45	6,636.23
	c) Derivative financial instruments	63.69		63.69			-			-
	d) Loans	95,091.70	34,007.05	1,29,098.72	80,930.40	35,216.81	1,16,147.21	72,973.97	41,086.01	1,14,059.99
	e) Receivables									
	-trade receivables	205.09		205.09	166.99		166.99	207.18		207.18
	f) Investments	10.60	8.40	19.00	10.97	5.00	15.97	10.51	5.00	15.51
	g) Other Financial Assets	3,166.44	348.20	3,514.66	2,370.78	211.93	2,582.71	2,278.65	136.71	2,415.36
	2 Non-financial assets									
	a) Current Tax Assets (net)	-	32.12	32.12	-	485.04	485.04	-	489.69	489.69
	b) Deferred Tax Assets (net)	-	2,896.04	2,896.04	-	1,966.06	1,966.06	-	3,007.47	3,007.47
	c) Property, plant and equipment	-	215.83	215.83		169.13	169.13	-	150.71	150.71
	d) Other intangible assets	-	31.54	31.54	-	44.75	44.75	-	78.57	78.57
	e) Other non-financial assets	105.37	150.51	255.88	103.61	-	103.61	47.64	-	47.64
	Total assets	1,13,252.97	41,905.06	1,55,158.03	1,05,435.09	44,923.09	1,50,358.18	87,931.11	48,819.61	1,36,750.72
II	LIABILITIES AND EQUITY									
	Liabilities									
	1 Financial liabilities									
	a) Trade Payables	150.80		150.80	160.93		160.93	91.39		91.39
	b) Debt securities	5,124.96	21,190.00	26,314.96	20,816.93	15,300.00	36,116.93	10,179.60	30,120.00	40,299.60
	c) Borrowings (other than debt securities)	53,548.72	33,596.12	87,144.85	63,606.35	19,364.44	82,970.79	45,461.34	24,585.33	70,046.67
	d) Subordinated liabilities	86.23	8,900.00	8,986.23	85.88	8,900.00	8,985.88	80.81	8,900.00	8,980.81
	e) Other financial liabilities	3,634.62	-	3,634.61	3,109.75	-	3,109.75	1,676.50	-	1,676.50
	2 Non-financial liabilities									
	a) Provisions	161.63	1,298.12	1,459.75	128.37	500.77	629.14	81.27	1,019.79	1,101.06
	b) Other non financial liabilities	198.00	-	198.00	199.72	-	199.72	163.54	-	163.54
	Equity									
	a) Equity share capital	-	2,496.50	2,496.50	-	1,955.09	1,955.09	-	1,898.63	1,898.63
	b) Other equity	-	24,772.33	24,772.33		16,229.95	16,229.95	-	12,492.52	12,492.52
	Total liabilities and equity	62,904.96	92,253.07	1,55,158.03	88,107.93	62,250.25	1,50,358.18	57,734.46	79,016.26	1,36,750.72

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47 Changes in Liability arising from Financing activities

Particulars	opening as on April 1, 2019	Compulsorily convertible preference shares (CCPS) - Borrowings	changes in fair values	Others	Cash flow	Closing as on March 31, 2020
Debt securities at amortized cost	36,116.93	-	-	(371.98)	0.00	35,744.96
Borrowings other than debt securities	59,534.07	(7,500.00)	339.86	700.24	23,525.51	76,599.69
Subordinated liabilities at amortized cost	8,985.88	-	-	0.35	0.00	8,986.23
Borrowings under securitisation arrangement	23,436.71	-	-	(122.96)	(12,891.52)	10,422.23
Lease Liability	-	-	-	158.76	0.00	158.76
Total	1,28,073.60	(7,500.00)	339.86	364.42	10,633.99	1,31,911.86

Particulars	opening as on April 1, 2018	Compulsorily convertible preference shares (CCPS) - Borrowings	changes in fair values	Others	Cash flow	Closing as on March 31, 2019
Debt securities at amortized cost	40,299.60	-	-	(82.67)	(4,100.00)	36,116.93
Borrowings other than debt securities	65,533.21	7,500.00	-	(56.08)	(13,443.05)	59,534.07
Subordinated liabilities at amortized cost	8,980.81	-	-	5.07	-	8,985.88
Borrowings under securitisation arrangement	4,513.47	-	-	122.96	18,800.28	23,436.71
Lease Liability	-	-	-	-	-	-
Total	1,19,327.09	7,500.00	-	(10.72)	1,257.23	1,28,073.60

48 Accounting classification and fair values:

Carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy, are presented below. It does not include the fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Fair value hierarchy

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3 - Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

There have been no transfers between Level 1 and Level 2 during the year .

As at March 31, 2020	Carrying amount			
	FVTPL	FVTOCI	Amortised cost*	Total
Financial assets				
Cash and cash equivalents	-	-	7,306.47	7,306.47
Bank balance other than cash and cash equivalents	-	-	11,518.99	11,518.99
Derivative financial instruments	63.69	-		63.69
Trade Receivables	-	-	205.09	205.09
Loans	-	-	1,29,098.72	1,29,098.72
Investments	19.00	-	-	19.00
Other financial assets	-	-	3,514.66	3,514.66
Total	82.70	-	1,51,643.92	1,51,726.62
Financial liabilities				
(I) Trade Payables				
(i) Total outstanding dues of micro enterprises and small enterprises	-	-	-	-
(ii) Total outstanding dues of creditors other than micro enterprises and small enterprises	-	-	150.80	150.80
Debt securities		-	26,314.96	26,314.96
Borrowings (other than debt securities)		-	87,144.86	87,144.86
Subordinated liabilities		-	8,986.23	8,986.23
Other financial liabilities		-	3,634.61	3,634.61
Total		-	1,26,231.45	1,26,231.45

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As at March 31, 2019	Carrying amount			
	FVTPL	FVTOCI	Amortised cost*	Total
Financial assets				
Cash and cash equivalents	-	-	18,802.44	18,802.44
Bank balance other than cash and cash equivalents	-	-	9,874.27	9,874.27
Derivative financial instruments	-	-	-	-
Trade Receivables	-	-	166.99	166.99
Loans	-	-	1,16,147.21	1,16,147.21
Investments	15.97	-	-	15.97
Other financial assets	-	-	2,582.71	2,582.71
Total	**15.97**	**-**	**1,47,573.63**	**1,47,589.60**
Financial liabilities				
(I) Trade Payables				
(i) Total outstanding dues of micro enterprises and small enterprises	-	-	-	-
(ii) Total outstanding dues of creditors other than micro enterprises and small enterprises	-	-	160.93	160.93
Debt securities	-	-	36,116.93	36,116.93
Borrowings (other than debt securities)	-	-	82,970.79	82,970.79
Subordinated liabilities	-	-	8,985.88	8,985.88
Other financial liabilities	-	-	3,109.75	3,109.75
Total	**-**	**-**	**1,31,344.29**	**1,31,344.29**

As at April 30, 2018	Carrying amount			
	FVTPL	FVTOCI	Amortised cost*	Total
Financial assets				
Cash and cash equivalents	-	-	9,642.38	9,642.38
Bank balance other than cash and cash equivalents	-	-	6,636.24	6,636.24
Derivative financial instruments	-	-	-	-
Trade Receivables	-	-	207.18	207.18
Loans	-	-	1,14,059.99	1,14,059.99
Investments	15.51	-	-	15.51
Other financial assets	-	-	629.14	629.14
Total	**15.51**	**-**	**1,31,174.93**	**1,31,190.43**
Financial liabilities				
(I) Trade Payables				
(i) Total outstanding dues of micro enterprises and small enterprises	-	-	-	-
(ii) Total outstanding dues of creditors other than micro enterprises and small enterprises	-	-	91.39	91.39
Debt securities	-	-	40,299.60	40,299.60
Borrowings (other than debt securities)	-	-	70,046.67	70,046.67
Subordinated liabilities	-	-	8,980.81	8,980.81
Other financial liabilities	-	-	1,676.50	1,676.50
Total	**-**	**-**	**1,21,094.97**	**1,21,094.97**

The Management has assessed that the fair value of above financial assets and liabilities carried at amortised cost approximate their carrying amounts largely due to the short term maturities of these instruments .

Measurement of fair values:

Valuation techniques and significant unobservable inputs

The following tables show the valuation techniques used in measuring Level 2 and Level 3 fair values, for financial instruments measured at fair value in the statement of financial position.

As on March 31, 2020

Financial assets (measured at fair value)	Carrying amount	Fair value		
	FVTPL	Level 1	Level 2	Level 3
Derivative financial instruments	63.69		63.69	
Investments	19.00		19.00	
Total	82.70	-	82.70	-

As on March 31, 2019

Financial assets (measured at fair value)	Carrying amount	Fair value		
	FVTPL	Level 1	Level 2	Level 3
Derivative financial instruments	-		-	
Investments	15.97		15.97	
Total	15.97	-	15.97	-

49 Contingent liability

	Particulars	March 31, 2020	March 31, 2019
1	Performance security provided by the Company pursuant to service provider agreement in relation to direct sale agreement	3,318.38	2,169.25
2	Disputed income tax liability	12.82	-

50 Previous year figures

Previous year figures have been regrouped / reclassified, where necessary, to confirm to this year's classification.

For S.R.Batliboi & Associates LLP
ICAI Firm Registration No.: 101049W/E300004
Chartered Accountants

per Amit Kabra
Partner
Membership No.: 094533

Place: Gurugram
Date: June 26, 2020

For and on behalf of the Board of Directors of
Sonata Finance Private Limited

Anup Kumar Singh
Managing Director
DIN: 00173413

Pradip Kumar Saha
Director
DIN: 02947368

Akhilesh Kumar Singh
Chief Financial Officer

Paurvi Srivastava
Company Secretary

Place: Lucknow
Date: June 26, 2020