

# **Consolidated Financial Statements**

# B S R & Co. LLP

Chartered Accountants

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## Independent Auditor's Report

### To the Members of Tata Capital Financial Services Limited

#### Report on the Audit of Consolidated Financial Statements

#### Opinion

We have audited the consolidated financial statements of Tata Capital Financial Services Limited (hereinafter referred to as the 'Holding Company'), its associates, which comprise the consolidated balance sheet as at 31 March 2020, and the consolidated statement of profit and loss (including other comprehensive income), consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as the 'consolidated financial statements').

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give the information required by the Companies Act, 2013 (the 'Act') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Holding Company and its associates as at 31 March 2020, and consolidated profit and other comprehensive income, consolidated changes in equity and consolidated cash flows for the year then ended.

#### Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing ('SAs') specified under section 143(10) of the Act. Our responsibilities under those SAs are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Holding Company and its associates 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 consolidated financial statements in terms of the Code of Ethics issued by the Institute of Chartered Accountants of India and the relevant provisions of the Act, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence obtained alongwith the consideration of information contained in the 'Other Matter' paragraph below, is sufficient and appropriate to provide a basis for our opinion on the consolidated financial statements.

#### Emphasis of matter

We draw attention to Note 50 to the consolidated financial statements, in respect of accounts overdue but standard at 29 February 2020 where moratorium benefit has been granted, the staging of those accounts at 31 March 2020 is based on the days past due status as on 29 February 2020 in accordance with the Reserve Bank of India COVID-19 Regulatory Package.

B S R & Co (a partnership firm with Registration No. BA61223) converted into B S R & Co. LLP (a Limited Liability, Partnership with LLP Registration No. AAB-8181) with effect from October 14, 2013

Registered Office:  
5th Floor, Lodha Excelus  
Apollo Mills Compound  
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## Independent Auditor's Report (Continued)

### Tata Capital Financial Services Limited

#### Emphasis of matter

As described in Note 50 to the consolidated financial statements, the extent to which the COVID-19 pandemic will impact the Holding Company's financial performance is dependent on future developments, which are highly uncertain.

Our opinion is not modified in respect of the above matters.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of Key Audit Matter:

Key audit matter	How the matter was addressed in our audit
<b>Impairment of loans and advances to customers</b>  <b>Charge: INR 863.51 crores for year ended 31 March 2020</b>  <b>Provision: INR 1,580.85 crores at 31 March 2020</b>  <i>Refer to the accounting policies in "Note 2(x)(a) to the Consolidated Financial Statements: Impairment", "Note 2(v) to the Consolidated Financial Statements: Significant Accounting Policies- Use of estimates", "Note 7: Loans", "Note 50 to the Consolidated Financial Statement" and "Note 35 to the Financial Statements: Financial Risk management".</i>	
<b>Subjective estimate</b>  Recognition and measurement of impairment of loans and advances involve significant management judgement.  Under Ind AS 109, <i>Financial Instruments</i> , allowance for loan losses are determined using expected credit loss ('ECL') model. The Holding Company's impairment allowance is derived from estimates including the historical default and loss ratios. Management exercises judgement in determining the quantum of loss based on a range of factors.  The most significant areas in the ECL calculation are: <ul style="list-style-type: none"> <li>- Segmentation of loan book;</li> <li>- Determination of exposure at default</li> <li>- Loan staging criteria;</li> <li>- Calculation of probability of default / loss given default;</li> <li>- Consideration of probability weighted scenarios and forward looking macro-economic factors.</li> </ul> The application of ECL model requires several data inputs. This increases the risk of completeness and accuracy of the data that has been used to create assumptions in the model. In some cases, data is unavailable and reasonable alternatives have been applied to allow calculations to be performed.	Our key audit procedures included:  <b>Design / controls</b> <ul style="list-style-type: none"> <li>• Evaluating the appropriateness of the impairment principles used by management based on the requirements of Ind AS 109 and our business understanding.</li> <li>• Understanding management's revised processes, systems and controls implemented in relation to impairment allowance process, particularly in view of COVID-19 regulatory package.</li> <li>• Evaluating management's controls over collation of relevant information used for determining estimates for ECL computation, including for assessing the impact arising on account of COVID-19.</li> <li>• Assessing the design and implementation of key internal financial controls over loan impairment process used to calculate the ECL charge.</li> <li>• Testing the system reports with the help of our IT specialists to check the completeness and accuracy of the data and reports used to perform computations for ECL.</li> <li>• Testing key controls operating over the information technology in relation to certain loan management systems, including system access and system change management, program development and computer operations with the help of our IT specialists in respect of the changes made to give effect to moratorium benefits policy approved by the Board.</li> </ul>

**Independent Auditor's Report (Continued)****Tata Capital Financial Services Limited****Key Audit Matters (Continued)****Description of Key Audit Matter: (Continued)**

<b>Key audit matter</b>	<b>How the matter was addressed in our audit</b>
<b>Impairment of loans and advances to customers (Continued)</b>	
<b>Charge: INR 863.51 crores for year ended 31 March 2020 (Continued)</b>	
<b>Provision: INR 1,580.85 cores at 31 March 2020 (Continued)</b>	
<p><i>Impact of COVID-19</i></p> <p>On 11 March 2020, the World Health Organisation declared the Novel Coronavirus (COVID-19) outbreak to be a pandemic.</p> <p>Management has identified the impact of, and uncertainty related to the COVID-19 pandemic as a key element of consideration for recognition and measurement of impairment of loans and advances on account of:</p> <ul style="list-style-type: none"> <li>- short and long term macroeconomic effect on businesses in the country and globally and its consequential first order and cascading negative impact on revenue and employment generation opportunities;</li> <li>- impact of the pandemic on the Company's customers and their ability to repay dues; and</li> <li>- application of regulatory package announced by the Reserve Bank of India ('RBI') on asset classification and provisioning.</li> </ul> <p>Management has conducted a qualitative assessment of significant increase in credit risk ('SICR') of the loan portfolio and considered updated macroeconomic scenarios along with using management overlays to reflect potential impact of COVID-19 on expected credit losses on its loan portfolio.</p>	<ul style="list-style-type: none"> <li>• Testing of review controls over measurement of impairment allowances and disclosures in financial statements.</li> <li>• Testing that the governance controls over ECL are line with the RBI guidance.</li> </ul> <p><b>Substantive tests</b></p> <ul style="list-style-type: none"> <li>• Assessing appropriate application of accounting principles (including criteria for SICR), validating completeness and accuracy of the data and reasonableness of assumptions used in the ECL model / calculations.</li> <li>• Performing test of details over calculation of ECL, in relation to the completeness, accuracy and relevance of data.</li> <li>• Assessing the appropriateness of changes made in macroeconomic factors and management overlays to calibrate the risks that are not yet fully captured by the existing model.</li> <li>• Corroborate through independent check and enquiries the reasonableness of management's assessment of severity of impact of COVID-19 on segments of its loan portfolio and the resultant impairment provision computed.</li> <li>• Using modelling specialist to test the ECL model methodology and reasonableness of assumptions used (including assessing for COVID impact), including management overlays.</li> <li>• Undertaking model calculations testing through re-performance, where possible.</li> <li>• Assessing the appropriateness of the additional financial statement disclosures made by Holding Company's regarding impact of COVID-19.</li> </ul>

## Independent Auditor's Report (*Continued*)

### Tata Capital Financial Services Limited

#### Key Audit Matters (*Continued*)

##### Information Technology

The key audit matter	How the matter was addressed in our audit
<p><b>IT systems and controls</b></p> <p>The Holding Company's key financial accounting and reporting processes are highly dependent on the automated controls in information systems. Further, the prevailing COVID-19 situation has caused the required IT applications to be made accessible to the employees on a remote basis.</p> <p>There exists a risk that gaps in the IT control environment could result in the financial accounting and reporting records being materially misstated.</p> <p>We have focused on program development, user access management, change management, segregation of duties, and system application controls over key financial accounting and reporting systems.</p> <p>We have identified 'IT system and controls' as a Key Audit Matter since Holding Company's relies on automated processes and controls in the day to day conduct of its business.</p>	<p>Our key audit procedures included:</p> <ul style="list-style-type: none"> <li>• Testing the General IT Control (GITC) over key financial accounting and reporting systems and supporting control systems (referred to as in-scope systems)</li> <li>• Testing sample of key controls operating over information technology in relation to financial accounting and reporting systems, including system access and system change management, program development and computer operations.</li> <li>• Testing the design and operating effectiveness of key controls over user access management which includes granting access right, new user creation, removal of user rights and preventative controls designed to enforce segregation of duties.</li> <li>• For a selected group of key controls over financial and reporting system, independently performed procedures to determine that these controls remained unchanged during the year or were changed following the standard change management process.</li> <li>• Evaluating the design, implementation and operating effectiveness of the significant accounts-related IT automated controls which are relevant to the accuracy of system calculation, and the consistency of data transmission.</li> <li>• Assessing other areas independently, that include password policies, security configurations, controls over changes to applications and databases and that business users, developers and production support did not have access to change applications, the operating system or databases in the production environment.</li> <li>• Understanding and testing the IT infrastructure (operating systems and databases supporting the in-scope systems and related data security controls) in relation to large number of users working on Holding Company's systems remotely in the light of COVID-19.</li> </ul>

##### Other Information

The Holding Company's management and Board of Directors are responsible for the other information. The other information comprises the information included in the Holding Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

## **Independent Auditor's Report (*Continued*)**

### **Tata Capital Financial Services Limited**

#### **Other Information (*Continued*)**

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

#### **Management's and Board of Directors' Responsibilities for the Consolidated Financial Statements**

The Holding Company's Management and Board of Directors are responsible for the preparation and presentation of these consolidated financial statements in terms of the requirements of the Act that give a true and fair view of the consolidated state of affairs, consolidated profit/loss and other comprehensive income, consolidated statement of changes in equity and consolidated cash flows of the Holding Company and its associates in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards ('Ind AS') specified under section 133 of the Act. The respective Management and Board of Directors of the Holding Company and of its associates are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of each company and for preventing and detecting frauds and other irregularities; the 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 accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Management and Directors of the Holding Company, as aforesaid.

In preparing the consolidated financial statements, the respective Management and Board of Directors of the Holding Company and its associates are responsible for assessing the ability of each company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the respective Board of Directors either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

The respective Board of Directors of the Holding Company and of its associates is also responsible for overseeing the financial reporting process of each company.

#### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

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

## **Independent Auditor's Report (*Continued*)**

### **Tata Capital Financial Services Limited**

#### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (*Continued*)**

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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal 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 the internal financial controls with reference to the consolidated financial statements and the operating effectiveness of such controls based on our audit.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management and Board of Directors.
- Conclude on the appropriateness of Management and Board of Directors use of the going concern basis of accounting in preparation of consolidated financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the appropriateness of this assumption. 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 consolidated 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 Holding Company and its associates to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of such entities or business activities within the Holding Company and its associates to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of financial information of the Holding Company included in the consolidated financial statements of which we are the independent auditors.

We believe that the audit evidence obtained by us, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

We communicate with those charged with governance of the Holding Company and such other entities included in the consolidated financial statements of which we are the independent auditors 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.



## **Independent Auditor's Report (*Continued*)**

### **Tata Capital Financial Services Limited**

#### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (*Continued*)**

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter

should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Other Matter**

The consolidated financial statements include the Holding's share of net loss (and other comprehensive income) of Rs. 0.05 crores for the year ended 31 March 2020, as considered in the consolidated financial statements, in respect of 3 associates, whose financial statements/financial information have not been audited by us or by other auditors. These unaudited financial statements/financial information have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these associates, and our report in terms of sub-sections (3) of Section 143 of the Act in so far as it relates to the aforesaid associates, is based solely on such unaudited financial statements / financial information. In our opinion and according to the information and explanations given to us by management, these financial statements/financial information are not material to the Holding Company.

Our opinion on the consolidated financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matter with the financial statements/financial information certified by the Management.

#### **Report on Other Legal and Regulatory Requirements**

- A. As required by Section 143(3) of the Act, based on our audit, we report, to the extent applicable, that:
- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.
  - b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books.
  - c) The consolidated balance sheet, the consolidated statement of profit and loss (including other comprehensive income), the consolidated statement of changes in equity and the consolidated statement of cash flows dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.
  - d) In our opinion, the aforesaid consolidated financial statements comply with the Ind AS specified under section 133 of the Act.
  - e) On the basis of the written representations received from the directors of the Holding Company as on 31 March 2020 taken on record by the Board of Directors of the Holding Company, none of the directors of the Holding Company is disqualified as on 31 March 2020 from being appointed as a director in terms of Section 164(2) of the Act.



## **Independent Auditor's Report (*Continued*)**

### **Tata Capital Financial Services Limited**

#### **Report on Other Legal and Regulatory Requirements (*Continued*)**

- f) With respect to the adequacy of the internal financial controls with reference to financial statements of the Holding Company and its associates incorporated in India and the operating effectiveness of such controls, refer to our separate Report in 'Annexure A'.
- B. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us and based on the consideration as noted in the 'Other Matter' paragraph:
- i. The consolidated financial statements disclose the impact of pending litigations as at 31 March 2020 on the consolidated financial position of the Holding Company and its associates. Refer Note 41 to the consolidated financial statements.
  - ii. Provision has been made in the consolidated financial statements, as required under the applicable law or Ind AS, for material foreseeable losses, on long-term contracts including derivative contracts. Refer Note 41 to the consolidated financial statements in respect of such items as it relates to the Holding Company and its associates.
  - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Holding Company during the year ended 31 March 2020.
  - iv. The disclosures in the consolidated financial statements regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been made in the financial statements since they do not pertain to the financial year ended 31 March 2020.
- C. With respect to the matter to be included in the Auditor's report under section 197(16):
- In our opinion and according to the information and explanations given to us, the remuneration paid during the current year by the Holding Company, to its directors is in accordance with the provisions of Section 197
- of the Act. The remuneration paid to any director by the Holding Company, is not in excess of the limit laid down under Section 197 of the Act. The Ministry of Corporate Affairs has not prescribed other details under Section 197(16) which are required to be commented upon by us.

For **B S R & Co. LLP**

*Chartered Accountants*

Firm's Registration No: 101248W/W-100022

Mumbai  
27 June 2020

**Sagar Lakhani**

*Partner*

Membership No: 111855

ICAI UDIN: 20111855AAAAEN7249

# Tata Capital Financial Services Limited

## **Annexure A to the Independent Auditor's Report of even date**

**Report on the internal financial controls with reference to the aforesaid consolidated financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013**

**(Referred to in paragraph (A(f)) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)**

### **Opinion**

In conjunction with our audit of the consolidated financial statements of the Company as of and for the year ended 31 March 2020, we have audited the internal financial controls with reference to consolidated financial statements of Tata Capital Financial Services Limited (hereinafter referred to as the 'Holding Company') and such companies incorporated in India under the Companies Act, 2013 which are its associate companies, as of that date.

In our opinion, the Holding Company and such companies incorporated in India which are its associate companies, have, in all material respects, adequate internal financial controls with reference to consolidated financial statements and such internal financial controls were operating effectively as at 31 March 2020, based on the internal financial controls with reference to consolidated financial statements criteria established by such companies considering the essential components of such internal controls stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (the 'Guidance Note').

### **Emphasis of Matter**

As described in Emphasis of Matter paragraph of our report to the consolidated financial statements, the extent to which the COVID - 19 pandemic will have impact on the Holding Company's internal financial controls with reference to financial statements is dependent on future developments, which are highly uncertain.

Our opinion is not modified in respect of this matter.

### **Management's Responsibility for Internal Financial Controls**

The respective Company's management and the Board of Directors are responsible for establishing and maintaining internal financial controls with reference to consolidated financial statements based on the criteria established by the respective Company considering the essential components of internal control stated in the Guidance Note. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013 (hereinafter referred to as the 'Act').

# Tata Capital Financial Services Limited

## **Annexure A to the Independent Auditor's Report of even date (*Continued*)**

### **Auditors' Responsibility**

Our responsibility is to express an opinion on the internal financial controls with reference to consolidated financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to consolidated financial statements. 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 with reference to consolidated financial statements were 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 with reference to consolidated financial statements and their operating effectiveness. Our audit of internal financial controls with reference to consolidated financial statements included obtaining an understanding of internal financial controls with reference to consolidated financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of the internal controls 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 consolidated 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 with reference to consolidated financial statements.

### **Meaning of Internal Financial controls with Reference to Consolidated Financial Statements**

A company's internal financial controls with reference to consolidated 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 controls with reference to consolidated 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 financial statements.

# Tata Capital Financial Services Limited

## Annexure A to the Independent Auditor's Report of even date (*Continued*)

### **Inherent Limitations of Internal Financial controls with Reference to consolidated Financial Statements**

Because of the inherent limitations of internal financial controls with reference to consolidated 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 with reference to consolidated financial statements to future periods are subject to the risk that the internal financial controls with reference to consolidated financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### **Other Matter**

Our aforesaid reports under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls with reference to consolidated financial statements is not modified insofar as it relates to 3 associate companies, which are companies incorporated in India, whose financial statements are unaudited and it not material to the Holding Company.

For **B S R & Co. LLP**

*Chartered Accountants*

Firm's Registration No: 101248W/W-100022

Mumbai

27 June 2020

**Sagar Lakhani**

*Partner*

Membership No: 111855

UDIN: 20111855AAAAEN7249

# Tata Capital Financial Services Limited

## Consolidated Balance Sheet

as at March 31, 2020

(Rs. in lakh)

Particulars	Note	As at March 31, 2020	As at March 31, 2019
<b>ASSETS</b>			
<b>(1) Financial assets</b>			
(a) Cash and cash equivalents	3	1,58,454	78,426
(b) Bank balances other than (a) above	4	72	87
(c) Derivative financial instruments	6	5,674	-
(c) Receivables			
(i) Trade receivables	5	4,060	2,885
(ii) Other receivables		-	-
(d) Loans	7	42,60,731	43,01,528
(e) Investments	8	19,140	38,159
(f) Other financial assets	9	44,715	40,617
<b>Total financial assets</b>		<b>44,92,846</b>	<b>44,61,702</b>
<b>(2) Non-financial assets</b>			
(a) Current tax assets (net)	12(i)	12,703	8,797
(b) Deferred tax assets (net)	12(ii)	50,788	64,324
(c) Investment property		-	-
(d) Property, plant and equipment	10	93,660	91,487
(e) Capital work-in-progress		52	62
(f) Intangible assets under development		108	108
(g) Goodwill		-	-
(h) Other intangible assets	10	2,036	2,179
(i) Other non-financial assets	11	28,637	35,140
<b>Total non-financial assets</b>		<b>1,87,984</b>	<b>2,02,097</b>
<b>Total Assets</b>		<b>46,80,830</b>	<b>46,63,799</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
<b>(1) Financial liabilities</b>			
(a) Derivative financial instruments	6	3,381	-
(b) Payables			
(i) Trade payables			
- Total outstanding dues of micro enterprises and small enterprises	13(ii)	50	-
- Total outstanding dues of creditors other than micro enterprises and small enterprises	13(i)	46,102	55,910
(ii) Other trade payables			
- Total outstanding dues of micro enterprises and small enterprises		-	-
- Total outstanding dues of creditors other than micro enterprises and small enterprises		-	-
(c) Debt Securities	14	18,28,010	22,41,571
(d) Borrowings (Other than debt securities)	15	16,94,927	14,62,550
(e) Deposits		-	-
(f) Subordinated liabilities	16	2,95,832	3,29,760
(g) Other financial liabilities	17	1,75,758	1,48,715
<b>Total financial liabilities</b>		<b>40,44,060</b>	<b>42,38,506</b>
<b>(2) Non-Financial liabilities</b>			
(a) Current tax liabilities (net)	18	7,745	13,110
(b) Provisions	19	1,915	1,529
(c) Other non-financial liabilities	20	5,647	6,164
<b>Total non-financial liabilities</b>		<b>15,307</b>	<b>20,803</b>
<b>(3) Equity</b>			
(a) Equity share capital	21	1,62,993	1,37,556
(b) Other equity	22	4,58,470	2,66,934
<b>Total Equity</b>		<b>6,21,463</b>	<b>4,04,490</b>
<b>Total Liabilities and Equity</b>		<b>46,80,830</b>	<b>46,63,799</b>
Significant accounting policies	2		
See accompanying notes forming part of the financial statements	3-55		
In terms of our report of even date			

For **B S R & Co. LLP**

Chartered Accountants

Firm's Registration No: 101248W/W-100022

For and on behalf of the Board of Directors

**TATA Capital Financial Services Limited**

**Sagar Lakhani**

Partner

Membership No: 111855

**Rajiv Sabharwal**

(Director)

(DIN No. : 00057333)

**F.N. Subedar**

(Director)

(DIN No. : 00028428)

**Anuradha E. Thakur**

(Director)

(DIN No. : 06702919)

Mumbai

June 27, 2020

**Varsha Purandare**

(Director)

(DIN No. : 05288076)

**Sarosh Amaria**

(Managing Director)

(DIN No. : 08733676)

**Avan Doomasia**

(Company Secretary)

## Tata Capital Financial Services Limited

### Consolidated Statement of Profit and Loss

for the year ended March 31, 2020

(Rs. in lakh)

Particulars	Note	For the year ended March 31, 2020	For the year ended March 31, 2019
<b>I Revenue from operations</b>			
(i) Interest income	23	5,47,075	4,81,096
(ii) Dividend income	24	590	503
(iii) Rental income	25	39,879	35,498
(iv) Fees and commission income	26	10,756	8,575
(v) Net gain on fair value changes	27	-	16,814
(vi) Net gain on derecognition of investment in associates		-	11,780
<b>Total Revenue from operations</b>		<b>5,98,300</b>	<b>5,54,266</b>
<b>II Other income</b>	28	<b>7,895</b>	<b>5,597</b>
<b>III Total Income (I+II)</b>		<b>6,06,195</b>	<b>5,59,863</b>
<b>IV Expenses</b>			
(i) Finance costs	29	3,25,673	3,12,501
(ii) Fees and commission expense		-	-
(iii) Net loss on fair value changes	27	9,393	-
(iv) Impairment of investment in associates		950	-
(iv) Impairment of financial instruments	31	86,351	45,153
(v) Employee benefits expense	30	45,027	45,492
(vi) Depreciation and amortisation and impairment	10	37,179	27,423
(vii) Other expenses	32	56,372	63,933
<b>Total expenses (IV)</b>		<b>5,60,945</b>	<b>4,94,502</b>
<b>V Profit before exceptional items and tax (III-IV)</b>		<b>45,250</b>	<b>65,361</b>
<b>VI Exceptional Items</b>		<b>-</b>	<b>-</b>
<b>VII Share in profit of associates</b>		<b>(5)</b>	<b>(429)</b>
<b>VIII Profit before tax (V-VI+VII)</b>		<b>45,245</b>	<b>64,932</b>
<b>IX Tax expense</b>			
(1) Current tax	12(i)	19,684	23,390
(2) Deferred tax	12(ii)	14,205	(1,739)
<b>Net tax expense</b>		<b>33,889</b>	<b>21,651</b>
<b>X Profit for the year from continuing operations (VIII-IX)</b>		<b>11,356</b>	<b>43,281</b>
<b>XI Profit from discontinued operations before tax</b>		<b>-</b>	<b>-</b>
<b>XII Tax expense of discontinued operations</b>		<b>-</b>	<b>-</b>
<b>XIII Profit from discontinued operations (after tax) (XI-XIII)</b>		<b>-</b>	<b>-</b>
<b>XIV Profit for the year (X+XIII)</b>		<b>11,356</b>	<b>43,281</b>
<b>XV Other Comprehensive Income</b>			
<b>A (i) Items that will be reclassified subsequently to statement of profit and loss</b>			
(a) Fair value (loss)/gain on financial assets carried at Fair Value Through Other Comprehensive Income (FVTOCI)		(258)	283
(b) Income tax relating to fair value gain on financial assets carried at FVTOCI		65	(99)
(c) The effective portion of gains and loss on hedging instruments in a cash flow hedge		(784)	-
(d) Income tax relating to the effective portion of gains and loss on hedging instruments in a cash flow hedge		197	-
(e) Share of other comprehensive income in associates (net)		5	(253)
<b>(ii) Items that will not be reclassified subsequently to statement of profit and loss</b>			
(a) Remeasurement of defined employee benefit plans		(775)	(548)
(b) Income tax relating to items that will not be reclassified to profit or loss		195	191
<b>Total Other Comprehensive Income</b>		<b>(1,355)</b>	<b>(426)</b>
<b>Total Comprehensive Income for the year (XIV+XV)(Comprising Profit and Other Comprehensive (Loss)/Income for the year)</b>		<b>10,001</b>	<b>42,855</b>

# TATA Capital Financial Services Limited

## Consolidated Statement of Profit and Loss (Continued) for the year ended March 31, 2020

(Rs. in lakh)

Particulars	Note	For the year ended March 31, 2020	For the year ended March 31, 2019
<b>XVI Earnings per equity share (for continuing operation):</b>			
(1) Basic (Rupees)		<b>0.91</b>	3.74
(2) Diluted (Rupees)		<b>0.91</b>	3.74
<b>XVII Earnings per equity share (for discontinued operation):</b>			
(1) Basic (Rupees)		-	-
(2) Diluted (Rupees)		-	-
<b>XVIII Earnings per equity share (for continuing and discontinued operations)</b>			
(1) Basic (Rupees)		<b>0.91</b>	3.74
(2) Diluted (Rupees)		<b>0.91</b>	3.74
Significant accounting policies	2		
See accompanying notes forming part of the financial statements	3-55		

In terms of our report of even date

For **B S R & Co. LLP**  
Chartered Accountants  
Firm's Registration No: 101248W/W-100022

For and on behalf of the Board of Directors  
**TATA Capital Financial Services Limited**

**Sagar Lakhani**  
Partner  
Membership No: 111855

**Rajiv Sabharwal**  
(Director)  
(DIN No. : 00057333)

**F.N. Subedar**  
(Director)  
(DIN No. : 00028428)

**Anuradha E. Thakur**  
(Director)  
(DIN No. : 06702919)

Mumbai  
June 27, 2020

**Varsha Purandare**  
(Director)  
(DIN No. : 05288076)

**Sarosh Amaria**  
(Managing Director)  
(DIN No. : 08733676)

**Avan Doomasia**  
(Company Secretary)



# Tata Capital Financial Services Limited

## Consolidated Cash Flow Statement

for the year ended March 31, 2020

(Rs. in lakh)

Particulars	Note	For the year ended March 31, 2020	For the year ended March 31, 2019
<b>1 CASH FLOW USED IN OPERATING ACTIVITIES</b>			
Profit before tax		45,245	64,932
<b>Adjustments for :</b>			
Depreciation and amortisation		37,179	27,423
Net gain on derecognition of property, plant and equipment		(671)	(198)
Interest expenses		2,88,860	2,58,332
Discounting charges on commercial paper		36,456	53,675
Discounting charges on debentures		357	494
Interest income		(5,47,075)	(4,81,096)
Dividend Income		(590)	(503)
Net loss /(gain) on fair value changes			
- Realised		(5,369)	(9,087)
- Unrealised		14,762	(7,727)
Net loss/(gain) on derecognition of investment in Associates		950	(11,780)
Share in profit of associates		5	429
Share based payments- Equity-settled		386	148
Provision for leave encashment		221	316
Impairment loss allowance on loans (Stage I & II)		16,895	8,923
Provision against Restructured Advances		-	(325)
Impairment loss allowance on loans (Stage III)		69,695	36,591
Provision against trade receivables		(239)	(36)
Provision against assets held for sale		(746)	1,446
<b>Operating Loss before working capital changes and adjustments for interest received, interest paid and dividend received</b>		<b>(43,679)</b>	<b>(58,043)</b>
<b>Adjustments for :</b>			
(Increase) / Decrease in trade receivables		(936)	3,672
Increase in Loans		(15,118)	(7,91,273)
(Increase) / Decrease in other financial/non financial assets		(17,418)	23,057
Decrease / (Increase) in other financial/ non financial liabilities		5,143	(18,097)
<b>Cash used in operations before adjustments for interest received, interest paid and dividend received</b>		<b>(72,008)</b>	<b>(8,40,684)</b>
Interest paid		(3,12,175)	(2,89,640)
Interest received		5,27,346	4,56,842
Dividend received		590	503
<b>Cash from /(used in) operations</b>		<b>1,43,753</b>	<b>(6,72,979)</b>
Taxes paid		(28,760)	(22,735)
<b>NET CASH FROM / (USED IN) OPERATING ACTIVITIES = A</b>		<b>1,14,993</b>	<b>(6,95,714)</b>
<b>2 CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment (including capital advances)		(21,844)	(55,763)
Proceeds from sale of property, plant and equipment		2,069	1,740
Purchase of investments		-	(3,911)
Purchase of mutual fund units		(2,10,72,293)	(2,52,63,615)
Proceeds from redemption of mutual fund units		2,10,77,462	2,52,70,958
Proceeds from sale of investments		3,500	16,602
Fixed deposits matured		-	4,400
<b>NET CASH USED IN INVESTING ACTIVITIES = B</b>		<b>(11,106)</b>	<b>(29,589)</b>
<b>3 CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of Equity Shares		25,000	-
Issue of Compulsory Convertible Cumulative Preference share capital		-	1,02,500
Collection of Loan given to "TCL Employees Welfare Trust"		-	-
Debt issue / loan processing expenses		(4,977)	(6,571)
Interim dividend paid on equity and preference shares (including dividend distribution tax)		(9,196)	(14,154)
Proceeds from borrowings (Other than debt securities)		44,74,467	29,93,235
Proceeds from Debt Securities		20,86,520	33,35,093
Proceeds from Subordinated liabilities		56,292	57,140
Repayment of Borrowings (Other than debt securities)		(40,59,814)	(27,06,317)
Repayment of Debt Securities		(24,98,403)	(29,65,272)
Repayment of Debt Subordinated liabilities		(90,545)	(1)
Repayment of lease liabilities		(3,203)	-
<b>NET CASH (USED IN) / GENERATED FROM FINANCING ACTIVITIES = C</b>		<b>(23,859)</b>	<b>7,95,653</b>

# TATA Capital Financial Services Limited

## Consolidated Cash Flow Statement (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

Particulars	Note	For the year ended March 31, 2020	For the year ended March 31, 2019
NET INCREASE IN CASH AND CASH EQUIVALENTS (A + B + C )		80,028	70,350
CASH AND CASH EQUIVALENTS AS AT THE BEGINNING OF THE YEAR		78,426	8,076
CASH AND CASH EQUIVALENTS AS AT THE END OF THE YEAR		1,58,454	78,426
Reconciliation of cash and cash equivalents as above with cash and bank balances			
Cash and Cash equivalents at the end of the year as per above		1,58,454	78,426
Add : Restricted Cash [Refer note 4(i)]		34	52
Add: Fixed deposits with original maturity over 3 months		38	35
CASH AND CASH EQUIVALENTS AND OTHER BANK BALANCES AS AT THE END OF THE YEAR [REFER NOTE 3 & 4 ]		1,58,526	78,513

Significant accounting policies

2

See accompanying notes forming part of the financial statements

3-55

In terms of our report of even date

For **B S R & Co. LLP**

Chartered Accountants

Firm's Registration No: 101248W/W-100022

For and on behalf of the Board of Directors

TATA Capital Financial Services Limited

**Sagar Lakhani**

Partner

Membership No: 111855

**Rajiv Sabharwal**

(Director)

(DIN No. : 00057333)

**F.N. Subedar**

(Director)

(DIN No. : 00028428)

**Anuradha E. Thakur**

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(DIN No. : 06702919)

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(Director)

(DIN No. : 05288076)

**Sarosh Amaria**

(Managing Director)

(DIN No. : 08733676)

**Avan Doomasia**

(Company Secretary)

Mumbai

June 27, 2020

# Tata Capital Financial Services Limited

## Consolidated Statement of Changes in Equity

for the year ended March 31, 2020

(Rs. in lakh)

### a. Equity share capital

Particulars	Note	Rs. in Lakh
<b>Balance as at April 1, 2018</b>		<b>1,29,755</b>
Changes in equity share capital during the year	21	7,801
<b>Balance as at April 1, 2019</b>		<b>1,37,556</b>
Changes in equity share capital during the year	21	25,437
<b>Balance at March 31, 2020</b>		<b>1,62,993</b>

### b. Other equity

Particulars	Securities premium	Debenture Redemption Reserve	Reserves and surplus Special Reserve Account	Retained earnings	General Reserve	Share options outstanding account	Cost of hedge reserve	Item of other comprehensive income Remeasurement of defined benefit liability /asset	Fair value gain / (loss) on Financial Assets carried at FVTOCI	Total other equity
<b>Balance at April 1, 2018</b>	<b>88,942</b>	<b>30,000</b>	<b>35,401</b>	<b>10,719</b>	<b>162</b>	<b>655</b>	<b>-</b>	<b>48</b>	<b>298</b>	<b>1,66,225</b>
Profit for the year	-	-	-	43,281	-	-	-	-	-	43,281
Other comprehensive income for the year, net of income tax	-	-	-	-	-	-	-	(357)	69	(426)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>43,281</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(357)</b>	<b>69</b>	<b>42,855</b>
Transfer to stock reserve - equity settled options	-	-	-	-	267	(267)	-	-	-	-
Share based payment expense	-	-	-	-	-	148	-	-	-	148
Premium on issue of Equity Shares	57,799	-	-	-	-	-	-	-	-	57,799
Share issue expenses	(93)	-	-	-	-	-	-	-	-	(93)
Transfer to Special Reserve Account	-	-	11,581	(11,581)	-	-	-	-	-	-
<b>Balance at March 31, 2019</b>	<b>1,46,648</b>	<b>30,000</b>	<b>46,982</b>	<b>42,419</b>	<b>429</b>	<b>536</b>	<b>-</b>	<b>(309)</b>	<b>229</b>	<b>2,66,934</b>
Ind AS 116 transition impact, net of tax	-	-	-	(1,205)	-	-	-	-	-	(1,205)
Profit for the year	-	-	-	11,356	-	-	-	-	-	11,356
Other comprehensive income for the year, net of income tax	-	-	-	-	-	-	(587)	(580)	(188)	(1,355)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,151</b>	<b>-</b>	<b>-</b>	<b>(587)</b>	<b>(580)</b>	<b>(188)</b>	<b>8,796</b>
Share issue expenses	(214)	-	-	-	-	-	-	-	-	(214)
Transfer to stock reserve - equity settled options	-	-	-	-	427	(427)	-	-	-	-
Share based payment expense	-	-	-	-	-	386	-	-	-	386
Premium on issue of Equity Shares	1,88,463	-	-	-	-	-	-	-	-	1,88,463
Interim Dividend on equity shares (including tax on dividend)	-	-	-	(5,895)	-	-	-	-	-	(5,895)
Transfer to Special Reserve Account	-	-	4,091	(4,091)	-	-	-	-	-	-
<b>Balance at March 31, 2020</b>	<b>3,34,897</b>	<b>30,000</b>	<b>51,073</b>	<b>42,584</b>	<b>856</b>	<b>495</b>	<b>(587)</b>	<b>(889)</b>	<b>41</b>	<b>4,58,470</b>

Significant accounting policies

See accompanying notes forming part of the financial statements

2

3-55

In terms of our report of even date

For **B S R & Co. LLP**

Chartered Accountants

Firm's Registration No: 101248W/W-100022

For and on behalf of the Board of Directors

**TATA Capital Financial Services Limited**

**Sagar Lakhani**

Partner

Membership No: 111855

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(Managing Director)

(DIN No. : 08733676)

**Avan Doomasia**

(Company Secretary)

Mumbai

June 27, 2020

**TATA CAPITAL FINANCIAL SERVICES LIMITED**  
**Notes forming part of the Consolidated Financial Statements**

**1 CORPORATE INFORMATION**

Tata Capital Financial Services Limited (the "Group") is a wholly owned subsidiary of Tata Capital Limited and a Systemically Important Non-Deposit Accepting Non-Banking Finance Group ("NBFC"), holding a Certificate of Registration from the Reserve Bank of India ("RBI") dated November 4, 2011. The Group together with its associates (collectively, the Group), is primarily engaged in lending and investing activities. Information on the Group's associates is provided in Note 53.

**2 BASIS OF PREPARATION**

**i. Statement of compliance**

These Consolidated financial statements have been prepared in accordance with the Indian Accounting Standards (IND AS) as per the Companies (Indian Accounting Standards) Rules, 2015, as amended by the Companies (Indian Accounting Standards) Rules, 2016, notified under Section 133 of the Companies Act, 2013 (the "Act"), other relevant provisions of the Act, guidelines issued by the Reserve Bank of India as applicable to an NBFCs and other accounting principles generally accepted in India. Any application guidance / clarifications / directions issued by RBI or other regulators are implemented as and when they are issued / applicable, the guidance notes/announcements issued by the Institute of Chartered Accountants of India (ICAI) are also applied except where compliance with other statutory promulgations require a different treatment. Accounting policies have been consistently applied except where a newly issued Ind AS is initially adopted or a revision to an existing Ind AS required a change in the accounting policy hitherto in use. The consolidated financial statements were authorised for issue by the Board of Directors (BOD) on June 27, 2020.

**ii. Presentation of consolidated financial statements**

The Balance Sheet, Statement of Profit and Loss and Statement of Changes in Equity are prepared and presented in the format prescribed in the Division III of Schedule III of the Companies Act, 2013 (the 'Act'). The Statement of Cash Flows has been prepared and presented as per the requirements of Ind AS.

A summary of the significant accounting policies and other explanatory information is in accordance with the Companies (Indian Accounting Standards) Rules, 2015 as specified under Section 133 of the Companies Act, 2013 (the 'Act') including applicable Indian Accounting Standards (Ind AS) and accounting principles generally accepted in India.

Amounts in the consolidated financial statements are presented in Indian Rupees in Lakh, which is also the Group's functional currency, and all amounts have been rounded off to the nearest lakhs unless otherwise indicated.

**iii. Basis of measurement**

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services at the time of entering into the transaction.

**iv. Investments in associates:**

The financial statements of the associates used in the consolidation are drawn up to the same reporting date as that of the Group i.e., March 31, 2020, except for certain associates for which financial statements as on the reporting date are not available. These have been consolidated based on their latest available financial statements. Necessary adjustments have been made for the effects of significant transactions and other events between the reporting dates of such financial statements and the consolidated Financial Statements.

- a) The Consolidated Financial Statements include the share of profit/ (loss) of associates, which have been accounted for using the equity method as per Ind AS 28- (Accounting for Investments in Associates in Consolidated Financial Statements). Accordingly, the share of profit/ (loss) of the associates (the loss being restricted to the cost of the investment) have been added/deducted to the costs of investments.
- b) The difference between the cost of investment in the associate and the share of net assets at the time of acquisition of shares in the associate is identified in the Consolidated Financial Statements as Goodwill or Capital Reserve as the case may be and adjusted against the carrying amount of investment in the associate
- c) The carrying amount of investment in associates is reduced to recognise impairment, if any, when there is objective evidence of impairment.

**v. Measurement of fair values:**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

Fair value for measurement and/or disclosure purposes for certain items in these consolidated financial statements is determined considering the following measurement methods:

**TATA CAPITAL FINANCIAL SERVICES LIMITED**  
**Notes forming part of the Consolidated Financial Statements**

Items	Measurement basis
Certain financial assets and liabilities (including derivatives instruments)	Fair value
Net defined benefit (asset)/liability	Fair value of planned assets less present value of defined benefit obligations
Property plant and equipment	Value in use under Ind AS 36

Fair values are categorized into different levels (Level 1, Level 2 or Level 3) in a fair value hierarchy based on the inputs used in the valuation techniques. When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The levels are described as follows:

- a. Level 1: inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date
  - b. Level 2: inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and
  - c. Level 3: inputs are unobservable inputs for the valuation of assets or liabilities that the Group can access at the measurement date.
- Valuation model and framework used for fair value measurement and disclosure of financial instrument  
Refer notes 34(a) & 34(b)  
The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred

**vi. Use of estimates and judgements**

The preparation of consolidated financial statements in conformity with Ind AS requires the management of the Group to make judgements, assumptions and estimates that affect the reported balances of assets and liabilities and disclosures relating to the contingent liabilities as at the date of the consolidated financial statements and reported amounts of income and expenses for the reporting period. The application of accounting policies that require critical accounting estimates involving complex and subjective judgments and the use of assumptions in the consolidated financial statements have been disclosed as applicable in the respective notes to accounts. Accounting estimates could change from period to period. Future results could differ from these estimates. Appropriate changes in estimates are made as the Management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the consolidated financial statements in the period in which changes are made and, if material, their effect are disclosed in the notes to the consolidated financial statements.

**Judgements:**

Information about judgements made in applying accounting policies that have most significant effect on the amount recognised in the consolidated financial statements is included in the following note:

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

**Assumptions and estimation of uncertainties:**

Information about assumptions and estimation of uncertainties that have a significant risk of resulting in a material adjustment in the year ending March 31, 2020 are included in the following notes:

- xiii. Impairment test of non-financial assets: key assumption underlying recoverable amounts.
- xii. The Group's EIR methodology: rate of return that represents The best estimate of A constant rate of return over The expected behavioural life of loans given/taken
- xiii. Useful life of property, plant, equipment and intangibles.
41. Significant judgments are involved in determining The provision for income taxes, including amount expected to be paid / recovered for uncertain Tax positions
- xxii. Recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.
- xv. Measurement of defined benefit obligations: key actuarial assumptions.
34. Determination of the fair value of financial instruments with significant unobservable inputs.
34. Impairment of financial instruments: assessment of whether credit risk on the financial asset has increased significantly since initial recognition, assumptions used in estimating recoverable cash flows and incorporation of forward-looking information in the measurement of expected credit loss (ECL).

The Group has estimated the possible effects that may arise from the COVID-19 pandemic, on the carrying amount of its assets. For details, please refer disclosure on expected credit losses (ECL) and disclosure on fair valuation. The extent to which COVID-19 pandemic will impact current estimates is uncertain at this point in time. The impact of COVID-19 on the Group's financial position may differ from that estimated as on the date of approval of these consolidated financial statements.

**TATA CAPITAL FINANCIAL SERVICES LIMITED**  
**Notes forming part of the Consolidated Financial Statements**

**vii. Interest**

Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

Interest income and expense are recognised using the effective interest method. The effective interest rate (EIR) is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument to the gross carrying amount of the financial asset or amortised cost of the financial liability.

Calculation of the EIR includes all fees paid or received that are incremental and directly attributable to the acquisition or issue of a financial asset or liability.

Interest income is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (i.e. at the amortised cost of the financial asset before adjusting for any expected credit loss allowance). For credit-impaired financial assets the interest income is calculated by applying the EIR to the amortised cost of the credit-impaired financial assets (i.e. at the amortised cost of the financial asset after adjusting for any expected credit loss allowance (ECLs)). The Group assesses the collectability of the interest on credit impaired assets at each reporting date. Based on the outcome of such assessment, the interest income accrued on credit impaired financial assets are either accounted for as income or written off as per the write off policy of the Group.

The interest cost is calculated by applying the EIR to the amortised cost of the financial liability.

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

**viii. Income not integral to effective interest rate (EIR) method under Ind AS 109 and Income from services and distribution of financial products**

The Group recognises the fee and commission income not integral to EIR under Ind AS 109 in accordance with the terms of the relevant customer contracts / agreement and when it is probable that the Group will collect the consideration for items.

Revenue in the form of income from financial advisory, underwriting commission, income from private equity, distribution from private equity funds, income from distribution from financial products (brokerage) (other than for those items to which Ind AS 109 - Financial Instruments are applicable) is measured at fair value of the consideration received or receivable, in accordance with Ind AS 115 - Revenue from contracts with customers.

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

Step 1: Identify contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2: Identify performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step 3: Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4: Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

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

Fees for financial advisory services are accounted as and when the service is rendered, provided there is reasonable certainty of its ultimate realisation.

Revenue from brokerage is recognised when the service is performed. Trail brokerage is recognised at the end of the measurement period when the pre-defined thresholds are met. Revenue is net of applicable indirect taxes and sub-brokerage.

Other Income includes branch advertising, represents income earned from the activities incidental to the business and is recognised when the right to receive the income is established as per the terms of the contract.

**ix. Dividend income**

Income from dividend on investment in equity shares of corporate bodies and units of mutual funds is accounted when the Group's right to receive dividend is established.

**TATA CAPITAL FINANCIAL SERVICES LIMITED**  
**Notes forming part of the Consolidated Financial Statements**

**x. Leases**

**Asset given on lease:**

Leases are classified as operating lease where significant portion of risks and reward of ownership of assets acquired under lease is retained by the lessor. Leases of assets under which substantially all of the risks and rewards of ownership are effectively retained by the lessee are classified as finance lease.

Assets given under finance lease are recognised as a receivable at an amount equal to the net investment in the lease. Lease rentals are apportioned between principal and interest on the internal rate of return. The principal amount received reduces the net investment in the lease and interest is recognised as revenue.

Lease rental - under operating leases (excluding amount for services such as insurance and maintenance) are recognised on a straight-line basis over the lease term, except for increase in line with expected inflationary cost increases.

**Asset taken on lease:**

The Group's lease assets taken on leases primarily consist of leases for properties.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all the risks and rewards of ownership. Under Ind AS 116, the Group recognises right-of-use assets and lease liabilities for certain type of its leases.

The Group presents right-of-use assets in 'property, plant and equipment' in the same line item as it presents underlying assets of the same nature it owns.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The cost of the right-of-use asset measured at inception shall comprise of the amount of the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date less any lease incentives received, plus any initial direct costs incurred and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset or restoring the underlying asset or site on which it is located. The right-of-use asset is subsequently measured at cost less any accumulated depreciation and accumulated impairment loss, if any, and adjusted for certain re-measurements of the lease liability. The right-of-use assets is depreciated using the straight-line method from the commencement date over the shorter of lease term or useful life of right-of-use asset. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. Right-of-use assets are tested for impairment whenever there is any indication that their carrying amounts may not be recoverable. Impairment loss, if any, is recognized in the statement of profit and loss. When a right-of-use asset meets the definition of investment property, it is presented in investment property.

The Group measures the lease liability at the present value of the lease payments that are not paid at the commencement date of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses incremental borrowing rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. The carrying amount of lease liability is remeasured to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. A change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right of use assets recognised. The discounted rate is generally based on incremental borrowing rate specific to the lease being evaluated.

The Group has adopted Ind AS 116, effective annual reporting period beginning April 1, 2019 and applied the standard to its leases, retrospectively, with the cumulative effect of initially applying the standard, recognized on the date of initial application (April 1, 2019). Accordingly, the Group has not restated comparative information, instead, the cumulative effect of initially applying this standard has been recognized as an adjustment to the opening balance of retained earnings as on April 1, 2019.

**xi. Borrowing Cost**

Borrowing costs include interest expense calculated using the EIR on respective financial instruments measured at amortised cost, finance charges in respect of assets acquired on finance lease and exchange differences arising from foreign currency borrowings, to the extent they are regarded as an adjustment to interest costs

While computing the capitalisation rate for funds borrowed generally, an entity should exclude borrowing costs applicable to borrowings made specifically for obtaining a qualifying asset, only until the asset is ready for its intended use or sale. Borrowing costs (related to specific borrowings) that remain outstanding after the related qualifying asset is ready for intended use or for sale would subsequently be considered as part of the general borrowing costs of the entity.

**xii. Financial Instruments**

Financial assets and financial liabilities are recognised in the Group's balance sheet on trade date, i.e. when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs and revenues that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities measured at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs and revenues of financial assets or financial liabilities carried at fair value through the profit or loss account are recognised immediately in the Statement of Profit or Loss.



**TATA CAPITAL FINANCIAL SERVICES LIMITED**  
**Notes forming part of the Consolidated Financial Statements**

a) **Financial assets**

**Classification**

On initial recognition, depending on the Group's business model for managing the financial assets and its contractual cash flow characteristics, a financial asset is classified as measured at;

- 1) Amortised cost;
- 2) Fair value through other comprehensive income (FVOCI); or
- 3) Fair value through profit and loss (FVTPL).

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. Financial assets are not reclassified subsequent to their initial recognition, except if and in the period the Group changes its business model for managing financial assets.

A financial asset is measured at amortized cost using Effective Interest Rate (EIR) method if it meets both of the following conditions and is not recognised as at FVTPL:

The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and

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

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI (designated as FVOCI - equity investment). This election is made an investment - by - investment basis.

All financials assets not classified and measured at amortized cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate the financials assets that otherwise meets the requirements to be measured at amortized cost or at FVOCI or at FVTPL, if doing so eliminates or significantly reduces the accounting mismatch that would otherwise arise.

***Business model assessment***

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice.
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectation about future sales activity.
- How managers of the business are compensated (e.g. whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

At initial recognition of a financial asset, the Group determines whether newly recognized financial assets are part of an existing business model or whether they reflect a new business model. The Group reassess its business models each reporting period to determine whether the business models have changed since the preceding period.

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

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

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

- Contingent events that would change the amount or timing of cash flows;
- Terms that may adjust the contractual coupon rate, including variable interest rate features;
- Prepayment and extension features; and
- Terms that limit the Group's claim to cash flows from specified assets.

Contractual cash flows that are SPPI are consistent with a basic lending arrangement. Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI.

**TATA CAPITAL FINANCIAL SERVICES LIMITED****Notes forming part of the Consolidated Financial Statements**

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

**Subsequent measurement and gains and losses**

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in the statement of profit or loss. The transaction costs and fees are also recorded related to these instruments in the statement of profit and loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in the statement of profit or loss. Any gain or loss on derecognition is recognised in the statement of profit or loss.
Financial assets (other than Equity Investments) at FVOCI	Financial assets that are held within a business model whose objective is achieved by both, selling financial assets and collecting contractual cash flows that are solely payments of principal and interest, are subsequently measured at fair value through other comprehensive income. Fair value movements are recognized in the other comprehensive income (OCI). Interest income measured using the EIR method and impairment losses, if any are recognised in the statement of Profit and Loss. On derecognition, cumulative gain or loss previously recognised in OCI is reclassified from the equity to 'other income' in the statement of Profit and Loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in the Statement of Profit and Loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are not reclassified to profit or loss.

***Reclassifications within classes of financial assets***

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets. The classification and measurement requirements of the new category apply prospectively from the first day of the first reporting period following the change in business model that result in reclassifying the Group's financial assets.

**Impairment of Financial Asset****Impairment approach**

Overview of the Expected Credit Losses (ECL) principles

The Group records allowance for expected credit losses for all loans (including those classified as measured at FVOCI), together with loan commitments, in this section all referred to as 'financial instruments' other than those measured at FVTPL. Equity instruments are not subject to impairment under Ind AS 109.

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), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12m ECL). The Group's policies for determining if there has been a significant increase in credit risk are set out in Note 35.

The 12m ECL is 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.

Both LTECLs and 12m ECLs are calculated on an individual/portfolio basis- having similar risk characteristic, depending on the nature of the underlying portfolio of financial instruments.

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

## **TATA CAPITAL FINANCIAL SERVICES LIMITED**

### **Notes forming part of the Consolidated Financial Statements**

Based on the above process, the Group categorises its loans into Stage 1, Stage 2 and Stage 3, as described below:

Stage 1: When loans are first recognised, the Group recognises an allowance based on 12mECLs. This also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.

Stage 2: When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.

Stage 3: Loans considered credit-impaired. A default on a financial asset is when the counterparty fails to make the contractual payments within 90 days of when they fall due. Accordingly, the financial assets shall be classified as Stage 3, if on the reporting date, it has been 90 days past due. Further if the customer has requested forbearance in repayment terms, such restructured, rescheduled or renegotiated accounts are also classified as Stage 3. Non-payment on another obligation of the same customer is also considered as a stage 3. The Group records an allowance for the LTECLs.

#### **Undrawn loan commitments**

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

#### **Financial guarantee contract:**

A financial guarantee contract requires the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at FVTPL and not arising from a transfer of a financial asset, are subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with Ind AS 109; and
- the amount initially recognised less, where appropriate, cumulative amount of income recognised in accordance with the Group's revenue recognition policies. The Group has not designated any financial guarantee contracts as FVTPL.

Group's ECL for financial guarantee is estimated based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the interest rate relevant to the exposure.

#### **The Measurement of ECLs**

The Group calculates ECLs based on a probability-weighted scenario to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

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

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

EAD: The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

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

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value

When estimating LTECLs for undrawn loan commitments, the Group estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability-weightage. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan.

The above calculated PDs, EAD and LGDs are reviewed and changes in the forward looking estimates are analysed during the year.

The mechanics of the ECL method are summarised below:

Stage 1 The 12 months ECL 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. These expected 12-months default probabilities are applied to a forecast EAD and multiplied by the expected LGD.

Stage 2 When a loan has shown a significant increase in credit risk since origination, the Group 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. The expected cash shortfalls are discounted by an contractual or portfolio EIR as the case may be.

Stage 3 For loans considered credit-impaired, the Group recognises the lifetime expected credit losses for these loans. The method is similar to that for stage 2 assets, with the PD set at 100%.

In ECL model the Group relies on broad range of forward looking information for economic inputs.

## TATA CAPITAL FINANCIAL SERVICES LIMITED

### Notes forming part of the Consolidated Financial Statements

The Group recognises loss allowance for expected credit losses (ECLs) on all financial assets at amortised cost that are debt instruments, debt financial assets at fair value through other comprehensive income, loan commitments and financial guarantee contracts. No impairment loss is recognised on equity investments.

When determining whether credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, including on historical experience and forward-looking information (Refer Note 34).

### Impairment of Trade receivable and Operating lease receivable

Impairment allowance on trade receivables is made on the basis of life time credit loss method, in addition to specific provision considering the uncertainty of recoverability of certain receivables.

### Write-off

Impaired loans and receivables are written off, against the related allowance for loan impairment on completion of the Group's internal processes and when the Group concludes that there is no longer any realistic prospect of recovery of part or all of the loan. For loans that are individually assessed for impairment, the timing of write off is determined on a case by case basis. A write-off constitutes a de-recognition event. The Group has a right to apply enforcement activities to recover such written off financial assets. Subsequent recoveries of amounts previously written off are credited to the statement of profit and loss.

### Collateral valuation and repossession

To mitigate the credit risk on financial assets, the Group seeks to use collateral, where possible as per the powers conferred on the Non Banking Finance Companies under the Securitisation and Reconstruction of Financial Assets and Enforcement of Securities Interest Act, 2002 ("SARFAESI").

The Group provides fully secured, partially secured and unsecured loans to individuals and Corporates. In its normal course of business upon account becoming delinquent, the Group physically repossess properties or other assets in its retail portfolio. Any surplus funds are returned to the customers/obligors. As a result of this practice, the residential properties, vehicles, plant and machinery under legal repossession processes are not recorded on the balance sheet and not treated as non-current assets held for sale unless the title is also transferred in the name of the Group.

Presentation of ECL allowance for financial asset:

Type of Financial asset	Disclosure
Financial asset measured at amortised cost	shown as a deduction from the gross carrying amount of the assets
Loan commitments and financial guarantee contracts	shown separately under the head "provisions"

### Modification and De-recognition of financial assets

#### Modification of financial assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. The Group renegotiates loans to customers in financial difficulty to maximise collection and minimise the risk of default. A loan forbearance is granted in cases where although the borrower made all reasonable efforts to pay under the original contractual terms, there is a high risk of default or default has already happened and the borrower is expected to be able to meet the revised terms. The revised terms in most of the cases include an extension of the maturity of the loan, changes to the timing of the cash flows of the loan (principal and interest repayment), reduction in the amount of cash flows due (principal and interest forgiveness). Such accounts are classified as stage 3 immediately upon such modification in the terms of the contract.

Not all changes in terms of loans are considered as renegotiation and changes in terms of a class of obligors that are not overdue is not considered as renegotiation and is not subjected to deterioration in staging.

#### 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 derecognised when:

- (a) the rights to receive cash flows from the asset have expired, or
- (b) the Group has transferred its rights to receive cash flows from the asset and substantially all the risks and rewards of ownership of the asset, or the Group has neither transferred nor retained substantially all the risks and rewards of ownership of the asset, but has transferred control of the asset

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

### Financial liability, Equity and Compound Financial Instruments

Debt and equity instruments that are issued are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities are subsequently measured at the amortised cost using the effective interest method, unless at initial recognition, they are classified as fair value through profit and loss. Interest expense are recognised in the Statement of profit and loss. Any gain or loss on derecognition is also recognised in the statement of profit or loss.

**TATA CAPITAL FINANCIAL SERVICES LIMITED**  
**Notes forming part of the Consolidated Financial Statements**

**Financial liabilities**

A financial liability is a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group or a contract that will or may be settled in the Group's own equity instruments and is a non-derivative contract for which the Group is or may be obliged to deliver a variable number of its own equity instruments, or a derivative contract over own equity that will or may be settled other than by the exchange of a fixed amount of cash (or another financial asset) for a fixed number of the Group's own equity instruments.

**Classification**

The Group classifies its financial liability as "Financial liability measured at amortised cost" except for those classified as financial liabilities measured at fair value through profit and loss (FVTPL).

**De-recognition of financial liabilities**

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

**Equity**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is an equity instrument.

No gain/loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

**Compound instruments**

The Group has issued financial instruments with equity conversion rights and call options. When establishing the accounting treatment for these non-derivative instruments, the Group first establishes whether the instrument is a compound instrument and classifies such instrument's components separately as financial liabilities or equity instruments in accordance with Ind AS 32. Classification of the liability and equity components of a convertible instrument is not revised as a result of a change in the likelihood that a conversion option will be exercised, even when exercising the option may appear to have become economically advantageous to some holders. When allocating the initial carrying amount of a compound financial instrument to the equity and liability components, the equity component is assigned as the residual amount after deducting from the entire fair value of the instrument, the amount separately determined for the liability component. The value of any derivative features (such as a call options) embedded in the compound financial instrument, other than the equity component (such as an equity conversion option), is included in the liability component. Once the Group has determined the split between equity and liability, it further evaluates whether the liability component has embedded derivatives that must be separately accounted for. Subsequently the liability is measured as per requirement of IND AS 109.

A Cumulative Compulsorily Convertible Preference Shares (CCCPS), with an option to holder to convert the instrument into variable number of equity shares of the entity upon redemption is classified as a financial liability and dividend including dividend distribution tax is accrued on such instruments and recorded as finance cost. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to retained profits. No gain/loss is recognised in profit or loss upon conversion or expiration of the conversion option.

b)

**Derivative Financial Instruments**

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if certain criteria are met.

Derivatives are initially measured at fair value; any directly attributed transaction costs are recognised in profit and loss as incurred. Subsequent to initial recognition derivatives are measured at fair value, and changes therein are generally recognised in profit and loss.

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with its floating rate borrowings arising from changes in interest rates and exchange rates.

At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

**Cash flow hedges**

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the other equity under 'effective portion of cash flows hedges'. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in fair value of the derivative is recognised immediately in profit or loss.

The Group designates only the change in fair value of the spot element of forward exchange contracts as the hedging instrument in cash flow hedge relationships. The change in fair value of the forward element of the forward exchange contracts ('forward points') is separately accounted for as cost of hedging and recognised separately within equity.

If a hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in other equity are immediately reclassified to profit or loss.

**TATA CAPITAL FINANCIAL SERVICES LIMITED****Notes forming part of the Consolidated Financial Statements****c) Cash, Cash equivalents and bank balances**

Cash, Cash equivalents and bank balances include fixed deposits, (with an original maturity of three months or less from the date of placement), margin money deposits, and earmarked balances with banks are carried at amortised cost. Short term and liquid investments being subject to more than insignificant risk of change in value, are included as part of cash and cash equivalents.

**xiii. Property, plant and equipment (PPE)****a) PPE**

Property, plant and equipment acquired by the Group are reported at acquisition cost less accumulated depreciation and accumulated impairment losses and estimated cost of dismantling and removing the item and restoring the site on which its located if any. However estimated cost of dismantling and removing the item and restoring the site on which its located does not arise for leased assets since the same are borne by the lessee as per the lease agreement. The acquisition cost includes any cost attributable for bringing an asset to its working condition net of tax/duty credits availed, which comprises of purchase consideration and other directly attributable costs of bringing the assets to their working condition for their intended use. PPE is recognised when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Subsequent expenditure on PPE after its purchase is capitalized only if it is probable that the future economic benefits will flow to the enterprise and the cost of the item can be measured reliably.

**b) Capital work-in-progress**

PPE not ready for the intended use on the date of the Balance Sheet are disclosed as "capital work-in-progress" and carried at cost, comprising direct cost, related incidental expenses and attributable interest.

**c) Other Intangible assets**

Intangible assets are recognised when it is probable that the future economic benefits that are attributable to the asset will flow to the Group and the cost of the asset can be measured reliably. Intangible assets are stated at original cost net of tax/duty credits availed, if any, less accumulated amortisation and cumulative impairment. Administrative and other general overhead expenses that are specifically attributable to the acquisition of intangible assets are allocated and capitalised as a part of the cost of the intangible assets. Expenses on software support and maintenance are charged to the Statement of Profit and Loss during the year in which such costs are incurred.

**d) Intangible assets under development**

Intangible assets not ready for the intended use on the date of Balance Sheet are disclosed as "Intangible assets under development".

**e) Depreciation and Amortisation**

Depreciable amount for tangible property, plant and equipment is the cost of an asset, or other amount substituted for cost, less its estimated residual value. The residual value of each asset given on Operating lease is determined at the time of recording of the lease asset. If the residual value of the Operating lease asset is higher than 5%, the Group has a justification in place for considering the same.

Depreciation on tangible property, plant and equipment deployed for own use has been provided on the straight-line method as per the useful life prescribed in Schedule II to the Companies Act, 2013 except in respect of buildings, computer equipment, electrical installation and equipment and vehicles, in whose case the life of the assets has been assessed based on the nature of the asset, the estimated usage of the asset, the operating conditions of the asset, past history of replacement, etc. Depreciation on tangible property, plant and equipment deployed on operating lease has been provided on the straight-line method over the primary lease period of the asset. Depreciation method is reviewed at each financial year end to reflect expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life and residual values are also reviewed at each financial year end with the effect of any change in the estimates of useful life/residual value is accounted on prospective basis. Depreciation for additions to/deductions from owned assets is calculated pro rata to the remaining period of use. Depreciation charge for impaired assets is adjusted in future periods in such a manner that the revised carrying amount of the asset is allocated over its remaining useful life. All capital assets with individual value less than Rs. 5,000 are depreciated fully in the year in which they are purchased.

Purchased software / licenses are amortised over the estimated useful life during which the benefits are expected to accrue, while Goodwill if any is tested for impairment at each Balance Sheet date. The method of amortisation, residual value and useful life are reviewed at the end of each accounting year with the effect of any changes in the estimate being accounted for on a prospective basis. Amortisation on impaired assets is provided by adjusting the amortisation charge in the remaining periods so as to allocate the asset's revised carrying amount over its remaining useful life.

**TATA CAPITAL FINANCIAL SERVICES LIMITED**  
**Notes forming part of the Consolidated Financial Statements**  
Estimated useful life considered by the Group are:

<b>Asset</b>	<b>Estimated Useful Life</b>
Leasehold Improvements	As per lease period
Construction Equipment	2 to 13.5 years
Furniture and Fixtures	Owned: 10 years
	Leased: 3 to 7 years
Computer Equipment	Owned: 3 to 4 years
	Leased: 2 to 4 years
Office Equipment	Owned: 5 years
	Leased: 3 to 5 years
Vehicles	Owned: 4 years
	Leased: 1 to 5 years
Software Licenses	Owned: 1 to 10 years
	Leased: 1 to 3 years
Buildings	25 years
Plant & Machinery	Owned: 10 years
	Leased: 2 to 15 years
Railway Wagons	Leased: 6 years
Electrical Installation & Equipment	Leased: 3 to 6 years

f) **Investment property**

Properties held to earn rentals and/or capital appreciation are classified as Investment properties and measured and reported at cost, including transaction costs. Subsequent to initial recognition its measured at cost less accumulated depreciation and accumulated impairment losses, if any. When the use of an existing property changes from owner-occupied to investment property, the property is reclassified as investment property at its carrying amount on the date of reclassification.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on de-recognition of property is recognised in the Statement of Profit and Loss in the same period.

g) **Impairment of assets**

Upon an observed trigger or at the end of each accounting reporting period, the Group reviews the carrying amounts of its PPE, investment property and intangible asset to determine whether there is any indication that the asset have suffered an impairment loss. If such indication exists, the PPE, investment property and intangible assets are tested for impairment so as to determine the impairment loss, if any.

Impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount. Recoverable amount is the higher of fair value less cost of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If recoverable amount of an asset is estimated to be less than its carrying amount, such deficit is recognised immediately in the Statement of Profit and Loss as impairment loss and the carrying amount of the asset is reduced to its recoverable amount.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss is recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the Statement of Profit and Loss.

h) **De-recognition of property, plant and equipment and intangible asset**

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of PPE is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Statement of Profit and Loss. An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from de-recognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in the Statement of Profit and Loss.

xiv. **Non-Current Assets held for sale:**

Non-current assets are classified as held for sale if their carrying amount is intended to be recovered principally through a sale (rather than through continuing use) when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sale of such asset and the sale is highly probable and is expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at lower of their carrying amount and fair value less costs to sell.

The Group has a policy to make impairment provision at one third of the value of the Asset for each year upon completion of three years up to the end of five years based on the past observed pattern of recoveries. Losses on initial classification as Held for sale and subsequent gains & losses on remeasurement are recognised in Statement of Profit and loss. Once classified as Held for sale, the assets are no longer amortised or depreciated.



**TATA CAPITAL FINANCIAL SERVICES LIMITED**  
**Notes forming part of the Consolidated Financial Statements**  
**Employee Benefits**

Defined Employee benefits include provident fund and superannuation fund.

Defined contribution benefits include gratuity fund, compensated absences and long service awards

**Defined contribution plans**

The eligible employees of the Group are entitled to receive benefits under the provident fund, a defined contribution plan, in which both employees and the Group make monthly contributions at a specified percentage of the covered employees' salary (currently 12% of employees' salary), which is recognised as an expense in the Statement of Profit and Loss based on the amount of contribution required to be made and when services are rendered by the employees in the year in which they occur. The contributions as specified under the law are paid to the provident fund set up as irrevocable trust by the Group. The Group is generally liable for annual contributions and any deficiency in interest cost compared to interest computed based on the rate of interest declared by the Central Government under the Employee's Provident Scheme, 1952 is recognised as an expense in the year in which it is determined

The Group's contribution to superannuation fund and employee state insurance scheme are considered as defined contribution plans and are charged as an expense in the Statement of Profit and Loss based on the amount of contribution required to be made and when services are rendered by the employees.

**Defined benefit plans**

For defined benefit plans in the form of gratuity, the cost of providing benefits is determined using the Projected Unit Credit method, with actuarial valuations being carried out at each Balance Sheet date. As per Ind AS 19, the service cost and the net interest cost are charged to the Statement of Profit and Loss. Remeasurement of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised in Other Comprehensive Income. Past service cost is recognised immediately to the extent that the benefits are already vested. The retirement benefit obligation recognised in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the schemes.

**Short-term employee benefits**

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognised during the year when the employees render the service. These benefits include performance incentive and compensated absences which are expected to occur within twelve months after the end of the reporting period in which the employee renders the related service.

**The cost of short-term compensated absences is accounted as under:**

- (a) in case of accumulated compensated absences, when employees render the services that increase their entitlement of future compensated absences; and
- (b) in case of non-accumulating compensated absences, when the absences occur.

**Other long-term employee benefits**

Compensated absences which are not expected to occur within twelve months after the end of the year in which the employee renders the related service are recognised as a liability at the present value of the defined benefit obligation as at the balance sheet date less the fair value of the plan assets out of which the obligations are expected to be settled. Long term service awards are recognised as a liability at the present value of the defined benefit obligation as at the balance sheet date.

The obligation is measured on the basis of actuarial valuation using Projected unit credit method and remeasurements gains/ losses are recognised in P&L in the period in which they arise.

**Share based payment transaction**

The stock options of the Parent Group, granted to employees pursuant to the Group's Stock Options Schemes, are measured at the fair value of the options at the grant date as per Black and Scholes model. The fair value of the options is treated as discount and accounted as employee compensation cost, with a corresponding increase in other equity, over the vesting period on a straight line basis. The amount recognised as expense in each year is arrived at based on the number of grants expected to vest. If a grant lapses after the vesting period, the cumulative discount recognised as expense, with a corresponding increase in other equity, in respect of such grant is transferred to the General reserve within other equity

## **TATA CAPITAL FINANCIAL SERVICES LIMITED**

### **Notes forming part of the Consolidated Financial Statements**

#### **xvi. Foreign currency transactions**

Transactions in currencies other than the Group's functional currency are recorded on initial recognition using the exchange rate at the transaction date. At each Balance Sheet date, foreign currency monetary items are reported at the rates prevailing at the year end. Non-monetary items that are measured in terms of historical cost in foreign currency are not retranslated.

Exchange differences that arise on settlement of monetary items or on reporting of monetary items at each Balance Sheet date at the closing spot rate are recognised in the Statement of Profit and Loss in the period in which they arise.

#### **xvii. Operating Segments**

The Group's main business is financing by way of loans for retail and corporate borrowers in India. The Group's operating segments consist of "Financing Activity", "Investment Activity" and "Others". All other activities of the Group revolve around the main businesses. This in the context of Ind AS 108 - operating segments reporting are considered to constitute reportable segment. The Chief Operating Decision Maker (CODM) of the Group is the Board of Directors. Operating segment disclosures are consistent with the information reviewed by the CODM.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, and for which discrete financial information is available. Accordingly, all operating segment's operating results of the Group are reviewed regularly by the Board of Directors to make decisions about resources to be allocated to the segments and assess their performance.

The "Financing Activity" segment consists of asset financing, term loans (corporate and retail), channel financing, credit substitutes, investments linked to/arising out of lending business and bill discounting. The "Investment Activity" segment includes corporate investments and "Others" segment primarily includes advisory services, wealth management, distribution of financial products and leasing.

Revenue and expense directly attributable to segments are reported under each operating segment. Expenses not directly identifiable to each of the segments have been allocated to each segment on the basis of associated revenues of each segment. All other expenses which are not attributable or allocable to segments have been disclosed as un-allocable expenses.

Assets and liabilities that are directly attributable to segments are disclosed under each reportable segment. All other assets and liabilities are disclosed as un-allocable.

#### **xviii. Investments in associates**

The Group has elected to measure investment in associate at cost as per Ind AS 27 - Separate Financial Statements, accordingly measurement at fair value through statement of profit and loss account and related disclosure under Ind AS 109 does not apply.

#### **xix. Earnings per share**

Basic earnings per share has been computed by dividing net income attributable to owners of the Group by the weighted average number of shares outstanding during the year. Partly paid up equity share is included as fully paid equivalent according to the fraction paid up.

Diluted earnings per share has been computed using the weighted average number of shares and dilutive potential shares, except where the result would be anti-dilutive

#### **xx. Taxation Income Tax**

Income tax expense comprises current and deferred taxes. Income tax expense is recognized in the Statement of Profit and Loss, other comprehensive income or directly in equity when they relate to items that are recognized in the respective line items.

##### **Current Tax**

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax reflects the best estimate of the tax amount expected to be paid or received after considering the uncertainty, if any, related to income taxes. It is measured using tax rates (and tax law) enacted or substantively enacted by the reporting date.

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

##### **Deferred Tax**

Deferred tax assets and liabilities are recognized for the future tax consequences of temporary differences between the carrying values of assets and liabilities and their respective tax bases, and unutilized business loss and depreciation carry-forwards and tax credits. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses, depreciation carry-forwards and unused tax credits could be utilized.

The carrying amount of deferred tax assets are reviewed at each reporting date and are recognised/ reduced to the extent that it is probable/ no longer probable respectively that the related tax benefit will be realised.

Deferred tax assets and liabilities are measured based on the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

#### **xxi. Goods and Services Input Tax Credit**

Goods and Services Input tax credit is accounted for in the books in the period in which the supply of goods or service received is accounted and when there is no uncertainty in availing/utilising the credits.

**TATA CAPITAL FINANCIAL SERVICES LIMITED**  
**Notes forming part of the Consolidated Financial Statements**

**xxii. Provisions, contingent liabilities and contingent assets**

**Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, and 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. When the effect of the time value of money is material, the Group determines the level of provision by discounting the expected cash flows at a pre-tax rate reflecting the current rates specific to the liability. The expense relating to any provision is presented in the Statement of Profit and Loss net of any reimbursement.

**Contingent assets/liabilities**

A possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group or; present obligation that arises from past events where it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability are disclosed as contingent liability and not provided for. Contingent assets are disclosed where an inflow of economic benefits is probable. Contingent assets are not recognised in the consolidated financial statements.

Provisions, contingent liabilities and contingent assets are reviewed at each Balance Sheet date.

Where the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under such contract, the present obligation under the contract is recognised and measured as a provision

**xxiii. Commitments**

Commitments are future liabilities for contractual expenditure, classified and disclosed as follows:

- a) estimated amount of contracts remaining to be executed on capital account and not provided for;
- b) uncalled liability on shares and other investments partly paid;
- c) funding related commitment to associate; and
- d) other non-cancellable commitments, if any, to the extent they are considered material and relevant in the opinion of management.
- e) other commitments related to sales/procurements made in the normal course of business are not disclosed to avoid excessive details.
- f) commitments under Loan agreement to disburse Loans
- g) lease agreements entered but not executed

**xxiv. Statement of Cash Flows**

Statement of Cash Flows is prepared segregating the cash flows into operating, investing and financing activities. Cash flow from operating activities is reported using indirect method adjusting the net profit for the effects of:

- a) changes during the period in operating receivables and payables transactions of a non-cash nature;
- b) non-cash items such as depreciation, Impairment, deferred taxes, unrealised foreign currency gains and losses, and undistributed profits of associates and joint ventures; and
- c) all other items for which the cash effects are investing or financing cash flows.

Cash and cash equivalents (including bank balances) shown in the Statement of Cash Flows exclude items which are not available for general use as on the date of Balance Sheet.

**xxv. Dividend payable (including dividend distribution tax)**

Interim dividend declared to equity shareholders, if any, is recognised as liability in the period in which the said dividend has been declared by the Board of Directors. Final dividend declared, if any, is recognised in the period in which the said dividend has been approved by the Shareholders.

The dividend payable (including dividend distribution tax) is recognised as a liability with a corresponding amount recognised directly in equity.

**xxvi. New Ind AS issued but not effective as on March 31, 2020**

A number of new standards and interpretations and amendments to standards are effective for annual periods beginning after 1st April 2019 and earlier application is permitted; however, the Group has not early adopted the new or amended standards and interpretations in preparing these consolidated financial statements.

The following new Ind AS, interpretations and amendments to Ind AS are not expected to have a significant impact on the Group's consolidated financial statements and the Group's statement of financial position.

Applicable to financial year ended March 31, 2021 Group's consolidated financial statements:

- Amendments to References to Conceptual Framework in Ind AS Standards
- Definition of a Business (Amendments to Ind AS 103)
- Definition of Material (Amendment to Ind AS 1 and Ind AS 8)

# Tata Capital Financial Services Limited

## Notes forming part of the Consolidated Financial Statements (*Continued*)

as at March 31, 2020

(Rs. in lakh)

### 3. CASH AND CASH EQUIVALENTS

PARTICULARS	As at March 31, 2020	As at March 31, 2019
(a) Cash on hand	-	59
(b) Balances with banks in current accounts	1,58,215	78,087
(c) Cheques on hand	239	280
<b>Total</b>	<b>1,58,454</b>	<b>78,426</b>

#### Note:

- (i) As at March 31, 2020, the Group had undrawn committed borrowing facilities of Rs. 5,14,300 Lakh ( March 31, 2019 : Rs. 3,08,200 Lakh).

### 4. OTHER BALANCES WITH BANKS

PARTICULARS	As at March 31, 2020	As at March 31, 2019
(a) Balances with banks in current accounts (refer note (i) below)	34	52
(b) Balances with banks in deposit accounts (Refer note below)	38	35
<b>Total</b>	<b>72</b>	<b>87</b>

#### Note:

- (i) Balance with banks in current accounts includes Rs. 34 lakh ( March 31, 2019 : Rs. 52 lakh) towards unclaimed debenture application money and interest accrued thereon.
- (ii) Balance with banks in deposit accounts comprises deposits that have an original maturity exceeding 3 months and less than 12 months at balance sheet date.

### 5. TRADE RECEIVABLES

PARTICULARS	As at March 31, 2020	As at March 31, 2019
(i) Receivables considered good - secured	-	-
(ii) Receivables considered good - unsecured	4,060	2,885
(iii) Receivables which have significant increase in credit risk - unsecured	33	26
(iv) Receivables - credit impaired - unsecured	-	246
	<b>4,093</b>	<b>3,157</b>
Less: Allowance for impairment loss		
(i) significant increase in credit risk	33	26
(ii) credit impaired	-	246
<b>Total</b>	<b>4,060</b>	<b>2,885</b>

Trade receivables include amounts due from the related parties Rs. 190 lakh (March 31, 2019: Rs. 176 lakh)

# Tata Capital Financial Services Limited

## Notes forming part of the Consolidated Financial Statements (Continued)

as at March 31, 2020

(Rs. in lakh)

### 6. Derivative financial instruments

As at March 31, 2020

Derivatives held for hedging and risk management purposes	Notional value - USD (in mn)	Notional value - JPY (in mn)	Notional value	Fair value assets	fair value liabilities
Foreign exchange forward	117	14,656	1,88,509	5,674	801
Interest rate swap	108	-	80,723	-	2,489
Cap	-	14,388	99,462	-	91
<b>Total</b>	<b>225</b>	<b>29,044</b>	<b>3,68,694</b>	<b>5,674</b>	<b>3,381</b>

As at March 31, 2019

Derivatives held for hedging and risk management purposes	Notional value - USD (in mn)	Notional value - JPY (in mn)	Notional value	Fair value assets	fair value liabilities
Foreign exchange forward	-	-	-	-	-
Interest rate swap	-	-	-	-	-
Cap	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

### 6.1 Disclosure of effects of hedge accounting on financial position and exposure to foreign currency

As at March 31, 2020

PARTICULARS	Notional amount	Carrying amount of hedging instruments assets	Carrying amount of hedging instruments liabilities	Weighted average contract / strike price of the hedging instrument	Change in the fair value in the hedging instrument used as the basis for recognising hedge ineffectiveness profit / (loss)
INR USD - Forward exchange contracts	1,87,495	5,413	-	80.98	5,413
INR JPY - Forward exchange contracts	1,013	260	801	0.82	(541)

As at March 31, 2019

PARTICULARS	Notional amount	Carrying amount of hedging instruments assets	Carrying amount of hedging instruments liabilities	Weighted average contract / strike price of the hedging instrument	Change in the fair value in the hedging instrument used as the basis for recognising hedge ineffectiveness profit / (loss)
INR USD - Forward exchange contracts	-	-	-	-	-
INR JPY - Forward exchange contracts	-	-	-	-	-

## 6. Derivative financial instruments (Continued)

Hedged item

As at March 31, 2020

PARTICULARS	Change in the value of hedged item used as the basis for recognising hedge ineffectiveness	Cost of hedge reserve as at	Cost of hedging as at	Foreign Currency Monetary Items Translation Reserve
FCY Term Loans	(8,600)	(3,728)	-	-

As at March 31, 2019

PARTICULARS	Change in the value of hedged item used as the basis for recognising hedge ineffectiveness	Cost of hedge reserve as at	Cost of hedging as at	Foreign Currency Monetary Items Translation Reserve
FCY Term Loans	-	-	-	-

### 6.2 The impact of the cashflow hedges in the statement of profit and loss and other comprehensive income

PARTICULARS	Hedging gains or (losses) recognised in other comprehensive income		Hedge ineffectiveness recognised in statement of profit and (loss)	
	For the year ended March 31, 2020	For the year ended March 31, 2019	For the year ended March 31, 2020	For the year ended March 31, 2019
Forward exchange contracts and Currency swaps	(3,728)	-	-	-

### 6.3 Movements in the cost of hedge reserve are as follows:

PARTICULARS	For the year ended March 31, 2020	For the year ended March 31, 2019
Opening Balance	-	-
Effective portion of changes in fair value Currency Swap	-	-
Effective portion of changes in fair value Interest rate risk	(2,488)	-
Effective portion of changes in fair value Cap	(91)	-
Effective portion of changes in fair value foreign currency risk	4,872	-
Foreign currency translation differences	(8,600)	-
Amortisation of forward premium	5,523	-
Tax on movements on reserves during the year	197	-
<b>Closing Balance</b>	<b>(587)</b>	<b>-</b>

All hedges are 100% effective i.e. there is no ineffectiveness.

### 6.4 Average fixed interest rate:

- Interest rate swap: 2.93%
- Interest rate cap: 0.70%

# Tata Capital Financial Services Limited

## Notes forming part of the Consolidated Financial Statements (Continued)

as at March 31, 2020

(Rs. in lakh)

### 7. LOANS

PARTICULARS	As at March 31, 2020	As at March 31, 2019
<b>LOANS</b>		
<b>(A)</b>		
<b>- Amortised Cost</b>		
(i) Bills purchased and bills discounted	42,008	32,956
(ii) Loans repayable on demand	-	-
(iii) Term loans	41,15,678	41,82,620
(iv) Credit substitutes (refer note 7(a) below)	1,79,530	1,60,381
(v) Finance lease and hire purchase	78,072	51,874
(vi) Factoring	-	-
(vii) Retained portion of assigned loans	2,252	3,420
(viii) Inter - Company Deposits	-	4,125
(ix) Loan to TCL employee welfare trust	6,286	6,286
<b>- At Fair Value through Other Comprehensive Income</b>		
- Term loans	4,234	21,080
<b>- At Fair Value through Profit and Loss</b>		
- Credit substitutes (refer note 7(a) below)	1,000	-
<b>Gross Loans</b>	<b>44,29,060</b>	<b>44,62,742</b>
<b>Less : Impairment loss allowance</b>		
- Stage I & II	75,371	58,412
- Stage III	82,714	92,301
<b>Loans net of impairment loss allowance</b>	<b>42,70,975</b>	<b>43,12,029</b>
Add: Unamortised loan sourcing costs	13,408	12,602
Less : Revenue received in advance	(23,652)	(23,103)
<b>Total (A)</b>	<b>42,60,731</b>	<b>43,01,528</b>
<b>(B)</b>		
(i) Secured by tangible assets	24,89,657	25,07,865
(ii) Secured by intangible assets	-	-
(iii) Covered by bank / government guarantees	-	-
(iv) Unsecured	19,39,403	19,54,877
<b>Gross Loans</b>	<b>44,29,060</b>	<b>44,62,742</b>
<b>Less : Impairment loss allowance</b>		
- at amortised cost		
- Stage I & II	75,371	58,412
- Stage III	82,714	92,301
<b>Loans net of impairment loss allowance</b>	<b>42,70,975</b>	<b>43,12,029</b>
Add: Unamortised loan sourcing costs	13,408	12,602
Less : Revenue received in advance	(23,652)	(23,103)
<b>Total (B)</b>	<b>42,60,731</b>	<b>43,01,528</b>
<b>(C)</b>		
<b>(I) Loans in India</b>		
(i) Public sector	-	2,081
(ii) Others	44,29,060	44,60,661
<b>Gross Loans</b>	<b>44,29,060</b>	<b>44,62,742</b>
<b>Less : Impairment loss allowance</b>		
- at amortised cost		
- Stage I & II	75,371	58,412
- Stage III	82,714	92,301
<b>Loans net of impairment loss allowance</b>	<b>42,70,975</b>	<b>43,12,029</b>
Add: Unamortised loan sourcing costs	13,408	12,602
Less : Revenue received in advance	(23,652)	(23,103)
<b>Total (C) (I)</b>	<b>42,60,731</b>	<b>43,01,528</b>
<b>(II) Loans outside India</b>		
(i) Public sector	-	-
(ii) Others	-	-
<b>Total - Loans outside India</b>	<b>-</b>	<b>-</b>
<b>Total (C) (I + II)</b>	<b>42,60,731</b>	<b>43,01,528</b>



7. a. Investments in bonds, debentures and other financial instruments which, in substance, form a part of the Group's financing activities ("Credit Substitutes") have been classified under Loans . In the past these were classified as a part of Investments. Management believes that the classification results in a better presentation of the substance of these investments and is in alignment with regulatory filings.
7. b. 2. The above includes impairment allowance towards loan designated as FVTOCI amounting to Rs. 20 lakh (as on March 31, 2019 : Rs. 85 lakh)
7. c. Impairment loss allowance includes impairment loss allowance on loans under fair value through profit and loss Rs. 5 lakh (Previous year : Nil)
7. d. Impairment allowance on loan - stage I & II includes impairment allowance on loan commitments Rs. 1,726 lakh (As on March 31, 2019 1,458 lakh)
7. e. Loans given to related parties as on March 31, 2020 Rs. 60,606 lakh (as on March 31, 2019 : Rs. 90,496 lakh).
7. f. The details of Gross investments and unearned finance income in respect of assets given under finance lease are as under:

<b>PARTICULARS</b>	<b>As at March 31, 2020</b>	<b>As at March 31, 2019</b>
<b>Gross Investments:</b>		
- Within one year	27,370	22,414
- Later than one year and not later than five years	52,656	33,889
- Later than five years	1,288	330
<b>Total</b>	<b>81,314</b>	<b>56,633</b>
<b>Unearned Finance Income:</b>		
- Within one year	6,282	4,576
- Later than one year and not later than five years	8,676	4,788
- Later than five years	97	56
<b>Total</b>	<b>15,055</b>	<b>9,420</b>
<b>Present Value of Rentals *:</b>		
- Within one year	21,088	17,838
- Later than one year and not later than five years	43,980	29,101
- Later than five years	1,191	274
<b>Total</b>	<b>66,259</b>	<b>47,213</b>

\* Present Value of Rentals represent the Current Future Outstanding Principal.

# Tata Capital Financial Services Limited

## Notes forming part of the Consolidated Financial Statements (Continued)

as at March 31, 2020

(Rs. in lakh)

### 8. INVESTMENTS

PARTICULARS		As at March 31, 2020	As at March 31, 2019
<b>Investments in India</b>			
(A)	<b>Investments carried at fair value through profit or loss</b>		
	Fully paid equity shares (quoted)	9,042	24,029
	Fully paid equity shares (unquoted)	3,356	3,503
	Investment in preference shares	-	3,500
	Mutual and other funds (quoted)	50	53
	Mutual and other funds (unquoted)	1,547	1,273
	Security receipts	419	125
		<b>14,414</b>	<b>32,483</b>
(B)	<b>Investments carried at cost</b>		
	<b>Associates companies</b>		
	Fully paid equity shares (unquoted)	6,261	6,261
	Less: Diminution in value of investments	1,535	585
	Net Carrying value of investments	<b>4,726</b>	<b>5,676</b>
	<b>Total Investments</b>	<b>19,140</b>	<b>38,159</b>

The market value of quoted investment is equal to the book value.

Note : There are no investments outside India.

# Tata Capital Financial Services Limited

## Notes forming part of the Consolidated Financial Statements (Continued)

as at March 31, 2020

(Rs. in lakh)

### 8 a. Scrip-wise details of Investments:

PARTICULARS	Face value Per Unit (in Rs)	As at March 31, 2020		As at March 31, 2019	
		No. of Units	Rs in lakh	No. of Units	Rs in lakh
<b>(A) Investments carried at cost</b>					
<b>Associates companies</b>					
<b>Fully paid equity shares (unquoted)</b>					
Fincare Business Services Limited #	1	25,47,910	858	2,54,791	772
Shriram Properties Limited	10	22,23,569	3,935	22,23,569	3,935
TVS Supply Chain Solutions Limited	10	2,17,325	1,468	2,17,325	1,554
			6,261		6,261
Less: Diminution in value of investments			1,535		585
			4,726		5,676
<b>(B) Investments carried at fair value through profit or loss</b>					
<b>Mutual and other funds (quoted)</b>					
HDFC Debt Fund For Cancer Cure	1000	5,00,000	50	5,00,000	53
			50		53
<b>Mutual and other funds (unquoted)</b>					
Tata Liquid Fund Regular Plan - Growth	1000	49,670	1,547	43,423	1,273
			1,547		1,273
<b>Fully paid equity shares (quoted)</b>					
Hindustan Unilever Limited	1	2,000	46	2,000	34
Praj Industries Limited	2	1,32,56,223	7,297	1,32,56,223	20,560
The New India Assurance Company Limited	5	10,83,376	1,217	10,83,376	2,056
3i Infotech Limited	10	2,32,80,000	303	2,32,80,000	896
Consolidated Construction Consortium Limited	2	4,16,472	-	4,16,472	8
Diamond Power Infra Limited	10	16,31,881	6	16,31,881	26
Gol Offshore Limited	10	6,44,609	-	6,44,609	-
Commercial Engineers & Body Builder Company Limited	10	21,85,192	173	21,85,192	436
IVRCL Limited	2	15,94,857	-	15,94,857	13
			9,042		24,029
<b>Fully paid equity shares (unquoted)</b>					
Aricent Technologies Holdings Limited *	10	8	0	8	0
International Asset Reconstruction Company Private Limited	10	1,39,46,295	3,356	1,39,46,295	3,503
SKS Ispat & Power Limited *	10	3,39,31,831	-	3,39,31,831	-
Coastal Projects Limited *	10	59,62,855	-	41,01,806	-
Tata Tele Services Limited *	10	6,22,50,000	-	6,22,50,000	0
			3,356		3,503
<b>Security Receipts</b>					
International Asset Reconstruction Company Private Limited	1000	1,04,135	419	1,04,135	125
			419		125
<b>Fully paid investment in Preference Shares (Non-Trade)</b>					
Kotak Mahindra Bank Limited	5	-	-	7,00,00,000	3,500
Bharti Airtel Limited *	100	5	-		-
Bharti Hexacom Limited *	100	5	-		-
			-		3,500
			-		-
<b>Total Investments</b>			<b>19,140</b>		<b>38,159</b>

\* Amount less than Rs. 50,000.

# During the year ended March 31, 2020, the face value of equity shares is Re.1 as compared to previous year face value of Rs. 10.

# Tata Capital Financial Services Limited

## Notes forming part of the Consolidated Financial Statements (Continued)

as at March 31, 2020

(Rs. in lakh)

### 9. OTHER FINANCIAL ASSETS

PARTICULARS	As at March 31, 2020	As at March 31, 2019
(a) Security deposits	6,747	6,912
(b) Advances recoverable from related parties	506	420
(c) Pass Through Certificate application money (refundable)	-	10,599
(d) Receivable on sale/redemption of investment	162	162
Less : Provision for receivable on sale/redemption of investment	(162)	(162)
Net receivable on sale/redemption of investment	-	-
(e) Income accrued but not due	6,888	6,433
(f) Advances to employees	309	563
(g) Receivable under letter of credit/buyer's credit facility	29,369	14,617
(h) Other receivables	896	1,073
<b>Total</b>	<b>44,715</b>	<b>40,617</b>

# Tata Capital Financial Services Limited

## Notes forming part of the Consolidated Financial Statements (Continued)

as at March 31, 2020

(Rs. in lakh)

### 10. PROPERTY, PLANT AND EQUIPMENT

Particulars	Gross Block					Accumulated depreciation and amortisation				Net Carrying Value
	Opening balance as at April 1, 2019	Additions/ Adjustments	Deletions	Written off during the year*	Closing balance as at March 31, 2020	Opening balance as at April 1, 2019	Depreciation/ Amortisation for the year	Deletions/ Adjustments	Closing balance as at March 31, 2020	As at March 31, 2020
TANGIBLE ASSETS										
Buildings #	3,677	-	-	-	3,677	400	200	-	600	3,077
	3,677	-	-	-	3,677	200	200	-	400	3,277
Leasehold Improvements	2,253	280	97	-	2,436	993	389	90	1,292	1,144
	2,054	266	67	-	2,253	545	479	31	993	1,260
Furniture & Fixtures	767	146	26	-	887	256	177	13	420	467
	652	134	19	-	767	136	127	7	256	511
Computer Equipment	3,624	1,003	105	3	4,519	1,446	1,088	106	2,428	2,091
	2,600	1,026	2	-	3,624	604	843	1	1,446	2,178
Office Equipment	1,025	288	25	-	1,288	420	282	14	688	600
	689	364	28	-	1,025	202	229	11	420	605
Plant & Machinery	240	-	7	-	233	91	40	5	126	107
	255	-	15	-	240	52	46	7	91	149
Vehicles	462	223	113	2	570	213	139	97	255	315
	483	176	197	-	462	167	144	98	213	249
Right of use asset	-	11,617	46	-	11,571	-	2,839	7	2,832	8,739
	-	-	-	-	-	-	-	-	-	-
ASSETS GIVEN UNDER OPERATING LEASE/RENTAL										
Construction Equipment	15,145	2,356	1,818	-	15,683	5,289	6,318	1,294	10,313	5,370
	12,219	3,296	370	-	15,145	2,642	2,803	156	5,289	9,856
Vehicles	4,256	331	650	-	3,937	1,801	1,447	396	2,852	1,085
	2,351	2,294	389	-	4,256	698	1,353	250	1,801	2,455
Plant & Machinery	65,174	12,839	1,468	55	76,490	16,692	13,907	1,370	29,229	47,261
	32,711	34,031	1,568	-	65,174	6,415	11,018	741	16,692	48,482
Computer Equipment	19,827	10,507	3,826	-	26,508	11,041	5,502	3,352	13,191	13,317
	15,018	6,097	1,288	-	19,827	6,583	5,562	1,104	11,041	8,786
Furniture & Fixtures	1,166	299	149	6	1,310	572	340	145	767	543
	957	252	43	-	1,166	296	317	41	572	594
Office Equipments	3,532	234	899	11	2,856	1,438	758	874	1,322	1,534
	1,438	2,194	100	-	3,532	785	749	96	1,438	2,094
Railway Wagons	15,010	-	-	-	15,010	5,331	2,750	-	8,081	6,929
	14,957	53	-	-	15,010	2,580	2,751	-	5,331	9,679
Electrical Installation & Equipments	1,847	209	4	1	2,051	535	439	4	970	1,081
	1,074	773	-	-	1,847	228	307	-	535	1,312
TANGIBLE ASSETS - TOTAL	1,38,005	40,332	9,233	78	1,69,026	46,518	36,615	7,767	75,366	93,660
	91,135	50,956	4,086	-	1,38,005	22,133	26,928	2,543	46,518	91,487

# Tata Capital Financial Services Limited

## Notes forming part of the Consolidated Financial Statements (Continued)

as at March 31, 2020

(Rs. in lakh)

### 10. PROPERTY, PLANT AND EQUIPMENT (Continued)

(Rs. in lakh)

Particulars	Gross Block					Accumulated depreciation and amortisation				Net Carrying Value	
	Opening balance as at April 1, 2019	Additions/ Adjustments	Deletions	Written off during the year*	Closing balance as at March 31, 2020	Opening balance as at April 1, 2019	Depreciation/ Amortisation for the year	Deletions/ Adjustments	Closing balance as at March 31, 2020	As at March 31, 2020	As at March 31, 2020
<b>INTANGIBLE ASSETS</b>											
<b>(other than internally generated)</b>											
Goodwill	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
Software	3,129	421	5	-	3,545	950	564	5	1,509	2,036	2,036
	2,770	359	-	-	3,129	455	495	-	950	2,179	2,179
<b>INTANGIBLE ASSETS - TOTAL</b>	<b>3,129</b>	<b>421</b>	<b>5</b>	<b>-</b>	<b>3,545</b>	<b>950</b>	<b>564</b>	<b>5</b>	<b>1,509</b>	<b>2,036</b>	<b>2,036</b>
	2,770	359	-	-	3,129	455	495	-	950	2,179	2,179
<b>Total</b>	<b>1,41,134</b>	<b>40,753</b>	<b>9,238</b>	<b>78</b>	<b>1,72,571</b>	<b>47,468</b>	<b>37,179</b>	<b>7,772</b>	<b>76,875</b>	<b>95,696</b>	<b>95,696</b>
	93,905	51,315	4,086	-	1,41,134	22,588	27,423	2,543	47,468	93,666	93,666

Figures in italics relate to March 31, 2019

# Immovable property having net carrying value amounting to Rs. 23 lakh and assets given under operating lease amounting to Rs. 77,143 lakh is hypothecated against borrowings, refer notes 14.1 and 35(B)(iii).

# Tata Capital Financial Services Limited

## Notes forming part of the Consolidated Financial Statements (Continued)

as at March 31, 2020

(Rs. in lakh)

### 11. OTHER NON-FINANCIAL ASSETS (UNSECURED - CONSIDERED GOOD)

PARTICULARS	As at	As at
	March 31, 2020	March 31, 2019
(a) Capital advances	15,650	22,640
(b) Prepaid expenses	1,227	2,116
(c) Balances with government authorities	11,419	10,163
(d) Non Current Assets held-for-sale	4,433	4,931
Less : Provision for receivable on sale/redemption of investment	4,433	4,931
Net non current asset held-for-sale	-	-
(e) Other advances	341	221
<b>Total</b>	<b>28,637</b>	<b>35,140</b>

# Tata Capital Financial Services Limited

## Notes forming part of the Consolidated Financial Statements (Continued)

as at March 31, 2020

(Rs. in lakh)

### 12. (i) INCOME TAXES

#### CURRENT TAX ASSET (NET)

PARTICULARS	As at March 31, 2020	As at March 31, 2019
Advance tax and tax deducted at source (net of provision for tax Rs. 135,653 lakh (Previous year: Rs. 112,852)	12,703	8,797
<b>Total</b>	<b>12,703</b>	<b>8,797</b>

A The income tax expense consist of the following:

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
<b>Current tax:</b>		
Current tax expense for the year	20,082	23,391
Current tax expense / (benefit) pertaining to prior years	(398)	-
	<b>19,684</b>	<b>23,391</b>
<b>Deferred tax benefit</b>		
Origination and reversal of temporary differences	(3,939)	(1,131)
Change in tax rates	18,144	(609)
	<b>14,205</b>	<b>(1,740)</b>
<b>Total income tax expense recognised in the year</b>	<b>33,889</b>	<b>21,651</b>

The reconciliation of estimated income tax expense at statutory income tax rate income tax expense reported in statement of profit and loss is as follows:

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Profit before income taxes	45,250	65,361
Indian statutory income tax rate	25.168%	34.944%
Expected income tax expense	11,388	22,841
<b>Tax effect of adjustments to reconcile expected income tax expense to reported income tax expense:</b>		
Income exempt from tax	(148)	(270)
Non deductible expenses	4,505	2,696
Tax on income at different rates	-	(3,007)
Change in tax rates	18,144	(609)
<b>Total income tax expense</b>	<b>33,889</b>	<b>21,651</b>

#### Note:

The Group's reconciliation of the effective tax rate is based on its domestic tax rate applicable to respective financial years.



# Tata Capital Financial Services Limited

## Notes forming part of the Consolidated Financial Statements (Continued)

as at March 31, 2020

(Rs. in lakh)

### 12. (i) INCOME TAXES

#### B. Amounts recognised in OCI

(Rs. in lakh)	Before tax	For the year ended March 31, 2020 Tax (expense) benefit	Net of tax	Before tax	For the year ended March 31, 2019 Tax (expense) benefit	Net of tax
<b>Items that will not be reclassified to profit or loss</b>						
Remeasurements of defined benefit liability (asset)	(775)	195	(580)	(548)	191	(357)
<b>Items that are or may be reclassified subsequently to profit or loss</b>						
Fair value gain on Financial Assets carried at FVTOCI	(258)	65	(193)	283	(99)	184
The effective portion of gains and loss on hedging instruments in a cash flow hedge	(784)	197	(587)	-	-	-
	<b>(1,817)</b>	<b>457</b>	<b>(1,360)</b>	<b>(265)</b>	<b>92</b>	<b>(173)</b>

The Government of India, on September 20, 2019, vide the Taxation Laws (Amendment) Ordinance dated September 20, 2019 inserted a new section 115BAA in the Income Tax Act, 1961, which provides an option to the Company for paying income tax at reduced rates as per the provisions / conditions defined in the said section. The Company has a one-time option to opt for a reduced maximum marginal tax rate (MMR) of 25.17% (Base tax - 22%, Surcharge - 10% and Health & education cess - 4%) instead of 34.94% (Base tax - 30%, Surcharge - 12% and Health & education cess - 4%) in the current financial year or in the future financial years. As on March 31, 2020, the Company has elected to exercise the option of lower MMR, accordingly there is charge of Rs. 12,104 lakh in the statement of profit and loss for the year ended March 31, 2020 comprising of charge of Rs. 18,144 lakh on account of re-measurement of opening deferred tax asset (DTA) offset by a gain arising due to reduction in income tax rate of Rs 6,040 lakh.

The Group pays dividend distribution tax (DDT) on the dividends declared as required by section 115-O of the Income Tax Act, 1961. The Group has paid DDT of Rs. 1,568 lakh (Previous year : Rs. 2,413 lakh).

# Tata Capital Financial Services Limited

## Notes forming part of the Consolidated Financial Statements (Continued)

as at March 31, 2020

(Rs. in lakh)

### 12. (ii) DEFERRED TAX ASSET

The major components of deferred tax assets and liabilities for the year ended March 31, 2020 are as follows:

Particulars	Opening Balance	Recognised / reversed through profit and loss	Change in Tax Rate	Recognised directly in equity	Recognised / reclassified from other comprehensive income	Closing Balance
<b>Deferred Tax Assets :-</b>						
(a) Impairment loss allowance - Stage III	30,872	(2,469)	(8,636)	-	-	19,767
(b) Impairment loss allowance - Stage I & II	20,403	4,252	(5,709)	-	-	18,946
(d) Employee benefits	444	56	(124)	-	-	376
(e) Deferred income	9,729	(874)	(2,722)	-	-	6,133
(f) Other deferred tax assets	2,744	(248)	(768)	-	-	1,728
(g) Depreciation on property, plant, equipment & intangibles	2,811	2,632	(786)	-	-	4,657
(h) Right to use asset	-	137	-	406	-	543
(i) OCI - cash flow hedge	-	-	-	-	197	197
<b>Deferred Tax Liabilities :-</b>						
(a) Debenture issue expenses	(2,149)	(14)	601	-	-	(1,562)
(b) Investments measured at fair value	(530)	468	-	-	-	(62)
(c) Loans measured at FVTOCI*	-	-	0*	-	65	65
<b>Net Deferred Tax Asset</b>	<b>64,324</b>	<b>3,940</b>	<b>(18,144)</b>		<b>262</b>	<b>50,788</b>

\* Amount less than Rs. 50,000.

The major components of deferred tax assets and liabilities for the year ended March 31, 2019 are as follows:

Particulars	Opening Balance	Recognised / reversed through profit and loss	Change in Tax Rate	Recognised directly in equity	Recognised / reclassified from other comprehensive income	Closing Balance
<b>Deferred Tax Assets :-</b>						
(a) Impairment loss allowance - Stage III	35,861	(5,337)	348	-	-	30,872
(b) Impairment loss allowance - Stage I & II	17,151	3,115	167	-	(30)	20,403
(d) Employee benefits	330	111	3	-	-	444
(e) Deferred income	7,515	2,223	73	-	(82)	9,729
(f) Other deferred tax assets	2,150	573	21	-	-	2,744
(g) Depreciation on property, plant, equipment & intangibles	228	2,581	2	-	-	2,811
<b>Deferred Tax Liabilities :-</b>						
(a) Debenture issue expenses	(478)	(1,666)	(5)	-	-	(2,149)
(b) Investments measured at fair value	(60)	(469)	(1)	-	-	(530)
(c) Loans measured at FVTOCI	(13)	-	-	-	13	-
<b>Net Deferred Tax Asset</b>	<b>62,684</b>	<b>1,131</b>	<b>608</b>	<b>-</b>	<b>(99)</b>	<b>64,324</b>

Gross deferred tax assets and liabilities are as follows:

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
<b>Deferred Tax Assets :-</b>		
(a) Impairment loss allowance - Stage III	19,767	30,872
(b) Impairment loss allowance - Stage I & II	18,946	20,403
(d) Employee benefits	376	444
(e) Deferred income	6,133	9,729
(f) Other deferred tax assets	1,728	2,744
(g) Depreciation on property, plant & equipment	4,657	2,811
(h) Right to use asset	543	-
(i) OCI - cash flow hedge	197	-
<b>Deferred Tax Liabilities :-</b>		
(a) Debenture issue expenses	(1,562)	(2,149)
(c) Fair value of investments	(62)	(530)
(d) Loans measured at FVTOCI	65	-
<b>Net Deferred Tax Asset</b>	<b>50,788</b>	<b>64,324</b>

# Tata Capital Financial Services Limited

## Notes forming part of the Consolidated Financial Statements (Continued)

as at March 31, 2020

(Rs. in lakh)

### 13. TRADE PAYABLES

#### (i). Total outstanding dues of creditors other than micro enterprises and small enterprises

PARTICULARS	As at March 31, 2020	As at March 31, 2019
(a) Others		
(i) Accrued expenses	25,727	29,708
(ii) Payable to dealers/vendors/customer	19,768	25,440
(iii) Others	607	762
<b>Total</b>	<b>46,102</b>	<b>55,910</b>

Note - The information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Group. The amount of principal and interest outstanding during the year is given below :

#### (ii). Total outstanding dues of micro enterprises and small enterprises

PARTICULARS	As at March 31, 2020	As at March 31, 2019
(a) The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year	50	-
(b) The amount of interest paid by the buyer in terms of section 16, of the Micro Small and Medium Enterprise Development Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year	-	-
(c) 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 Micro Small and Medium Enterprise Development Act, 2006	-	-
(d) The amount of interest accrued and remaining unpaid at the end of each accounting year;	-	-
(e) The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the Micro Small and Medium Enterprise Development Act, 2006	-	-
<b>Total</b>	<b>50</b>	<b>-</b>

# Tata Capital Financial Services Limited

## Notes forming part of the Consolidated Financial Statements (Continued)

as at March 31, 2020

(Rs. in lakh)

### 14. DEBT SECURITIES

PARTICULARS	As at March 31, 2020	As at March 31, 2019
<b>DEBT SECURITIES In India</b>		
<b>At amortised cost</b>		
<b>Secured</b>		
Privately Placed Non-Convertible Debentures (Refer note 14.1 below) [Net of unamortised discount of Rs. 17 lakh (March 31, 2019 : 47 lakh) and premium of Rs. 1,391 lakh (March 31, 2019 : Rs. 307 lakh)]	9,19,751	12,21,527
Public issue of Non-Convertible Debentures (Refer notes 14.2 below)	4,93,423	2,95,827
<b>Unsecured</b>		
(i) Privately Placed Non-Convertible Debentures	33,584	91,795
(ii) Commercial paper (Refer note 14.3 below) [Net of unamortised discount of Rs. 8,237 lakh (March 31, 2019 : Rs. 13,068 lakh)]	3,81,252	6,32,422
<b>DEBT SECURITIES Outside India</b>	-	-
<b>Total</b>	<b>18,28,010</b>	<b>22,41,571</b>

#### Notes

- 14.1.** Privately Placed Non-Convertible Debentures are secured by pari passu charge on the specific immovable property, specified receivables arising out of loan, lease, hire purchase transactions and to the extent of shortfall in asset cover by a pari passu charge on the current assets of the Group.
- 14.2.** Public issue of Non-Convertible Debentures are secured by a pari passu charge on the specific immovable property, receivables against unsecured loans, bills discounted and trade advances and other current assets of the Group.
- 14.3.** Discount on commercial paper varies between 5.64 % to 8.02% (March 31, 2019 : 6.86 % to 9.19%) and are repayable at maturity ranging between 3 and 12 months from the date of respective commercial paper.
- 14.4.** Debt securities are not issued to related parties.

# Tata Capital Financial Services Limited

## Notes forming part of the Consolidated Financial Statements (Continued)

as at March 31, 2020

(Rs. in lakh)

### 14.5. Particulars of Privately Placed Secured Non-Convertible Debentures ("NCDs") outstanding as on March 31, 2020

Description of NCDs	Issue Date	Redemption Date	As at March 31, 2020*		As at March 31, 2019*	
			Number of NCDs	Rs in lakh	Number of NCDs	Rs in lakh
TCFSL NCD 'L' FY 2019-20	06-Mar-20	06-Mar-30	10,000	1,00,000	-	-
TCFSL NCD 'H' FY 2019-20	06-Nov-19	06-Nov-29	1,000	10,000	-	-
TCFSL NCD 'F' FY 2019-20 Option - I	20-Jun-19	20-Jun-29	2,730	27,300	-	-
TCFSL NCD 'F' FY 2019-20 Op-I Reissuance 1	19-Jul-19	20-Jun-29	1,000	10,000	-	-
TCFSL NCD "H" FY 2018-19 - Option II	19-Dec-18	19-Dec-28	1,120	11,200	1,120	11,200
TCFSL NCD "H" FY 2018-19 - Option II - 1 Reissuance on Premium	03-Jan-19	19-Dec-28	230	2,300	230	2,300
TCFSL NCD "E" FY 2019-20 Option - I	04-Jun-19	15-Jan-25	300	3,000	-	-
TCFSL NCD "E" FY 2019-20 Option - I Reissuance 1	26-Feb-20	15-Jan-25	350	3,500	-	-
TCFSL NCD AF FY 2014-15-Option-I	08-Dec-14	08-Dec-24	600	6,000	600	6,000
TCFSL NCD AF FY 2014-15-Option-I	08-Dec-14	08-Dec-24	150	1,500	150	1,500
TCFSL NCD AA FY 2014-15	20-Nov-14	20-Nov-24	950	9,500	950	9,500
TCFSL NCD "F" FY 2019-20 Option - II	20-Jun-19	20-Jun-24	885	8,850	-	-
TCFSL NCD 'F' FY 2019-20 Op-II Reissuance 1	10-Jul-19	20-Jun-24	1,000	10,000	-	-
TCFSL NCD "D" FY 2019-20	27-May-19	27-May-24	2,180	21,800	-	-
TCFSL NCD "H" FY 2018-19 - Option I	19-Dec-18	19-Dec-23	1,940	19,400	1,940	19,400
TCFSL NCD "H" FY 2018-19 - Option I - 1 Reissuance on Premium	03-Jan-19	19-Dec-23	975	9,750	975	9,750
TCFSL NCD "H" FY 2018-19 - Option I - 2 Reissuance on Premium	15-Feb-19	19-Dec-23	300	3,000	300	3,000
TCFSL NCD "H" FY 2018-19 - Option II - 1 Reissuance on Premium	15-Feb-19	19-Dec-23	550	5,500	550	5,500
TCFSL NCD "P" FY 2017-18	22-Jan-18	20-Jan-23	480	4,800	480	4,800
TCFSL NCD "P" FY 2017-18 Reissuance no 1	12-Feb-20	20-Jan-23	1,250	12,500	-	-
TCFSL Market Link NCD Tranche "B" FY 2018-19	20-Mar-19	05-Dec-22	2,500	25,000	2,500	25,000
TCFSL Market Linked Tranche 'B' 2018-19 Reissuance 1	20-Sep-19	05-Dec-22	50	500	-	-
TCFSL NCD "AH" FY 2012-13	05-Sep-12	05-Sep-22	500	5,000	500	5,000
TCFSL NCD "B" FY 2019-20	14-May-19	06-Jul-22	210	2,100	-	-
TCFSL NCD "T" FY 2018-19	03-Jan-19	10-Jun-22	400	4,000	400	4,000
TCFSL NCD 'T' FY 2018-19 Reissuance no 1	27-Sep-19	10-Jun-22	100	1,000	-	-
TCFSL NCD 'T' FY 2019-20	10-Dec-19	10-Jun-22	250	2,500	-	-
TCFSL NCD 'J' FY 2019-20	30-Jan-20	29-Apr-22	2,000	20,000	-	-
TCFSL NCD "A" FY 2019-20	25-Apr-19	25-Apr-22	500	5,000	-	-
TCFSL Market Linked Tranche 'A' 2018-19 Tranch-III	27-Feb-19	14-Apr-22	137	1,370	137	1,370
TCFSL Market Linked Tranche 'A' 2018-19 Tranch-III Reissuance 1	12-Mar-19	14-Apr-22	159	1,590	159	1,590
TCFSL Market Linked Tranche 'A' 2018-19 Tranch-III Reissuance 2	26-Apr-19	14-Apr-22	100	1,000	-	-
TCFSL Market Linked Tranche 'A' 2018-19 Tranch-III Reissuance 3	07-Jun-19	14-Apr-22	175	1,750	-	-
TCFSL Market Linked Tranche 'A' 2018-19 Tranch-III Reissuance 4	05-Feb-20	14-Apr-22	200	2,000	-	-
TCFSL NCD "D" FY 2018-19	22-Oct-18	08-Apr-22	1,120	11,200	1,120	11,200
TCFSL NCD "D" FY 2018-19 Further issue Annual Compounding Prem	23-Jan-19	08-Apr-22	485	4,850	485	4,850
TCFSL NCD "AL" FY 2016-17	31-Mar-17	31-Mar-22	400	4,000	400	4,000
TCFSL NCD "N" FY 2018-19 - Option II	27-Mar-19	25-Mar-22	2,825	28,250	2,825	28,250
TCFSL NCD "T" FY 2017-18	20-Jul-17	28-Feb-22	750	7,500	750	7,500
TCFSL NCD "M" FY 2018-19	21-Feb-19	21-Feb-22	500	5,000	500	5,000
TCFSL NCD "K" FY 2017-18	16-Aug-17	14-Jan-22	750	7,500	750	7,500
TCFSL NCD "AG" FY 2016-17	28-Dec-16	28-Dec-21	2,720	27,200	2,720	27,200
TCFSL NCD "E" FY 2018-19	26-Oct-18	26-Oct-21	3,262	32,620	3,262	32,620
TCFSL NCD 'G' FY 2019-20	27-Sep-19	13-Sep-21	500	5,000	-	-
TCFSL Market Link NCD "A" FY 2019-20	02-Aug-19	02-Aug-21	344	3,440	-	-
TCFSL NCD "E" FY 2019-20 Option - II	04-Jun-19	04-Jun-21	1,080	10,800	-	-
TCFSL NCD "G" FY 2016-17	30-May-16	28-May-21	500	5,000	500	5,000
TCFSL Market Linked Tranche 'A' 2018-19 Tranch-II	27-Feb-19	14-Apr-21	1,175	11,750	1,175	11,750
TCFSL Market Linked Tranche 'A' 2018-19 Tranch-II Reissuance 1	12-Mar-19	14-Apr-21	385	3,850	385	3,850
TCFSL Market Linked Tranche 'A' 2018-19 Tranch-II Reissuance 2	29-Mar-19	14-Apr-21	260	2,600	260	2,600
TCFSL Market Linked Tranche 'A' 2018-19 Tranch-II Reissuance 3	26-Apr-19	14-Apr-21	60	600	-	-
TCFSL Market Linked Tranche 'A' 2018-19 Tranch-II Reissuance 4	07-Jun-19	14-Apr-21	425	4,250	-	-
TCFSL Market Linked Tranche 'A' 2018-19 Tranch-II Reissuance 5	28-Jun-19	14-Apr-21	100	1,000	-	-
TCFSL Market Linked Tranche 'A' 2018-19 Tranch-II Reissuance 6	13-Sep-19	14-Apr-21	465	4,650	-	-
TCFSL NCD "N" FY 2018-19 - Option I	27-Mar-19	26-Mar-21	5,250	52,500	5,250	52,500

# Tata Capital Financial Services Limited

## Notes forming part of the Consolidated Financial Statements (Continued)

as at March 31, 2020

(Rs. in lakh)

### 14.5. Particulars of Privately Placed Secured Non-Convertible Debentures ("NCDs") outstanding as on March 31, 2019 (Continued)

Description of NCDs	Issue Date	Redemption Date	As at March 31, 2020*		As at March 31, 2019*	
			Number of NCDs	Rs in lakh	Number of NCDs	Rs in lakh
TCFSL NCD "N" FY 2018-19 - Option I Reissuance 1 on Premium	04-Jun-19	26-Mar-21	1,500	15,000	-	-
TCFSL NCD "AB" FY 2015-16	21-Mar-16	19-Mar-21	100	1,000	100	1,000
TCFSL NCD "K" FY 2019-20	18-Feb-20	17-Mar-21	1,000	10,000	-	-
TCFSL NCD "AA" FY 2015-16	16-Mar-16	16-Mar-21	70	700	70	700
TCFSL NCD "O" FY 2017-18	12-Jan-18	22-Jan-21	750	7,500	750	7,500
TCFSL NCD "J" FY 2018-19	10-Jan-19	11-Jan-21	250	2,500	250	2,500
TCFSL NCD "X" FY 2015-16	16-Dec-15	16-Dec-20	100	1,000	100	1,000
TCFSL NCD "C" FY 2019-20	21-May-19	25-Aug-20	500	5,000	-	-
TCFSL Market Linked Tranche 'A' 2018-19 Tranch-I	27-Feb-19	14-Aug-20	1,448	14,480	1,448	14,480
TCFSL Market Linked Tranche 'A' 2018-19 Tranch-I Reissuance 1	12-Mar-19	14-Aug-20	102	1,020	102	1,020
TCFSL Market Linked Tranche 'A' 2018-19 Tranch-I Reissuance 2	28-Mar-19	14-Aug-20	340	3,400	340	3,400
TCFSL Market Linked Tranche 'A' 2018-19 Tranch-I Reissuance 3	04-Apr-19	14-Aug-20	100	1,000	-	-
TCFSL Market Linked Tranche 'A' 2018-19 Tranch-I Reissuance 4	30-Apr-19	14-Aug-20	491	4,910	-	-
TCFSL Market Linked Tranche 'A' 2018-19 Tranch-I Reissuance 5	15-May-19	14-Aug-20	250	2,500	-	-
TCFSL Market Linked Tranche 'A' 2018-19 Tranch-I Reissuance 6	28-May-19	14-Aug-20	525	5,250	-	-
TCFSL NCD "E" FY 2017-18	06-Jul-17	06-Aug-20	500	5,000	500	5,000
TCFSL NCD "K" FY 2018-19 - Option I	16-Jan-19	15-Jul-20	3,760	37,600	3,760	37,600
TCFSL NCD "G" FY 2017-18	12-Jul-17	10-Jul-20	250	2,500	250	2,500
TCFSL NCD "G" FY 2017-18 Reissuance on Discount	10-Apr-19	10-Jul-20	1,000	10,000	-	-
TCFSL NCD "U" FY 2016-17	26-Aug-16	01-Jul-20	150	1,500	150	1,500
TCFSL NCD "L" FY 2018-19	29-Jan-19	29-Jun-20	3,500	35,000	3,500	35,000
TCFSL NCD "G" FY 2018-19	30-Nov-18	26-Jun-20	1,300	13,000	1,300	13,000
TCFSL NCD "G" FY 2018-19 Further issue - I on Par Premium	10-Jan-19	26-Jun-20	300	3,047	300	3,047
TCFSL NCD "G" FY 2018-19 Further issue - II on Par Premium	23-Jan-19	26-Jun-20	1,490	15,185	1,490	15,185
TCFSL NCD "D" FY 2017-18	09-Jun-17	09-Jun-20	10,150	1,01,500	10,150	1,01,500
TCFSL NCD "E" FY 2015-16	05-May-15	05-May-20	3,300	33,000	3,300	33,000
TCFSL NCD "F" FY 2018-19	26-Nov-18	20-Mar-20	-	-	750	7,500
TCFSL NCD "K" FY 2018-19 Op-II	16-Jan-19	20-Mar-20	-	-	4,000	40,000
TCFSL NCD "AJ" FY 2016-17	01-Mar-17	28-Feb-20	-	-	250	2,500
TCFSL NCD "Q" FY 2017-18	24-Jan-18	24-Jan-20	-	-	7,000	70,000
TCFSL NCD "C" FY 2018-19	19-Jul-18	20-Jan-20	-	-	3,950	39,500
TCFSL NCD "C" FY 2018-19 Further Issuance Discount	06-Dec-18	20-Jan-20	-	-	2,300	23,000
TCFSL NCD "B" FY 2018-19	29-Jun-18	27-Dec-19	-	-	1,850	18,500
TCFSL NCD "B" FY 2018-19 Further Issuance Discount	05-Jul-18	27-Dec-19	-	-	1,800	18,000
TCFSL NCD "T" FY 2016-17 Op-II	10-Jun-16	23-Dec-19	-	-	130	1,300
TCFSL NCD "AE" FY 2016-17	16-Nov-16	16-Dec-19	-	-	750	7,500
TCFSL NCD "AD" FY 2016-17	10-Nov-16	10-Dec-19	-	-	230	2,300
TCFSL NCD "AC" FY 2016-17	27-Oct-16	25-Oct-19	-	-	350	3,500
TCFSL NCD "L" FY 2017-18	29-Sep-17	27-Sep-19	-	-	2,000	20,000
TCFSL NCD "A" FY 2018-19	19-Jun-18	19-Sep-19	-	-	5,400	54,000
TCFSL NCD "V" FY 2016-17 Op-II	31-Aug-16	30-Aug-19	-	-	250	2,500
TCFSL NCD "T" FY 2016-17	25-Aug-16	23-Aug-19	-	-	250	2,500
TCFSL NCD "J" FY 2017-18	07-Aug-17	07-Aug-19	-	-	5,500	55,000
TCFSL NCD "J" FY 2017-18 Further Issuance Premium	01-Sep-17	07-Aug-19	-	-	2,478	24,780
TCFSL NCD "P" FY 2016-17	29-Jul-16	29-Jul-19	-	-	100	1,000
TCFSL NCD "O" FY 2016-17	19-Jul-16	19-Jul-19	-	-	250	2,500
TCFSL NCD "H" FY 2017-18	18-Jul-17	18-Jul-19	-	-	5,000	50,000
TCFSL NCD "N" FY 2016-17	12-Jul-16	12-Jul-19	-	-	2,000	20,000
TCFSL NCD "F" FY 2017-18	10-Jul-17	10-Jul-19	-	-	1,000	10,000
TCFSL NCD "C" FY 2014-15 Op-II	09-Jul-14	09-Jul-19	-	-	350	3,500
TCFSL NCD "I" FY 2016-17 Op-I	10-Jun-16	24-Jun-19	-	-	250	2,500
TCFSL NCD "B" FY 2017-18	30-May-17	30-May-19	-	-	2,250	22,500
TCFSL NCD "N" FY 2017-18	29-Nov-17	29-May-19	-	-	500	5,000
TCFSL NCD "F" FY 2016-17	24-May-16	24-May-19	-	-	250	2,500
TCFSL NCD "Z" FY 2015-16	05-Feb-16	03-May-19	-	-	1,000	10,000
TCFSL NCD "D" FY 2016-17	20-Apr-16	19-Apr-19	-	-	100	1,000
TCFSL NCD "AC" FY 2015-16	31-Mar-16	18-Apr-19	-	-	213	2,130
TCFSL NCD "A" FY 2017-18	10-Apr-17	10-Apr-19	-	-	10,250	1,02,500
TCFSL NCD "B" FY 2016-17	07-Apr-16	08-Apr-19	-	-	200	2,000
<b>Total (A)</b>				<b>9,18,862</b>		<b>12,22,172</b>
Add : Unamortised premium				1,392		307
<b>Total (B)</b>				<b>1,392</b>		<b>307</b>
Less : Unamortised borrowing cost				(486)		(906)
Less : Unamortised discount				(17)		(46)
<b>Total (C)</b>				<b>(503)</b>		<b>(952)</b>
<b>TOTAL (A+B+C)</b>				<b>9,19,751</b>		<b>12,21,527</b>

\*Coupon rate of "NCDs" outstanding as on March 31, 2020 varies from 6.60% to 9.85% ( March 31, 2019 : 7.50% to 9.85%)

Note: Information about the Group's exposure to interest rate risk, and liquidity risk is included in note 31B and 31C

# Tata Capital Financial Services Limited

## Notes forming part of the Consolidated Financial Statements (Continued)

as at March 31, 2020

(Rs. in lakh)

### 14.6. Particulars of Public issue of Secured Non-Convertible Debentures outstanding as on March 31, 2020

Description of NCD	Issue Date	Redemption Date	Number of NCDs	Rs in lakh
SERIES III TRANCHE II – CATEGORY I & II.	26-Aug-19	26-Aug-27	92,48,14,000	9,248
SERIES III TRANCHE II – CATEGORY III & IV.	26-Aug-19	26-Aug-27	6,00,39,35,000	60,039
SERIES II TRANCHE II – CATEGORY I & II.	26-Aug-19	26-Aug-24	97,71,40,000	9,771
SERIES II TRANCHE II – CATEGORY III & IV.	26-Aug-19	26-Aug-24	3,40,91,75,000	34,092
TCFSL NCD Series II (2019)	27-Sep-18	27-Sep-23	7,68,789	7,688
TCFSL NCD Series II (2019)	27-Sep-18	27-Sep-23	1,45,70,710	1,45,707
SERIES I TRANCHE II – CATEGORY I & II.	26-Aug-19	26-Aug-22	96,61,34,000	9,661
SERIES I TRANCHE II – CATEGORY III & IV.	26-Aug-19	26-Aug-22	7,52,25,82,000	75,226
TCFSL NCD Series I (2019)	27-Sep-18	27-Sep-21	5,02,863	5,029
TCFSL NCD Series I (2019)	27-Sep-18	27-Sep-21	1,41,77,673	1,41,777
				<b>4,98,238</b>
Less: Unamortised borrowing cost				<b>(4,815)</b>
<b>Total</b>				<b>4,93,423</b>

Note : Coupon rate of above outstanding as on March 31, 2020 varies from 8.35% to 8.90%

### 14.7. Particulars of Public issue of Secured Non-Convertible Debentures outstanding as on March 31, 2019

Description of NCD	Issue Date	Redemption Date	Number of NCDs	Rs in lakh
TCFSL NCD Series II (2019)	27-Sep-18	27-Sep-23	7,68,789	7,688
TCFSL NCD Series II (2019)	27-Sep-18	27-Sep-23	1,45,70,710	1,45,707
TCFSL NCD Series I (2019)	27-Sep-18	27-Sep-21	5,02,863	5,029
TCFSL NCD Series I (2019)	27-Sep-18	27-Sep-21	1,41,77,673	1,41,776
				<b>3,00,200</b>
Less: Unamortised borrowing cost				<b>(4,373)</b>
<b>Total</b>				<b>2,95,827</b>

Note : Coupon rate of above outstanding as on March 31, 2020 varies from 8.70% to 8.90%

# Tata Capital Financial Services Limited

## Notes forming part of the Consolidated Financial Statements (Continued)

as at March 31, 2020

(Rs. in lakh)

### 14.8. Particulars of Privately Placed unsecured non-convertible debentures ("NCDs") outstanding as on March 31, 2020

Description of NCD	Issue Date	Redemption Date	Number of NCDs	Rs in lakh
TCFSL Unsecured NCD Partly paid "A" FY 2019-20	23-Mar-20	23-Mar-35	1,000	10,000
TCFSL Unsecured NCD Partly paid "A" FY 2018-19	19-Mar-19	17-Mar-34	2,360	23,600
<b>TOTAL</b>				<b>33,600</b>
<b>Less: Unamortised borrowing cost</b>				<b>(16)</b>
<b>Total</b>				<b>33,584</b>

Note : Coupon rate of above outstanding as on March 31, 2020 varies from 7.85% to 8.93%

### 14.9. Particulars of Privately Placed unsecured non-convertible debentures ("NCDs") outstanding as on March 31, 2019

Description of NCD	Issue Date	Redemption Date	Number of NCDs	Rs in lakh
TCFSL Unsecured NCD Partly paid "A" FY 2018-19	19-Mar-19	17-Mar-34	118	11,800
TCFSL Unsecured NCD A FY 2017-18	27-Jun-17	27-Jun-19	8,000	80,000
<b>TOTAL</b>				<b>91,800</b>
<b>Less: Unamortised borrowing cost</b>				<b>(5)</b>
<b>Total</b>				<b>91,795</b>

Note : Coupon rate of above outstanding as on March 31, 2019 varies from 7.90% to 8.93%



# Tata Capital Financial Services Limited

## Notes forming part of the Consolidated Financial Statements (Continued)

as at March 31, 2020

(Rs. in lakh)

### 15. BORROWINGS (OTHER THAN DEBT SECURITIES)

PARTICULARS	As at March 31, 2020	As at March 31, 2019
At amortised cost		
(a) Term loans		
Secured - In India		
From Banks (Refer note 15.1 below)	9,12,064	4,79,963
From Others (Refer note 15.1 below)	50,000	-
Secured - Outside India		
From Banks	1,78,678	-
Unsecured - In India		
From Banks (Refer note 5.4 below)	61,667	2,44,942
(b) Loans repayable on demand		
Secured		
From Banks		
(i) Working capital demand loan (Refer note 15.1 below)	4,09,000	3,05,000
(ii) Bank Overdraft (Refer note 15.1 below)	22,968	1,98,019
Unsecured		
From Banks		
(i) Working capital demand loan (Refer note 15.2 below)	2,200	35,000
(c) Loan from related parties (unsecured)		
(i) Compulsorily Convertible Cumulative Preference shares : Nil shares (March 31, 2019 : 1,889,000,000 shares) of Rs.10 each fully paid up)	-	1,88,900
(ii) Inter corporate deposits from related parties (Refer notes 15.2 below)	58,350	10,726
<b>Total</b>	<b>16,94,927</b>	<b>14,62,550</b>

#### Note:

15.1. Loans and advances from banks and others are secured by pari passu charge on the receivables of the Group through Security Trustee.

#### 15.2. Terms of repayment of borrowings and rate of interest:

As per terms of agreements loan from banks aggregating Rs. 1,154,508 lakh (Previous Year: Rs. 724,942 lakh) are repayable at maturity ranging between 12 and 49 months from the date of respective loan. Rate of interest payable on term loans varies between 7.15 % to 9.25% (March 31, 2019 : 8.10 % to 9.40%).

As per terms of agreements loan from Financial Institution aggregating Rs. 50,000 lakh (Previous Year: Rs. Nil lakh) are repayable at maturity ranging between 12 and 26 months from the date of respective loan. Rate of interest payable on term loans varies between 8.60 % to 8.60%.

Rate of interest payable on WCDL varies between 7.25 % to 8.85% (March 31, 2019 : 8.45 % to 9.05%).

Rate of interest payable on Inter-corporate deposits varies between 8.39 % to 8.39% March 31, 2019 : 8.45 % to 8.84%).

15.3. The CCCPS holders had an option to convert all or any part of the holding into equity shares at any time prior to the completion of 9 years based on the fair value to be determined by an independent valuer closer to the conversion date. In the year in which CCCPS are converted to equity shares, the dividend on such CCCPS, if declared by the Board, shall be paid on pro-rata basis. The Holding Company had converted CCCPS aggregating Rs. 65,600 lakh ( Face value Rs. 10 each aggregating Rs. 7,801 lakh) and Rs. 188,900 lakh ( Face value Rs. 10 each aggregating Rs. 22,464 lakh) on February 1, 2019 and September 30, 2019 respectively in to equity shares. The Board had not declared dividend on the CCCPS prior to conversion to equity shares.

During the previous year ended March 31, 2019, the Holding Company had issued 1,025,000,000, 8.50% Compulsorily Convertible Cumulative Preference Shares ("CCCPS") of face value Rs. 10/- each aggregating Rs. 1,025 crore, which were mandatorily convertible into equity shares after the completion of 9 years from the date of allotment. The CCCPS holders had a right to receive dividend, prior to the equity shareholders. The dividend proposed by the Board of Directors on the CCCPS was subject to the approval of the shareholders at an Annual General Meeting, except in case of interim dividend. In the event of liquidation, the Preference Shareholders carried a preferential right over the holder of equity shares for payment of dividend and for payment of capital, in proportion to their shareholding.

15.4. The CCCPS holders may, at any time prior to the aforesaid period of conversion, make such request to convert all or any part of its holding into Equity Shares.

a) During the year ended March 31, 2020, the Holding Company had declared and paid on June 26, 2019, an interim dividend for financial year 2019-20 on Compulsorily Convertible Cumulative Preference Shares aggregating to Rs. 2,739 lakh and dividend distribution tax thereon of Rs. 563 lakh.

b) During the previous year ended March 31, 2019, the Holding Company had declared and paid on March 26, 2019, an interim dividend for financial year 2018-19 on Compulsorily Convertible Cumulative Preference Shares aggregating to Rs. 11,673 lakh and dividend distribution tax thereon of Rs. 2,399 lakh.

15.5. The Group has not defaulted in the repayment of debt securities, borrowings (other than debt securities), subordinated liabilities and interest thereon for the year ended March 31, 2020 and March 31, 2019.

# Tata Capital Financial Services Limited

## Notes forming part of the Consolidated Financial Statements (Continued)

as at March 31, 2020

(Rs. in lakh)

### 16. SUBORDINATED LIABILITIES

PARTICULARS	As at March 31, 2020	As at March 31, 2019
At amortised cost		
Unsecured		
Debentures		
Non-Convertible Subordinated Debentures [Net of unamortised discount of Rs. 10 lakh (March 31, 2019 : Rs. 357 lakh) and premium of Rs. 110 lakh (March 31, 2019 : Nil)]	2,04,389	2,38,374
Non-Convertible Perpetual Debentures	91,443	91,386
<b>Total</b>	<b>2,95,832</b>	<b>3,29,760</b>

#### Note:

1. Non-convertible perpetual debentures includes debentures subscribed by related parties Rs. 12,500 lakh ( Previous year : 12,500 lakh)
2. All the subordinated liabilities have been borrowed in India.

# Tata Capital Financial Services Limited

## Notes forming part of the Consolidated Financial Statements (Continued)

as at March 31, 2020

(Rs. in lakh)

### 16.1. Particulars of Subordinated unsecured non-convertible debentures ("NCDs") outstanding as on March 31, 2020

Description of NCDs	Issue Date	Redemption Date	As at March 31, 2020*		As at March 31, 2019*	
			Number of NCDs	Rs in lakh	Number of NCDs	Rs in lakh
TCFSL Tier-II Bond "B" FY 2019-20	13-Nov-19	13-Nov-29	1,000	10,000	-	-
TCFSL Tier-II Bond "B" FY 2019-20 Premium Reissuance 1	03-Jan-20	13-Nov-29	700	7,000	-	-
SERIES IV TRANCHE II – CATEGORY I & II.	26-Aug-19	26-Aug-29	46,500	465	-	-
SERIES IV TRANCHE II – CATEGORY III & IV.	26-Aug-19	26-Aug-29	17,26,973	17,270	-	-
TCFSL Tier-II Bond "A" FY 2019-20	16-Apr-19	16-Apr-29	200	2,000	-	-
TCFSL Tier II NCD "A" FY 2019-20 Discount Reissuance 1	13-Jun-19	16-Apr-29	650	6,500	-	-
TCFSL Tier II NCD "A" FY 2019-20 Premium Reissuance 2	26-Jun-19	16-Apr-29	1,000	10,000	-	-
TCFSL Tier II NCD "A" FY 2019-20 Premium Reissuance 3	29-Jul-19	16-Apr-29	295	2,950	-	-
TCFSL Tier-II Bond "A" FY 2018-19	28-Dec-18	28-Dec-28	2,000	20,000	2,000	20,000
TCFSL NCD Series III (2019)	27-Sep-18	27-Sep-28	2,95,490	2,955	2,95,490	2,955
TCFSL NCD Series III (2019)	27-Sep-18	27-Sep-28	34,18,488	34,185	34,18,488	34,185
TCFSL Tier-II Bond "B" FY 2016-17	26-Oct-16	26-Oct-26	150	1,500	150	1,500
TCFSL Tier-II Bond "A" FY 2016-17	11-Aug-16	11-Aug-26	2,000	20,000	2,000	20,000
TCFSL Tier II Bond "B" FY 2015-16	30-Mar-16	30-Mar-26	2,000	20,000	2,000	20,000
TCFSL Tier II Bond "A" FY 2015-16	22-Jul-15	22-Jul-25	900	9,000	900	9,000
TCFSL Tier II Bond "D" FY 2014-15	31-Mar-15	31-Mar-25	2,000	20,000	2,000	20,000
TCFSL Tier II Bond "C" FY 2014-15	30-Jan-15	30-Jan-25	750	7,500	750	7,500
TCFSL Tier II Bond "B" FY 2014-15	07-Jan-15	07-Jan-25	350	3,500	350	3,500
TCFSL Tier II Bond "A" FY 2014-15	26-Sep-14	26-Sep-24	1,000	10,000	1,000	10,000
TCL Tier II Bond "H" FY 2009-10	24-Dec-09	24-Dec-19	-	-	1,000	5,000
TCL Tier II Bond "G" FY 2009-10	18-Dec-09	18-Dec-19	-	-	3,000	15,000
TCL Tier II Bond "E" FY 2009-10	15-Dec-09	15-Dec-19	-	-	5,725	28,625
TCL Tier II Bond "F" FY 2009-10	30-Nov-09	30-Nov-19	-	-	1,135	5,318
TCL Tier II Bond "D" FY 2009-10	28-Oct-09	28-Oct-19	-	-	1,479	7,395
TCL Tier II Bond "C" FY 2009-10	28-Oct-09	28-Oct-19	-	-	1,580	7,900
TCL Tier II Bond "B" FY 2009-10	09-Sep-09	09-Sep-19	-	-	1,704	17,040
TCL Tier II Bond "A" FY 2009-10	04-Aug-09	04-Aug-19	-	-	391	3,910
<b>Total (A)</b>				<b>2,04,825</b>		<b>2,38,828</b>
Add : Unamortised premium				<b>110</b>		-
<b>Total (B)</b>				<b>110</b>		-
Less: Unamortised borrowing cost				<b>(536)</b>		<b>(454)</b>
Less : Unamortised discount				<b>(10)</b>		-
<b>Total (C)</b>				<b>(546)</b>		<b>(454)</b>
<b>TOTAL (A+B+C)</b>				<b>2,04,389</b>		<b>2,38,374</b>

\*Net of unamortised discount as on March 31, 2020 Rs. Nil lakh (March 31, 2019 : Rs 357 lakh)

\*Note : Coupon rate of above outstanding as on March 31, 2020 varies from 8.45% to 10.15% (March 31, 2019: 8.45% to 10.50%)

# Tata Capital Financial Services Limited

## Notes forming part of the Consolidated Financial Statements (Continued)

as at March 31, 2020

(Rs. in lakh)

### 16.2. Particulars of Perpetual unsecured non-convertible debentures ("NCDs") outstanding as on March 31, 2020

Description of NCDs	Issue Date	Redemption Date	As at March 31, 2020*		As at March 31, 2019*	
			Number of NCDs	Rs in lakh	Number of NCDs	Rs in lakh
TCFSL Perpetual 'D' FY 2017-18	26-Mar-18	26-Mar-28	1,000	10,000	1,000	10,000
TCFSL Perpetual 'D' FY 2017-18	26-Mar-18	26-Mar-28	250	2,500	250	2,500
TCFSL Perpetual 'C' FY 2017-18	11-Sep-17	11-Sep-27	930	9,300	930	9,300
TCFSL Perpetual 'B' FY 2017-18	14-Jul-17	14-Jul-27	500	5,000	500	5,000
TCFSL Perpetual 'A' FY 2017-18	21-Jun-17	21-Jun-27	500	5,000	500	5,000
TCFSL Perpetual 'C' FY 2016-17	08-Mar-17	08-Mar-27	400	4,000	400	4,000
TCFSL Perpetual 'B' FY 2016-17	13-Jan-17	13-Jan-27	100	1,000	100	1,000
TCFSL Perpetual 'A' FY 2016-17	30-Jun-16	30-Jun-26	500	5,000	500	5,000
TCFSL Perpetual E FY 2015-16	23-Mar-16	23-Mar-26	1,000	10,000	1,000	10,000
TCFSL Perpetual D FY 2015-16	09-Feb-16	09-Feb-26	1,000	10,000	1,000	10,000
TCFSL Perpetual C FY 2015-16	02-Feb-16	02-Feb-26	500	5,000	500	5,000
TCFSL Perpetual B FY 2015-16	06-Jan-16	06-Jan-26	500	5,000	500	5,000
TCFSL Perpetual A FY 2015-16	16-Jul-15	16-Jul-25	1,000	10,000	1,000	10,000
TCFSL Perpetual A FY 2013-14	27-Mar-14	27-Mar-24	1,871	9,355	1,871	9,355
TCL Perpetual D FY 2011-12	07-Nov-11	07-Nov-21	5	25	5	25
TCL Perpetual C FY 2011-12	28-Sep-11	28-Sep-21	10	50	10	50
TCL Perpetual B FY 2011-12	08-Aug-11	08-Aug-21	61	305	61	305
TCL Perpetual A FY 2011-12	05-May-11	05-May-21	20	100	20	100
TCL Perpetual B FY 2010-11	14-Jan-11	14-Jan-21	18	90	18	90
TCL Perpetual A FY 2010-11	15-Nov-10	15-Nov-20	15	75	15	75
<b>Total (A)</b>				<b>91,800</b>		<b>91,800</b>
<b>Less: Unamortised borrowing cost</b>				<b>(357)</b>		<b>(414)</b>
				<b>91,443</b>		<b>91,386</b>

\*Note : Coupon rate of above outstanding as on March 31, 2020 varies from 8.61% to 11.25% (March 31, 2019: 8.61% to 11.25%)

Description of NCDs	As at March 31, 2020*	As at March 31, 2019*
Funds Raised through Perpetual Debt Instruments	-	-
Amount outstanding at the end of year	91,800	91,800
Percentage of amount of Perpetual Debt Instruments of the amount of Tier I Capital	14.65%	16.00%
Financial year in which interest on Perpetual Debt Instruments is not paid on account of 'Lock-In Clause'.	NA	NA

# Tata Capital Financial Services Limited

## Notes forming part of the Consolidated Financial Statements (Continued)

as at March 31, 2020

(Rs. in lakh)

### 17. OTHER FINANCIAL LIABILITIES

PARTICULARS	As at March 31, 2020	As at March 31, 2019
(a) Security deposit	43,711	38,512
(b) Payable for capital expenditure	2,905	2,613
(c) Advances from customers	1,282	2,197
(d) Interest accrued but not due on borrowings	83,167	80,871
(e) Accrued employee benefit expense	4,467	8,410
(f) Unclaimed matured debentures and accrued interest thereon	34	52
(g) Payable under letter of credit/buyer's credit facility	29,369	14,617
(h) Amounts payable - assigned loans	1,134	1,443
(i) Lease payable	9,427	-
(j) Other Payables	262	-
<b>Total</b>	<b>1,75,758</b>	<b>1,48,715</b>

### 18. CURRENT TAX LIABILITIES (NET)

PARTICULARS	As at March 31, 2020	As at March 31, 2019
Provision for tax (net of advance tax Rs. 12,143 Lakh (Previous year : Rs. 10,089 Lakh)	7,745	13,110
<b>Total</b>	<b>7,745</b>	<b>13,110</b>

# Tata Capital Financial Services Limited

## Notes forming part of the Consolidated Financial Statements (Continued)

as at March 31, 2020

(Rs. in lakh)

### 19. PROVISIONS

PARTICULARS	As at	As at
	March 31, 2020	March 31, 2019
(a) Provision for gratuity	329	55
(b) Provision for compensated absences	1,492	1,271
(c) Provision for long-term service award	94	81
(d) Sundry liabilities account (interest capitalisation)	-	122
<b>Total</b>	<b>1,915</b>	<b>1,529</b>

# Tata Capital Financial Services Limited

## Notes forming part of the Consolidated Financial Statements (Continued)

as at March 31, 2020

(Rs. in lakh)

### 20. OTHER NON-FINANCIAL LIABILITIES

PARTICULARS	As at	As at
	March 31, 2020	March 31, 2019
(a) Statutory dues	3,898	3,730
(b) Revenue received in advance	897	1,599
(c) Others	852	835
<b>Total</b>	<b>5,647</b>	<b>6,164</b>

# Tata Capital Financial Services Limited

## Notes forming part of the Consolidated Financial Statements (Continued)

as at March 31, 2020

(Rs. in lakh)

### 21. SHARE CAPITAL

PARTICULARS	As at March 31, 2020	As at March 31, 2019
<b>AUTHORISED</b>		
2,500,000,000 (March 31, 2019: 2,500,000,000 shares) Equity shares of Rs.10 each	2,50,000	2,50,000
3,000,000,000 (March 31, 2019: 3,000,000,000 shares) Preference shares of Rs.10 each	3,00,000	3,00,000
	5,50,000	5,50,000
<b>ISSUED, SUBSCRIBED &amp; PAID UP</b>		
1,629,931,981 (March 31, 2019: 1,375,561,658 shares ) Equity shares of Rs.10 each fully paid up	1,62,993	1,37,556
<b>Total</b>	<b>1,62,993</b>	<b>1,37,556</b>

#### 21. (a). Reconciliation of number of equity shares outstanding

Particulars	No. of shares	Rs. in lakh
<b>Equity Shares</b>		
Opening balance as on April 01, 2018	1,29,75,50,000	1,29,755
Conversion of Compulsorily Convertible Cumulative Preference share	7,80,11,658	7,801
Closing Balance as on March 31, 2019	1,37,55,61,658	1,37,556
Conversion of Compulsorily Convertible Cumulative Preference share	22,46,40,272	22,464
Additions during the year	2,97,30,051	2,973
<b>Closing Balance as on March 31, 2020</b>	<b>1,62,99,31,981</b>	<b>1,62,993</b>

#### 21. (b). Rights, preferences and restrictions attached to shares

Equity Shares : The Holding Company has one class of equity shares having a face value of Rs.10 per share. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors, if any, is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding. Tata Sons Limited is the ultimate Holding Company.

#### 21. (c). Investment by Tata Capital Limited (Holding Company). The entire share capital is held by Tata Capital Limited and its nominees.

Name of Company	Particulars of issue	No. of shares	Rs. in lakh
Tata Capital Limited (Holding Company)			
Equity Shares	Opening Balance as on April 1, 2018	1,29,75,50,000	1,29,755
	Add: Conversion of Compulsorily Convertible Cumulative Preference share	7,80,11,658	7,801
	Closing Balance as on March 31, 2019	1,37,55,61,658	1,37,556
	Add: Conversion of Compulsorily Convertible Cumulative Preference share	22,46,40,272	22,464
	Add: Additions during the year	2,97,30,051	2,973
	<b>Closing Balance as on March 31, 2020</b>	<b>1,62,99,31,981</b>	<b>1,62,993</b>

21. (d). There are no shares in the preceding 5 years allotted as fully paid up without payment being received in cash / bonus shares / bought back.

21. (e). There are no shares reserved for issue under options and contracts/commitments for the sale of shares or disinvestment.



# Tata Capital Financial Services Limited

## Notes forming part of the Consolidated Financial Statements (Continued)

as at March 31, 2020

(Rs. in lakh)

### 22. OTHER EQUITY

PARTICULARS	As at March 31, 2020	As at March 31, 2019
(a) Securities Premium Account	3,34,897	1,46,648
(b) Debenture Redemption Reserve	30,000	30,000
(c) Special Reserve Account	51,073	46,982
(d) Surplus in Statement of Profit and Loss Profit for the year	42,583	42,419
(e) Other Comprehensive Income		
(i) Fair value gain on Financial Assets carried at FVTOCI	25	218
(ii) The effective portion of gains and loss on hedging instruments in a cost of hedge	(587)	-
(iii) Remeasurement of defined employee benefit plans	(888)	(309)
(iv) Share in other comprehensive income of Associates	16	11
(f) Share options outstanding account	495	536
(g) General Reserve	856	429
<b>Total</b>	<b>4,58,470</b>	<b>2,66,934</b>

During the year ended March 31, 2020, the Holding Company has declared and paid, an interim dividend for financial year 2019-20 on Equity Shares aggregating to Rs. 4,890 lakh and dividend distribution tax thereon of Rs. 1,005 lakh.

#### Nature and Purpose of Reserves

As part of the qualitative disclosure, Group is required to present disclosures as required by Para 79 of Ind AS 1- i.e. Nature and purpose of each reserve.

Sr. No.	Particulars	Nature and purpose of Reserves
1	Securities Premium Account	Premium received upon issuance of equity shares
2	Debenture Redemption Reserve	As per section 71(4) of the Companies Act 2013, created out of the profits of the Group available for payment of dividend and credited to such account, shall not be utilised except for redemption of debentures
3	Special Reserve Account/Statutory Reserve	As prescribed by section 45-IC of the Reserve Bank of India Act, 1934. No appropriation of any sum from the reserve fund shall be made by the Group except for the purpose as may be specified by RBI from time to time.
4	Surplus in profit and loss account	Created out of accretion of profits.
5	General Reserve	Created upon completion of the vesting period of employees stock option or upon forfeiture of options granted
6	Share Options Outstanding Account	Created upon grant of options to employees.
7	Other Comprehensive Income	Created on account of items measured through other comprehensive income

# Tata Capital Financial Services Limited

## Notes forming part of the Consolidated Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 23. INTEREST INCOME

PARTICULARS	For the year ended March 31, 2020	For the year ended March 31, 2019
<b>On Financial Assets measured at Amortised Cost</b>		
(a) Interest on loans and credit substitutes	5,45,340	4,80,387
(b) Interest income on deposits with banks	365	316
<b>On Financial Assets measured at fair value through OCI</b>		
- Interest on loans and credit substitutes	1,370	393
<b>On Financial Assets measured at fair value through profit and loss</b>		
- Interest on loans and credit substitutes *	-	-
<b>Total</b>	<b>5,47,075</b>	<b>4,81,096</b>

\* Amount less than Rs. 50,000.

### 24. DIVIDEND INCOME

PARTICULARS	For the year ended March 31, 2020	For the year ended March 31, 2019
Dividend income	590	503
<b>Total</b>	<b>590</b>	<b>503</b>

### 25. RENTAL INCOME

PARTICULARS	For the year ended March 31, 2020	For the year ended March 31, 2019
Rental Income	38,606	34,200
Branch co-sharing income	1,273	1,298
<b>Total</b>	<b>39,879</b>	<b>35,498</b>

### 26. FEES AND COMMISSION INCOME

PARTICULARS	For the year ended March 31, 2020	For the year ended March 31, 2019
(a) Foreclosure charges	6,006	5,065
(b) Fees on value added services and products	1,003	684
(c) Advisory Fees	1,394	972
(d) Others (valuation charges, PDD charges etc)	2,353	1,854
<b>Total</b>	<b>10,756</b>	<b>8,575</b>

# Tata Capital Financial Services Limited

## Notes forming part of the Consolidated Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 27. NET GAIN / (LOSS) ON FAIR VALUE CHANGES

PARTICULARS	For the year ended March 31, 2020	For the year ended March 31, 2019
(A) Net Gain / (loss) on financial instruments at fair value through profit or loss		
(i) On trading portfolio	-	-
- Investments	-	-
- Derivatives	-	-
- Others	-	-
(ii) On financial instruments designated at fair value through profit or loss	-	-
(B) Others		
- On equity securities	(15,208)	9,224
- On other financial securities	5,741	7,590
- On derivative contracts	-	-
(C) Total Net gain/(loss) on fair value changes	<b>(9,393)</b>	<b>16,814</b>
(D) Fair value changes :		
-Realised	5,369	9,087
-Unrealised	(14,762)	7,727
Total Net gain/(loss) on fair value changes	<b>(9,393)</b>	<b>16,814</b>

### 28. OTHER INCOME

PARTICULARS	For the year ended March 31, 2020	For the year ended March 31, 2019
(a) Branch advertisement income	1,020	832
(b) Income from distribution of financial products	5,491	3,790
(c) Net gain on derecognition of property, plant and equipment	671	198
(d) Interest on Income Tax Refund	-	1
(d) Miscellaneous Income	713	776
<b>Total</b>	<b>7,895</b>	<b>5,597</b>

# Tata Capital Financial Services Limited

## Notes forming part of the Consolidated Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 29. FINANCE COSTS

PARTICULARS	For the year ended March 31, 2020	For the year ended March 31, 2019
<b>At amortised cost</b>		
(a) Interest on borrowings	1,22,282	1,01,271
(b) Interest on debt securities	1,30,908	1,13,610
(c) Interest on subordinated liabilities	30,707	28,075
(d) Interest on lease liabilities	906	-
(e) Other interest expense	802	1,182
(f) Dividend on compulsorily convertible cumulative preference shares (including dividend distribution tax thereon)	3,255	14,194
(g) Discounting Charges		
(i) On commercial paper	36,456	53,675
(ii) On debentures	357	494
<b>Total</b>	<b>3,25,673</b>	<b>3,12,501</b>

### 30. EMPLOYEE BENEFIT EXPENSES

PARTICULARS	For the year ended March 31, 2020	For the year ended March 31, 2019
(a) Salaries, wages and bonus	41,217	41,275
(b) Contribution to provident and other fund	1,766	1,413
(c) Staff welfare expenses	1,167	2,128
(d) Expenses related to post-employment defined benefit plans	491	528
(e) Share based payments to employees	386	148
<b>Total</b>	<b>45,027</b>	<b>45,492</b>

The Supreme Court of India in its judgement in the case of THE REGIONAL PROVIDENT FUND COMMISSIONER (II) WEST BENGAL v/s VIVEKANANDA VIDYAMANDIR AND OTHERS on February 28, 2019 had clarified that any emolument paid universally, necessarily and ordinarily to all employees across the board was to be considered as basic wage and accordingly needs to be considered for calculation of Provident Fund contribution. The Group had made an estimate of the liability and had made a provision Rs 630 lakh as at March 31, 2019. The Group would record any further effect in its financial statements, in the period in which it receives additional clarity on the said subject.

# Tata Capital Financial Services Limited

## Notes forming part of the Consolidated Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 31. Impairment of financial instruments

PARTICULARS	For the year ended March 31, 2020		For the year ended March 31, 2019	
	On financial instruments measured at Amortised Cost		On financial instruments measured at Amortised Cost	
<b>(I) Loans and credit substitutes</b>				
(a) Impairment loss allowance on loans (Stage III)	69,745		37,354	
Less : Delinquency Support	(50)	69,695	(763)	36,591
(b) Write off - Loans and credit substitutes	79,333		51,408	
Less : Provision reversal on write off	(79,333)	-	(51,408)	-
(c) Impairment loss allowance on loans (Stage I & II)				
- at amortised cost	16,875		8,839	
- at FVTOCI	20	16,895	84	8,923
(d) Provision against Restructured Advances		-		(325)
		86,590		45,189
<b>(II) Trade receivables</b>		(239)		(36)
<b>Total</b>		86,351		45,153

# Tata Capital Financial Services Limited

## Notes forming part of the Consolidated Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 32. OTHER OPERATING EXPENSES

PARTICULARS	For the year ended March 31, 2020	For the year ended March 31, 2019
(a) Advertisements and publicity	2,985	4,029
(b) Brand Equity and Business Promotion	1,600	1,503
(c) Corporate social responsibility cost	945	1,016
(d) Donations	-	1,470
(e) Equipment hire charges	171	219
(f) Information technology expenses	10,933	11,738
(g) Insurance charges	1,085	916
(h) Incentive / commission/ brokerage	375	225
(i) Legal and professional fees	3,714	3,806
(j) Loan processing fees	2,200	2,059
(k) Printing and stationery	712	993
(l) Provision against assets held for sale	(746)	1,446
(m) Power and fuel	835	975
(n) Repairs and maintenance	297	319
(o) Rent	666	4,489
(p) Rates and taxes	134	146
(q) Stamp charges	566	705
(r) Service providers' charges	26,141	23,327
(s) Training and recruitment	522	678
(t) Communication cost	438	704
(u) Travelling and conveyance	2,823	2,898
(v) Directors fees, allowances and expenses	130	120
(w) Other expenses [Refer note 32(a) below]	(154)	152
<b>Total</b>	<b>56,372</b>	<b>63,933</b>

#### (a) Auditors' Remuneration (excluding taxes):

PARTICULARS	For the year ended March 31, 2020	For the year ended March 31, 2019
Audit Fees	95	88
Tax Audit Fees	4	4
Other Services (includes out of pocket expenses) *	38	3
	<b>137</b>	<b>95</b>

(Auditors' remuneration is included in Other expenses)

\* Other Services include fees for certifications

#### (b) Expenditure in Foreign Currency

PARTICULARS	For the year ended March 31, 2020	For the year ended March 31, 2019
Legal and professional fees	1,627	29
Commission paid	43	38
Information Technology Expenses	1,013	204
Training and recruitment	-	49
Other expenses	48	2
	<b>2,731</b>	<b>322</b>

#### (c) Corporate social responsibility expenses

- (i) Gross amount required to be spent by the Group during the year was Rs. 945 lakh (Year ended March, 31, 2019 : 1,016 lakh)  
(ii) Amount spent during the year on:

PARTICULARS	Paid	Yet to be paid	Total
Construction/acquisition of any asset	-	-	-
On purposes other than above	945	-	945

# Tata Capital Financial Services Limited

## Notes forming part of the Consolidated Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 33. Employee benefit expenses

#### A. Defined contribution plans

The Group makes Provident Fund and Superannuation Fund contributions to defined contribution plans for qualifying employees. Under the Schemes, the Group is required to contribute a specified percentage of the payroll costs to fund the benefits. The contributions as specified under the law are paid to provident fund set up as Trust by the Group. The Group is generally liable for annual contributions and any deficiency in interest cost compared to interest computed based on the rate of interest declared by the Central Government under the Employee Provident Fund Scheme, 1952 is recognized as an expense in the year in which it is determined.

The Group has recognised a charge of Rs. 1,691 Lakh (FY 2018-19 Rs.1,339 Lakh) towards provident fund and family pension fund contribution and Rs.75 Lakh (FY 2018-19 Rs. 80 Lakh) towards contribution to superannuation fund in the Statement of Profit and Loss during the current year. The contributions payable to these plans by the Group are at rates specified in the rules of the schemes.

#### B. Defined benefit plan

The Group offers its employees defined benefit plans in the form of a gratuity scheme (a lump-sum amount). Benefits under the defined benefit plans are typically based on years of service and the employee's compensation (generally immediately before retirement). The gratuity scheme covers substantially all regular employees. Commitments are actuarially determined at year-end. These commitments are valued at the present value of the expected future payments, with consideration for calculated future salary increases, using a discount rate corresponding to the interest rate estimated by the actuary having regard to the interest rate on Government bonds with a remaining term that is almost equivalent to the average balance working period of employees. Actuarial valuation is done based on "Projected Unit Credit" method. Gains and losses of changed actuarial assumptions are recorded in the Other Comprehensive Income. The Group provides gratuity for employees in India as per payment of Gratuity Act, 1972. The gratuity scheme for employees is as under:

Eligibility	Continuous service for 5 years (not applicable in case of death or disability while in Retirement, Withdrawal, Death/Disability)
Benefit payable upon	Retirement, Withdrawal, Death/Disability
Benefit payable	For service less than 10 years: $15/26 \times \text{Salary} \times \text{Service}$ For service greater than 10 years: $\text{Salary} \times \text{Service}$
Salary definition	Last drawn monthly basic salary + Dearness Allowance
Service definition	Number of years of service rounded to the nearest integer
Normal retirement age	60

There are no statutory minimum funding requirements for gratuity plans mandated in India. However, a Group can fund the benefits by way of a separate irrevocable Trust to take advantage of tax exemptions and also to ensure security of benefits.

The Tata Capital Limited Gratuity Scheme is funded by way of a separate irrevocable Trust and the Group is expected to make regular contributions to the Trust. The fund is managed internally by the Group and the assets are invested as per the pattern prescribed under Rule 67 of IT Rules. The asset allocation of the Trust is set by Trustees from time to time, taking into account the membership profile, the liquidity requirements of the plan and risk appetite of the plan sponsor as per the investment norms. Each year asset-liability matching study is performed in which the consequences of the strategic investment policies are analysed in terms of risk and return profiles. Investment and Contribution policies are integrated within this study.

Through its defined benefit plans, the Group is exposed to a number of risks, the most significant of which are detailed below:

1. Market risk : Market risk is a collective term for risks that are related to the changes and fluctuations of the financial markets. One actuarial assumption that has a material effect is the discount rate. The discount rate reflects the time value of money. An increase in discount rate leads to decrease in defined benefit obligation of the plan benefits and vice versa. This assumption depends on the yields on the government bonds and hence the valuation of liability is exposed to fluctuations in the yields as at the valuation date.
2. Salary Inflation risk : Higher than expected increases in salary will increase the defined benefit obligation
3. Demographic risk : This is the risk of variability of results due to unsystematic nature of decrements that include mortality, withdrawal, disability and retirement. The effect of these decrements on the defined benefit obligation is not straight forward and depends upon the combination of salary increase, discount rate and vesting criteria.
4. Investment risk : For funded plans that rely on insurers for managing the assets, the value of assets certified by the insurer may not be the fair value of instruments backing the liability. In such cases, the present value of the assets is independent of the future discount rate. This can result in wide fluctuations in the net liability or the funded status if there are significant changes in the discount rate during the inter-valuation period.
5. Legislative risk : Legislative risk is the risk of increase in the plan liabilities or reduction in the plan assets due to change in the legislation/regulation. The government may amend the Payment of Gratuity Act, 1972, thus requiring the companies to pay higher benefits to the employees. This will directly affect the present value of the defined benefit obligation and the same will have to be recognized immediately in the year when any such amendment is effective.
6. Interest rate risk: The defined benefit obligation calculated uses a discount rate based on government bonds. If bond yields fall, the defined benefit obligation will

#### **Movement in net defined benefit (asset) liability**

**The Group offers the following long term employee benefit schemes to its employees:**

- i. Gratuity
- ii. Leave Liability

# Tata Capital Financial Services Limited

## Notes forming part of the Consolidated Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 33. Employee benefit expenses

The following table sets out the funded / unfunded status of the defined benefit schemes and the amount recognised in the financial statements:

#### Movement in net defined benefit (asset) liability

##### a) Reconciliation of balances of Defined Benefit Obligations.

Particulars	Year ended March 31, 2020		Year ended March 31, 2019	
	Total Funded	Total Unfunded	Total Funded	Total Unfunded
Defined Obligations at the beginning of the year	3,815	-	3,326	-
Current service cost	547	-	533	-
Interest cost	252	-	236	-
Amalgamations / Acquisitions	(11)	-	(277)	-
a. Due to change in financial assumptions	284	-	478	-
b. Due to change in experience adjustments	225	-	86	-
c. Due to experience adjustments	-	-	(43)	-
Others (please specify below)	-	-	-	-
Benefits paid directly by the Group	(625)	-	(524)	-
	-	-	-	-
Defined Obligations at the end of the year	4,487	-	3,815	-

##### b) Reconciliation of balances of Fair Value of Plan Assets

Particulars	Year ended March 31, 2020		Year ended March 31, 2019	
	Total Funded	Total Unfunded	Total Funded	Total Unfunded
As on 31 March 2019				
Fair Value at the beginning of the year	3,760	-	3,375	-
Expected return on plan assets	(266)	-	(27)	-
Employer contributions	391	-	414	-
Amalgamations / Acquisitions	(11)	-	(277)	-
Others (please specify below)	-	-	-	-
Interest Income on Plan Assets	285	-	276	-
Fair Value of Plan Assets at the end of the year	4,159	-	3,761	-

##### c) Funded status

Particulars	Year ended March 31, 2020		Year ended March 31, 2019	
	Total Funded	Total Unfunded	Total Funded	Total Unfunded
As on 31 March 2019				
Deficit of plan assets over obligations				
Surplus of plan assets over obligations	(328)		(54)	
Unrecognised asset due to asset ceiling				
Total	(328)	-	(54)	-

##### d) Categories of plan assets

Particulars	Year ended March 31, 2020		Year ended March 31, 2019	
	Total Funded	Total Unfunded	Total Funded	Total Unfunded
Corporate bonds	893	-	1,619	-
Equity shares	240	-	393	-
Government securities	959	-	1,714	-
Insurer managed funds	2,064	-	-	-
Cash	4	-	34	-
Total	4,160	-	3,761	-

##### e) Amount recognised in Balance sheet

	Year ended March 31, 2020		Year ended March 31, 2019	
	Total Funded	Total Unfunded	Total Funded	Total Unfunded
Present value of the defined benefit obligation	4,487		3,815	
Fair value of plan assets	4,159		3,761	
Unrecognised asset due to asset ceiling	-			
Unrecognised past service costs				
Net asset / (liability) recognised in the Balance Sheet	(328)	-	(54)	-



# Tata Capital Financial Services Limited

## Notes forming part of the Consolidated Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 33. Employee benefit expenses

f) Amount recognised in Statement of Profit and Loss	Year ended March 31, 2020		Year ended March 31, 2019	
	Total Funded	Total Unfunded	Total Funded	Total Unfunded
Current Service Cost	547	-	533	-
Past Service cost	-	-	-	-
Interest Cost (net)	(33)	-	(40)	-
Curtailment cost / (credit)	-	-	-	-
Settlement cost / (credit)	-	-	-	-
Received from intra-group companies on transfer of employees				
Expected return on plan assets				
Actuarial loss/(gain) recognised during the year				
Others (please specify)				
<b>Expenses for the year</b>	<b>514</b>	<b>-</b>	<b>493</b>	<b>-</b>
				-
g) Amount recognised in OCI	Year ended March 31, 2020		Year ended March 31, 2019	
	Total Funded	Total Unfunded	Total Funded	Total Unfunded
a. Due to change in financial assumptions	284		478	-
b. Due to change in experience adjustments	225		86	-
c. Due to experience adjustments	-		(43)	-
d. (Return) on plan assets (excl. interest income)	266		27	-
e. Change in Asset Ceiling				
<b>Total remeasurements in OCI</b>	<b>775</b>		<b>548</b>	<b>-</b>
<b>Total defined benefit cost recognized in P&amp;L and OCI</b>	<b>1,289</b>		<b>1,041</b>	<b>-</b>

### h) Expected cash flows for the following year

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Expected total benefit payments	6,623	6,059
Year 1	451	417
Year 2	438	507
Year 3	501	434
Year 4	617	582
Year 5	674	603
Next 5 years	3,942	3,516

### i) Major Actuarial Assumptions

Particulars	As at March 31, 2020	As at March 31, 2019
Discount Rate (%)	6.30%	7.20%
Salary Escalation/ Inflation (%)	Non CRE: 8.25%, CRE & J Grade:6%	Non CRE: 8.25%, CRE & J Grade:6%
Expected Return on Plan assets (%)	6.30%	7.20%
Attrition		
Mortality Table	Indian assured lives Mortality (2006-08) (modified) Ult.	Indian assured lives Mortality (2006-08) (modified) Ult.
Medical cost inflation		
Disability		
Withdrawal (rate of employee turnover)		
Retirement Age	60 years	60 years
Weighted Average Duration		
Guaranteed rate of return		
Estimate of amount of contribution in the immediate next year	451	417

The estimates for future salary increases, considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors.

The expected return on plan assets is based on market expectation, at the beginning of the period, for returns over the entire life of the related obligation.

# Tata Capital Financial Services Limited

## Notes forming part of the Consolidated Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 33. Employee benefit expenses

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

#### j) 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	Decrease
Discount rate (1% movement)	(314)	357	(248)	281
Future salary growth (1% movement)	347	(312)	276	(249)
Others (Withdrawal rate 5% movement)	(293)	444	(177)	252

#### k) Provision for leave encashment

Particulars	March 31, 2020		March 31, 2019	
	Non current	Current	Non current	Current
Liability for compensated absences	1,112	342	901	325

Experience adjustments	Defined benefit obligation	Plan assets	Surplus/ (deficit)	Experience adjustments on plan liabilities	Experience adjustments on plan assets
<b>Funded</b>					
2019-20	4,487	4,159	(328)	(225)	(266)
2018-19	3,815	3,761	(54)	(86)	(27)
<b>Unfunded</b>					
2019-20	-	-	-	-	-
2018-19	-	-	-	-	-

# Tata Capital Financial Services Limited

## Notes forming part of the Consolidated Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 34 Fair values of financial instruments

See accounting policy in Note 2(v).

#### A. Valuation models

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

- a) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at measurement date
- b) Level 2 inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- c) Level 3 inputs are unobservable inputs for the valuation of assets or liabilities that the Group can access at measurement date. This category includes all instruments for which the valuation technique includes inputs that are not observable and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments. Valuation techniques include net present value and discounted cash flow models, income approach, comparison with similar instruments for which observable market prices exist, option pricing models and other valuation models. Assumptions and inputs used in valuation techniques include risk-free returns, benchmark interest rates and credit spreads used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

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

The Group uses widely recognised valuation models to determine the fair value of financial instruments, such as forward rate agreement, that use only observable market data and require little management judgement and estimation. Observable prices or model inputs are usually available in the market for listed equity securities. The availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determining fair values.

For more complex instruments, the Group uses proprietary valuation models, which are usually developed from recognised valuation models. Some or all of the significant inputs into these models may not be observable in the market, and may be derived from market prices or rates or estimated based on assumptions. Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in the determination of fair value. Management judgement and estimation are usually required for the selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of the probability of counterparty default and prepayments, determination of expected volatilities and correlations and selection of appropriate discount rates.

Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that the Group believes that a third party market participant would take them into account in pricing a transaction. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group and the counterparty where appropriate. Model inputs and values are calibrated against historical data, where possible, against current or recent observed transactions in different instruments. This calibration process is inherently subjective and it yields ranges of possible inputs and estimates of fair value, and management uses judgement to select the most appropriate point in the range.

Discounting of the cash flows of financial asset/ financial liability for computing the fair value of such instrument: the future contractual cash flows of instrument over the remaining contractual life of the instrument are discounted using comparable rate of lending/borrowing as applicable to financial asset/ financial liability in the month of reporting for a similar class of instruments. For shorter tenure financial assets such as channel finance, the remaining tenure is assumed to be six months.

Derivatives held for risk management :

The Group enters into structured derivatives to mitigate the currency exchange risk. Some of these instruments are valued using models with significant unobservable inputs, principally expected long-term volatilities and expected correlations between different underlyings.

# Tata Capital Financial Services Limited

## Notes forming part of the Consolidated Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 34 Fair values of financial instruments (Continued)

See accounting policy in Note 2(v).

#### B. Valuation framework

The Group has established a policy for the measurement of fair values addressing the requirement to independently verify the results of all significant fair value measurements. Specific controls include:

- 1) verification of observable pricing basis actual market transactions;
- 2) re-performance of model valuations;
- 3) a review and approval process for new models and changes to models
- 4) annual calibration and back-testing of models against observed market transactions;
- 5) analysis and investigation of significant annual valuation movements; and
- 6) review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of Level 3 instruments compared with the previous year.

When third party information, such as valuation agency report is used to measure fair value, the Group assesses the documents and evidence used to support the conclusion that the valuations meet the requirements of Ind AS. This includes:

- 1) understanding how the fair value has been arrived at, the extent to which it represents actual market transactions and whether it represents a quoted price in an active market for an identical instrument;
- 2) when prices for similar instruments are used to measure fair value, how these prices have been adjusted to reflect the characteristics of the instrument subject to measurement; and
- 3) if a number of quotes for the same financial instrument have been obtained, then how fair value has been determined using those quotes.

## Tata Capital Financial Services Limited

### Notes forming part of the Consolidated Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

#### 34. Fair values of financial instruments

##### C. Financial assets and liabilities

The carrying value of financial instruments by categories as at March 31, 2020 is as follows:

Particulars	Fair value through Profit or Loss	Fair Value through Other Comprehensive Income	Amortised cost	Total Carrying Value
<b>Financial Assets:</b>				
Cash and cash equivalents	-	-	1,58,454	1,58,454
Bank balances other than (a) above	-	-	72	72
Trade receivables	-	-	4,060	4,060
Loans including credit substitutes	1,000	4,234	42,55,497	42,60,731
Investments (Other than in Associate)	14,414	-	-	14,414
Other financial assets	-	-	44,715	44,715
Derivative financial assets	-	5,674	-	5,674
<b>Total</b>	<b>15,414</b>	<b>9,908</b>	<b>44,62,798</b>	<b>44,88,120</b>
<b>Financial Liabilities:</b>				
Trade and other payables	-	-	46,152	46,152
Borrowings *	-	-	38,18,769	38,18,769
Other financial liabilities	-	-	1,75,758	1,75,758
Derivative financial liabilities	-	3,381	-	3,381
<b>Total</b>	<b>-</b>	<b>3,381</b>	<b>40,40,679</b>	<b>40,44,060</b>

\* Borrowings includes Debt Securities, Subordinated liabilities and Borrowings (Other than debt securities).

The carrying value of financial instruments by categories as at March 31, 2019 is as follows:

Particulars	Fair value through Profit or Loss	Fair Value through Other Comprehensive Income	Amortised cost	Total Carrying Value
<b>Financial Assets:</b>				
Cash and cash equivalents	-	-	78,426	78,426
Other balances with banks	-	-	87	87
Trade receivables	-	-	2,885	2,885
Loans including credit substitutes	-	21,080	42,80,448	43,01,528
Investments (Other than in Associate)	32,483	-	-	32,483
Other financial assets	-	-	40,617	40,617
<b>Total</b>	<b>32,483</b>	<b>21,080</b>	<b>44,02,463</b>	<b>44,56,026</b>
<b>Financial Liabilities:</b>				
Trade and other payables	-	-	55,910	55,910
Borrowings *	-	-	40,33,881	40,33,881
Other financial liabilities	-	-	1,48,715	1,48,715
<b>Total</b>	<b>-</b>	<b>-</b>	<b>42,38,506</b>	<b>42,38,506</b>

\* Borrowings includes Debt Securities, Subordinated liabilities and Borrowings (Other than debt securities).

# Tata Capital Financial Services Limited

## Notes forming part of the Consolidated Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 34. Fair values of financial instruments (Continued)

#### C. Financial assets and liabilities (Continued)

The following table summarises financial assets and liabilities measured at fair value on a recurring basis :

As at March 31, 2020	Level 1	Level 2	Level 3	Total
<b>Financial Assets:</b>				
Mutual fund units	-	1,597	-	1,597
Equity Shares	9,042	-	3,356	12,398
Security Receipts	-	419	-	419
Loans including credit substitutes *	-	1,000	4,234	5,234
Derivative Financial Assets	-	5,674	-	5,674
<b>Total</b>	<b>9,042</b>	<b>8,690</b>	<b>7,590</b>	<b>25,322</b>
<b>Financial Liabilities:</b>				
Derivative Financial Liabilities	-	3,381	-	3,381
<b>Total</b>	<b>-</b>	<b>3,381</b>	<b>-</b>	<b>3,381</b>

\* Loans including credit substitutes under level 2 includes investment in compulsorily convertible debentures.

As at March 31, 2019	Level 1	Level 2	Level 3	Total
<b>Financial Assets:</b>				
Mutual fund units	53	1,273	-	1,326
Equity Shares	24,029	-	3,503	27,532
Preference shares	-	-	3,500	3,500
Security Receipts	-	125	-	125
Loans	-	-	21,080	21,080
Derivative Financial Assets	-	-	-	-
<b>Total</b>	<b>24,082</b>	<b>1,398</b>	<b>28,083</b>	<b>53,563</b>
<b>Financial Liabilities:</b>				
Derivative Financial Liabilities	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The following table summarises disclosure of fair value of financial assets and liabilities measured at amortised cost:

Measured at Level 3	As at March 31, 2020 Carrying Value	Fair value	As at March 31, 2019 Carrying Value	Fair value
<b>Financial Assets at amortised cost:</b>				
Loans including credit substitutes	42,55,497	42,67,121	42,80,448	42,96,788
<b>Total</b>	<b>42,55,497</b>	<b>42,67,121</b>	<b>42,80,448</b>	<b>42,96,788</b>
<b>Financial Liabilities at amortised cost:</b>				
Borrowings (includes debt securities and subordinated liabilities)	38,18,769	37,84,557	40,33,881	40,40,642
<b>Total</b>	<b>38,18,769</b>	<b>37,84,557</b>	<b>40,33,881</b>	<b>40,40,642</b>

The Group has not disclosed fair values for cash and cash equivalents, other balances with bank, trade and other receivables, other financial assets, trade and other payables, and other financial liabilities because their carrying amounts are a reasonable approximation of fair value.

Investment in associates:

The Group has elected to measure Investment in associates at cost and accordingly the requirement of disclosure of fair value of the instrument under Ind AS 107 does not apply.

#### Fair value of the Financial instruments measured at amortised cost

The fair value of loans given is based on observable market transactions, to the extent available. Wherever the observable market transactions are not available, fair value is estimated using valuation models, such as discounted cash flow techniques. Input into the valuation techniques includes interest rates, prepayment rates, primary origination or secondary market spreads. Input into the models may include information obtained from other market participants, which includes observed primary and secondary transactions.

To improve the accuracy of the valuation estimate for retail and smaller commercial loans, homogeneous loans are grouped into portfolios with similar characteristics such as product.

The fair value of borrowings is estimated using discounted cash flow techniques, applying the rates that are offered for borrowings of similar maturities and terms.

In the absence of any significant movement in interest rates on account of COVID-19, there are no significant impact estimated on account of the change in the fair values of the financial instruments.

# Tata Capital Financial Services Limited

## Notes forming part of the Consolidated Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 34. Fair values of financial instruments (Continued)

D. The following table summarises valuation techniques used to determine fair value, fair value measurements using significant unobservable inputs ( level 3) and valuation inputs and relationship to fair value

Financial instruments	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	As at March 31, 2020	As at March 31, 2019				
Equity Shares - unquoted**	3,356	3,503	Level 3	valuation is based on a) Net asset value as per valuation report and b) Latest financial statements of the investee company and estimated earnings up to the reporting date	Forecast of annual revenue is based on the earnings for the latest reported financial year	The estimated fair value would increase (decrease) if the annual revenue growth were higher (lower)
Preference shares	-	3,500	Level 3	Dividend accrued, as per the sanction letter.	Forecast of revenue is based on dividend receivable as per coupon rate mentioned in sanction letter	The estimated fair value would increase (decrease) if accrued dividend increases (decrease)
Loans - FVTOCI	4,234	21,080	Level 3	Discounted contractual cash flows.	Discounting rate of 10% (previous year : 10%) and future cash flows.	Higher the discounting rate lower the fair value of loans
<b>Financial instruments at FVTPL/FVTOCI (B)</b>	<b>7,590</b>	<b>28,083</b>				

\*\*Fair value of the unquoted equity investment received upon settlement of loan is computed based on the net asset value (NAV) as per the latest financial statements. Absent information available, the assets are carried at nil value.

# Tata Capital Financial Services Limited

## Notes forming part of the Consolidated Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 34. Fair values of financial instruments

See accounting policy in Note 2(v).

#### E Level 3 fair value measurements

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy.

i	Particulars	FVTOCI	FVTPL	Total
		Loans	Invetsments	
	<b>As at April 1, 2019</b>	21,080	7,003	28,083
	Total gains or losses:			-
	in profit or loss	-	(147)	(147)
	in OCI	(19)	-	(19)
	Purchases	223	-	223
	Settlements	(17,050)	(3,500)	(20,550)
	Transfers into Level 3	-	-	-
	Transfers out of Level 3	-	-	-
	<b>As at March 31, 2020</b>	<b>4,234</b>	<b>3,356</b>	<b>7,590</b>

Total gains or losses for the year in the above table are presented in the statement of profit or loss and OCI as follows.

ii	Particulars	FVTOCI	FVTPL	Total
		Loans	Invetsments	
	<b>For the year ended March 31, 2020</b>			
	Total gains and losses recognised in profit or loss:			
	Fair value changes :			
	-Realised	-	-	-
	-Unrealised	-	(147)	(147)
	Recognised in FVTOCI	(19)	-	(19)
	<b>Total Net gain/(loss) on fair value changes</b>	<b>(19)</b>	<b>(147)</b>	<b>(166)</b>
	Dividend Income	-	-	-
	Interest Income	-	-	-
	<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>

iii	Particulars	FVTOCI	FVTPL	Total
		Loans	Invetsments	
	<b>As at April 1, 2018</b>	3,273	3,723	6,996
	Total gains or losses:			-
	in profit or loss	-	156	156
	in OCI	(23)	3,500	3,477
	Purchases/transfer*	21,065	(376)	20,689
	Settlements	(3,235)	-	(3,235)
	Transfers into Level 3	-	-	-
	Transfers out of Level 3	-	-	-
	<b>As at March 31, 2019</b>	<b>21,080</b>	<b>7,003</b>	<b>28,083</b>



# Tata Capital Financial Services Limited

## Notes forming part of the Consolidated Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 34. Fair values of financial instruments (Continued)

Total gains or losses for the year in the above table are presented in the statement of profit or loss and OCI as follows.

iv	<u>Particulars</u>	FVTOCI	FVTPL	Total
		Loans	Invetsments	
	<b>For the year ended March 31, 2019</b>			
	Total gains and losses			
	recognised in profit or loss:			
	Net Gain / (loss) on financial instruments at fair value through profit or loss			
	Fair value changes :			
	-Realised	-	1,077	1,077
	-Unrealised	-	(80)	(80)
	Recognised in FVTOCI	(23)	-	(23)
	Total Net gain/(loss) on fair value changes	(23)	997	974
	Dividend Income	-	-	-
	Interest Income	-	-	-
	Total	-	-	-

# Tata Capital Financial Services Limited

## Notes forming part of the Consolidated Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 35. Financial risk review

This note presents information about the Group's exposure to financial risks and its management of capital.

For information on the financial risk management framework, see Note 34

- A. Credit risk
  - i. Credit quality analysis
  - ii. Collateral held and other credit enhancements
  - iii. Amounts arising from ECL
  - iv. Concentration of Credit Risk
- B. Liquidity risk
  - i. Exposure to liquidity risk
  - ii. Maturity analysis for financial liabilities and financial assets
  - iii. Financial assets available to support future funding
  - iv. Financial assets pledged as collateral
- C. Market risk
  - i. Exposure to interest rate risk – Non-trading portfolios
  - ii. Exposure to currency risks – Non-trading portfolios
- D. Capital management
  - i. Regulatory capital
  - ii. Capital allocation

#### A. Credit risk

For the definition of credit risk and information on how credit risk is mitigated by the Group, see Note 34.

##### i. Credit quality analysis

The following table sets out information about the credit quality of financial assets measured at amortised cost. The amounts in the table represent gross carrying amounts for financial assets. For loan commitments, the amounts in the table represent the amounts committed.

Explanation of the terms: 12-month ECL, lifetime ECL and credit-impaired are included in Note 2(xii).

# Tata Capital Financial Services Limited

## Notes forming part of the Consolidated Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 35. Financial risk review (Continued)

#### A. Credit risk

##### Loans by Division

#### 1) Credit quality analysis continued

##### Loans exposure by Financing division

(Rs. in lakh)		
PARTICULARS	As at March 31, 2020	As at March 31, 2019
<b>Loans by Division</b>		
(i) Commercial and SME finance	24,94,910	25,87,450
(ii) Consumer finance & advisory business and rural finance	19,26,382	18,64,138
(iii) Others	7,768	11,154
<b>Total - Gross</b>	<b>44,29,060</b>	<b>44,62,742</b>
Less : Impairment loss allowance	1,58,105	1,50,798
<b>Total- Net Loans</b>	<b>42,70,955</b>	<b>43,11,944</b>

Notes:

1. Gross carrying amount does not include loan commitments Rs. 290,258 lakh (As on March 31, 2019: Rs. 346,180 lakh). The EAD considered for loan commitments is after applying credit conversion factor (CCF) as per RBI norms.

2. The above includes impairment allowance towards loan designated as FVTOCI amounting to Rs. 20 lakh (as on March 31, 2019 : Rs. 85 lakh)

3. Impairment loss allowance includes impairment loss allowance on loans under fair value through profit and loss Rs. 5 lakh (Previous year : Nil)

#### 2) Days past due based method implemented by Group for credit quality analysis of Loans

The table below shows the credit quality and the maximum exposure to credit risk based on the days past due and year-end stage classification of Loans. The amounts presented are gross of impairment allowances.

Outstanding Gross Loans	As at March 31, 2020				March 31, 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Days past due</b>								
Zero overdue	40,72,153	12,410	1,106	40,85,669	39,53,418	47	354	39,53,819
1-29 days	1,38,475	5,007	249	1,43,731	2,82,453	10,179	299	2,92,931
30-59 days	-	66,092	328	66,420	-	59,733	401	60,134
60-89 days	-	29,132	664	29,796	-	47,644	955	48,599
90 or more days	-	-	1,03,444	1,03,444	-	-	1,07,259	1,07,259
<b>Total</b>	<b>42,10,628</b>	<b>1,12,641</b>	<b>1,05,791</b>	<b>44,29,060</b>	<b>42,35,871</b>	<b>1,17,603</b>	<b>1,09,268</b>	<b>44,62,742</b>

Note: Gross carrying amount does not include loan commitments Rs. 290,258 (As on March 31, 2019: Rs. 346,180 lakh) which are categorised as Stage I asset under zero overdue.

3) Impairment allowance on Loans	As at March 31, 2020				March 31, 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Days past due</b>								
Zero overdue	43,569	2,063	827	46,459	28,198	2	275	28,475
1-29 days	5,868	1,501	148	7,517	6,329	2,475	189	8,993
30-59 days	-	13,248	188	13,436	-	10,100	321	10,421
60-89 days	-	9,141	356	9,497	-	11,391	533	11,924
90 or more days	-	-	81,196	81,196	-	-	90,985	90,985
<b>Total</b>	<b>49,437</b>	<b>25,953</b>	<b>82,715</b>	<b>1,58,105</b>	<b>34,527</b>	<b>23,968</b>	<b>92,303</b>	<b>1,50,798</b>

Notes:

1. Includes impairment allowance on loan commitments Rs. 1,726 lakh (As on March 31, 2019 1,458 lakh)

2. The above includes impairment allowance towards loan designated as FVTOCI amounting to Rs. 20 lakh (as on March 31, 2019 : Rs. 85 lakh)

3. Impairment loss allowance includes impairment loss allowance on loans under fair value through profit and loss Rs. 5 lakh (Previous year : Nil)

# Tata Capital Financial Services Limited

## Notes forming part of the Consolidated Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 35. Financial risk review (Continued)

#### A. Credit risk

##### Loans by Division

##### i. Credit quality analysis continued

As at March 31, 2020		Asset group	Days past due	Estimated gross carrying amount at default	Expected credit loss rates	Expected credit losses	Carrying amount net of impairment provision
Loss allowance measured at 12 month expected credit losses	Financial assets for which credit risk has not increased significantly since initial recognition	Loans, Credit	0	40,72,153	1.07%	43,569	40,28,584
		Substitutes, Finance					
		Leases					
			1-29	1,38,475	4.24%	5,868	1,32,607
			Total	42,10,628	1.17%	49,437	41,61,191
Loss allowance measured at life-time expected credit losses	Financial assets for which credit risk has increased significantly and not credit-impaired	Loans, Credit	0	12,410	16.62%	2,063	10,347
		Substitutes, Finance	1-29	5,007	29.98%	1,501	3,506.00
		Leases	30-59	66,092	20.04%	13,248	52,844
			60-89	29,132	31.38%	9,141	19,991
			Total	1,12,641	23.04%	25,953	86,688
	Financial assets for which credit risk has increased significantly and credit-impaired	Loans, Credit	0	1,106	74.77%	827	279
		Substitutes, Finance	1-29	249	59.44%	148	101
		Leases	30-59	328	57.32%	188	140
			60-89	664	53.61%	356	308
			90 days and above	1,03,444	78.49%	81,196	22,248
			Total	1,05,791	78.19%	82,715	23,076
		Total	44,29,060	3.57%	1,58,105	42,70,955	

March 31, 2019		Asset group	Days past due	Estimated gross carrying amount at default	Expected credit loss rates	Expected credit losses	Carrying amount net of impairment provision
Loss allowance measured at 12 month expected credit losses	Financial assets for which credit risk has not increased significantly since initial recognition	Loans, Credit	0	39,53,418	0.71%	28,198	39,25,220
		Substitutes, Finance	1-29	2,82,453	2.24%	6,329	2,76,124
		Leases	Total	42,35,871	0.82%	34,527	42,01,344
			0	47	4.26%	2	45
	Financial assets for which credit risk has increased significantly and not credit-impaired	Loans, Credit	1-29	10,179	24.31%	2,475	7,704
		Substitutes, Finance	30-59	59,733	16.91%	10,100	49,633
		Leases	60-89	47,644	23.91%	11,391	36,253
			Total	1,17,603	20.38%	23,968	93,635
Loss allowance measured at life-time expected credit losses	Financial assets for which credit risk has increased significantly and credit-impaired	Loans, Credit	0	354	77.68%	275	79
		Substitutes, Finance	1-29	299	63.21%	189	110
		Leases	30-59	401	80.05%	321	80
			60-89	955	55.81%	533	422
			90 days and above	1,07,259	84.83%	90,985	16,274
			Total	1,09,268	84.47%	92,303	16,965
			Total	44,62,742	3.38%	1,50,798	43,11,944

Note 1 : Gross carrying amount does not include loan commitments Rs. 290,258 lakh (As on March 31, 2019: Rs. 346,180 lakh).

Note 2 : Includes impairment allowance on loan commitments Rs. 1,726 lakh (As on March 31, 2019 1,458 lakh)

# Tata Capital Financial Services Limited

## Notes forming part of the Consolidated Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 35. Financial risk review (Continued)

#### A. Credit risk

4)	PARTICULARS	As at March 31, 2020	As at March 31, 2019
	<b>LOANS</b>		
	- Amortised Cost	44,23,826	44,41,662
	- At Fair Value through Other Comprehensive Income	4,234	21,080
	- At Fair Value through Other Profit and Loss	1,000	-
	<b>Total - Gross Loans</b>	<b>44,29,060</b>	<b>44,62,742</b>
	Less: Un-amortized loan sourcing cost and revenue received in advance	(10,244)	(10,501)
	<b>Total - Carrying Value of Loans</b>	<b>44,18,816</b>	<b>44,52,241</b>
	<b>Less : Impairment Allowance</b>	<b>(1,58,105)</b>	<b>(1,50,798)</b>
	<b>Total - Net Loans</b>	<b>42,60,711</b>	<b>43,01,443</b>

#### 5) Trade receivables

PARTICULARS	As at March 31, 2020			As at March 31, 2019		
Category of Trade receivables	Gross	Impairment allowance	Net	Gross	Impairment allowance	Net
Stage 1: Considered good	4,060	-	4,060	2,885	-	2,885
Stage 2: Significant increase in credit risk	33	33	-	26	26	-
Stage 3: Credit impaired	-	-	-	246	246	-
<b>Net Carrying value of trade receivables</b>	<b>4,093</b>	<b>33</b>	<b>4,060</b>	<b>3,157</b>	<b>272</b>	<b>2,885</b>

# Tata Capital Financial Services Limited

## Notes forming part of the Consolidated Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 35. Financial risk review (Continued)

#### A. Credit risk

##### i. Credit quality analysis (Continued)

#### Derivative Financial Instruments

The Group enters into derivatives contract for risk management purposes and has elected to apply hedge accounting requirements. The table below shows the fair values of derivative financial instruments recorded as assets or liabilities together with their notional amounts. The notional amounts indicate the value of transactions outstanding at the year end and are not indicative of either the market risk or credit risk.

Derivatives held for Risk management purposes	As at March 31, 2020			As at March 31, 2019		
	Notional Amounts	Fair Value - Assets	Fair Value - Liabilities	Notional Amounts	Fair Value - Assets	Fair Value - Liabilities
Foreign Exchange Forward contracts	1,88,509	5,674	801	-	-	-
Interest rate swap	1,80,185	-	2,580	-	-	-
<b>Total</b>	<b>3,68,694</b>	<b>5,674</b>	<b>3,381</b>	<b>-</b>	<b>-</b>	<b>-</b>

#### Derivatives held for risk management purposes, not designated as hedging instruments:

The Group is exposed to foreign currency risk related to external commercial borrowings and the primary risk of change in the floating interest rate and payment in foreign currency towards principal and interest at future date is managed by entering into a interest rate swap and foreign exchange forward rate purchase agreement respectively.

The Corporation's risk management strategy and how it is applied to manage risk is explained in Note 36.

The Interest rate swap and foreign exchange forward currency agreements are entered to fully hedge the risk on account of change in interest rate and foreign exchange fluctuations on account of the external commercial borrowings.

# Tata Capital Financial Services Limited

## Notes forming part of the Consolidated Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 35. Financial risk review (Continued)

#### A. Credit risk

##### ii Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty.

The main types of collateral obtained are as follows:

For corporate and small business lending, first charge over real estate properties, plant and machineries, inventory and trade receivables, equity and debt securities, floating charge over the corporate assets are obtained. For Construction equipment finance, the asset is hypothecated to the Group.

For retail lending, mortgages over residential properties is obtained. For vehicle and tractor loans, the respective movable asset is hypothecated to the Group.

The table represents categories of collaterals available against the loan exposures:

Particulars	Categories of collaterals available	As at March 31, 2020	As at March 31, 2019
<b>Financial Loans</b>			
Bills purchased and bills discounted	Charge on Trade receivables and inventories	42,008	32,956
Term loans	A) Charges over: i) real estate properties (including residential and commercial), ii) Property and equipment, iii) inventory and trade receivables, iv) marketable securities (equity and debt securities)	41,19,912	42,03,700
Credit substitutes	B) hypothecation of underlying asset financed such as construction and earth moving equipment, vehicles and tractors C) floating charge on corporate assets as mentioned in point A	1,80,530	1,60,381
Finance lease and hire purchase	Hypothecation of the underlying asset financed, primarily includes plant and equipment	78,072	51,874
Retained portion of assigned loans	mortgages over residential properties	2,252	3,420
<b>Total</b>		<b>44,22,774</b>	<b>44,52,331</b>

#### Assets obtained by taking possession of collateral

The Companies collection policy is to pursue timely realisation of the collateral in an orderly manner. The Group upon a customer account becoming delinquent, undertakes the process to physically repossess properties or other assets with the help of external agents to recover funds, to settle outstanding debt. Any surplus funds if any received are returned to the customers/obligors. As a result of this practice, the residential properties, vehicles, construction equipments and tractors under legal repossession processes are not recorded on the balance sheet and not treated as non-current assets held for sale. Asset in the form of real estate property, plant and machinery, equity shares and debt securities received upon final settlement of the loan is recorded as non-current assets held for sale

Management monitors the market value of collateral as per the Credit monitoring process and will request additional collateral in accordance with the underlying agreement as applicable.

As on March 31, 2020, the Group has given loan against shares / equity oriented mutual funds / debt securities amounting to Rs. 219,415 Lakh (previous year : 260,684 lakh). The customer has the obligation to maintain Loan to Value (LTV) of 50% as per RBI norms for shares and equity oriented mutual funds at any point in time, failing which the Group has right to make good the shortfall within 7 working days.

As on March 31, 2020, the Group is in possession of non current assets held for sale (NCAHS) carrying value Nil lakh (gross carrying value Rs. 4,433 lakh (Previous year : Rs. 4,931 lakh) and provision towards the same Rs. 4,433 lakh (Previous year : 4,931 lakh)) (Previous year : Nil lakh).

The Group has written-off loans of Rs. 79,333 lakh in financial year ended March 31, 2020 (Previous year : Rs. 51,408 lakh). The Group retains its contractual right against the obligor and may pursue all remedies to recover these dues.

# Tata Capital Financial Services Limited

## Notes forming part of the Consolidated Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 35. Financial risk review (Continued)

#### A. Credit risk (Continued)

##### ii Collateral and other credit enhancements (Continued)

The table represents categories of collaterals available against the Stage 3 assets, basis valuation available with the Group:

Particulars	Categories of collaterals available	As at March 31, 2020	As at March 31, 2019
<b>Financial</b>			
<b>Loans</b>			
Bills purchased and bills discounted	Charge on Trade receivables and inventories	-	-
Term loans	A) Charges over:	5,320	3,401
	i) real estate properties (including residential and commercial),		
	ii) Property and equipment,		
	iii) inventory and trade receivables,		
Credit substitutes	iv) marketable securities (equity and debt securities)	-	-
	B) hypothecation of underlying asset financed such as construction and earth moving equipment, vehicles and tractors		
	C) floating charge on corporate assets as mentioned in point A		
<b>Total</b>		<b>5,320</b>	<b>3,401</b>

Note: Fresh valuation is obtained for stage 3 assets upon becoming overdue for more than 15 months for CSFD division.



# Tata Capital Financial Services Limited

## Notes forming part of the Consolidated Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 35. Financial risk review (Continued)

#### A. Credit risk

iii Amounts arising from ECL

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

a) Particulars	For the period ended March 31, 2020				For the period ended March 31, 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount opening balance	42,35,871	1,17,603	1,09,268	44,62,742	34,32,216	1,44,080	1,22,368	36,98,664
New assets originated or purchased	20,64,103	-	-	20,64,103	23,32,773	-	-	23,32,773
Assets derecognised or repaid (excluding write offs)	(19,47,623)	(45,468)	(17,364)	(20,10,455)	(14,33,576)	(51,714)	(28,957)	(15,14,247)
Transfers to Stage 1	20,373	(19,375)	(998)	-	46,318	(44,001)	(2,317)	-
Transfers to Stage 2	(87,077)	88,227	(1,150)	-	(92,034)	93,772	(1,738)	-
Transfers to Stage 3	(64,468)	(19,572)	84,040	-	(44,876)	(21,557)	66,433	-
Amounts written off	(10,551)	(8,774)	(68,005)	(87,330)	(4,950)	(2,977)	(46,521)	(54,448)
Gross carrying amount closing balance	<b>42,10,628</b>	<b>1,12,641</b>	<b>1,05,791</b>	<b>44,29,060</b>	<b>42,35,871</b>	<b>1,17,603</b>	<b>1,09,268</b>	<b>44,62,742</b>

Note : Gross carrying amount does not include loan commitments Rs. 290,258 lakh (As on March 31, 2019: Rs. 346,180 lakh).

b) Particulars	For the period ended March 31, 2020				For the period ended March 31, 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
ECL allowance - opening balance	34,527	23,968	92,303	1,50,798	30,296	19,276	1,06,679	1,56,251
New assets originated or purchased	1,11,772	-	-	1,11,772	89,516	-	-	89,516
Assets derecognised or repaid (excluding write offs)	(15,948)	(10,243)	(10,608)	(36,799)	(12,872)	(9,461)	(25,895)	(48,228)
Transfers to Stage 1	325	(296)	(29)	-	355	(302)	(53)	-
Transfers to Stage 2	(28,899)	29,170	(271)	-	(30,156)	30,573	(417)	-
Transfers to Stage 3	(51,949)	(13,708)	65,657	-	(42,355)	(15,063)	57,418	-
Amounts written off	(391)	(2,938)	(64,337)	(67,666)	(257)	(1,055)	(45,429)	(46,741)
ECL allowance - closing balance	<b>49,437</b>	<b>25,953</b>	<b>82,715</b>	<b>1,58,105</b>	<b>34,527</b>	<b>23,968</b>	<b>92,303</b>	<b>1,50,798</b>

Note : Includes impairment allowance on loan commitments Rs. 1,726 lakh (As on March 31, 2019 1,458 lakh)

The increase in the ECL impairment allowance is on account of increase in credit risk and deterioration in economic conditions. For detailed note on impact of COVID 19 on ECL impairment allowance, refer note no 35.

### 35. Financial risk review (*Continued*)

#### A Credit risk

##### iii Amounts arising from ECL

Impairment allowance on financial asset is covered in note 2(xii)

##### Inputs, assumptions and estimation techniques used for estimating ECL

###### 1) Inputs:

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience, expert credit assessment and including forward looking information.

The Group allocates each exposure to a credit risk grade based on days past due, which is a quantitative factor that indicates the risk of default. Additional qualitative factors are applied such as fraudulent customer, reschedulement of loans and discontinued portfolios are also considered as qualitative factor. These factors are applied uniformly for each lending product. Upon review the committee may conclude that the account qualifies for classification as stage 2 since there is increase in credit risk. The determination of the credit risk is for each product, considering the unique risk and rewards associated with it. The Group has observed varied level of risk across various buckets within each stage and a significant increase in risk in stage 2, based on assessment of qualitative parameters such as decline in net-worth, downgrade in internal ratings and external ratings for Corporate and SME Finance Division.

The objective of the ECL assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing the remaining lifetime probability of default (PD) as at the reporting date; with the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure and adjusted for changes on account of prepayments.

In assessing the impairment of loan assets under expected credit loss (ECL) Model, the loans have been segmented into three stages based on the risk profiles. The three stages reflect the general pattern of credit deterioration of a financial instrument.

Refer note 2(xii) in Significant accounting policies for definition of Stages of Asset

###### 2) Assumptions:

The Group has applied following assumptions for determination of ECL.

- 1) "Loss given default" (LGD) is an estimate of loss from a transaction given that a default occurs.
- 2) "Probability of default" (PD) is defined as the probability of whether the borrowers will default on their obligations in the future. For assets which are in Stage 1, a 12-month PD is required. For Stage 2 assets a lifetime PD is required while Stage 3 assets are considered to have a 100% PD.
- 3) "Exposure at default" (EAD) represents the expected exposure in the event of a default and is the gross carrying amount in case of the financial assets held by the Group including loan commitments.
- 4) Definition of default: A default on a financial asset is when the counterparty fails to make the contractual payments within 90 days of when they fall due. Accordingly, the financial assets shall be classified as Stage 3, if on the reporting date, it has been 90 days past due. Further if the customer has requested forbearance in repayment terms, such restructured, rescheduled or renegotiated accounts are also classified as Stage 3. Non-payment on another obligation of the same customer is also considered as a stage 3.
- 5) Forward looking information  
The Group incorporates forward looking information into both assessments of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on the consideration of a variety of external actual and forecast information, the Group forms a 'base case' view of the future direction of relevant economic variables such as real GDP, domestic credit growth, money market interest rate etc. as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. The base case represents a most likely outcome while the other scenarios represent more optimistic and more pessimistic outcomes. More weight is applied to pessimistic outcome consistently as a matter of prudence than optimistic outcome.
- 6) Assessment of significant increase in credit risk  
The credit risk on a financial asset of the Group are assumed to have increased significantly since initial recognition when contractual payments are more than 30 days past due. Additionally, accounts identified and reviewed by the Executive committee for labelling as breaching pre-defined critical credit risk parameters will also be classified as stage 2. Accordingly, the financial assets shall be classified as Stage 2, based on the quantitative as well as qualitative factors.

### 35. Financial risk review (*Continued*)

#### A Credit risk iii Amounts arising from ECL

##### 3) Estimation techniques:

The Group has applied the following estimation technique for ECL model:

- 1) The Group has used historic default rates for calculating the 12-month PD and Lifetime PDs
- 2) Loss given default is calculated after considering outstanding at the time of default and adjusting for actual recoveries basis time value of money, absent availability of internal data we have used information to the extent available from Basel norms.

##### i) Credit risk monitoring techniques

Exposures are subject to ongoing monitoring, which may indicate that a significant increase in credit risk has occurred on an exposure. The monitoring typically involves use of the following data for Corporate and Retail exposures:

- ii) Overdue status
- iii) Restructuring, rescheduling of loans and requests for granting of forbearance
- iv) Fraudulent customer
- v) Marked as high risk by the Risk Management Committee
- vi) Techniques for determining PD
- vii) Information published in the Basel IRB (Basel internal rating based approach refers to set of credit measurement techniques proposed by the Basel Committee on Bank Supervision (BCBS) for determining capital adequacy of the bank) norms is also used. Days past due are a primary input for the determination of the PD for exposures. The Group collects performance and default information about its credit risk exposures analysed by product. For some portfolios, information published in Basel IRB norms is also used.

The Group employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time. Such statistical models are selected considering the availability of information related to the probability of default for each product.

This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors. Key macro-economic indicators includes but is not limited to;

- a) Private consumption;
- b) contribution to real GDP growth;
- c) Housing Price Index;
- d) Lending interest rate;
- e) Average real wages;
- f) Real agriculture;
- g) Recorded unemployment;
- h) Consumer prices;
- i) Growth of real capital stock;
- j) Manufacturing;
- k) Net direct investment flows;
- l) Industry;
- m) Services;
- n) Public debt;
- o) Producer prices;
- p) Labour productivity;
- q) Domestic credit.

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

Based on advice from the external risk management experts, the Group considered variety of external actual and forecast information to formulate a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. Such forecasts are adjusted to estimate the PDs.

### 35. Financial risk review (*Continued*)

A

iii

#### Credit risk

##### Amounts arising from ECL

Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analysing historical data over the past 5 years.

A maximum of a 12-month PD or actual contractual tenure is considered for financial assets for which credit risk has not significantly increased. The Group measures ECL for stage 2 and stage 3 assets considering the risk of default over the maximum contractual period over which it is exposed to credit risk.

The loans are segmented into homogenous product categories to determine the historical PD/LGD as per similar risk profiles, this segmentation is subject to regular review

For portfolios in respect of which the Group has limited historical data, external benchmark information is used to supplement the internally available data.

viii) Techniques for determining LGD:

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates against defaulted counterparties. The LGD models consider the cash flow received, assets received in lieu of settlement of loan and collateral available for subsequent recovery that is integral to the financial asset. LGD estimates are calculated on a discounted cash flow basis using the internal rate of return as the discounting factor. Group has observed challenges in the resolution of defaulted accounts with ageing more than two years and accordingly a higher LGD estimate is applied assuming nil recoveries towards such accounts.

ix) Techniques for computation of EAD

- a) EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For lending commitments, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on credit conversion factor prescribed by RBI for various loan commitments. For financial assets in stage 2, EAD is determined by estimating the possible exposure in future using linear amortisation techniques.
- b) For undrawn loan commitments, the ECL is the difference between the present value of the difference between the contractual cash flows that are due to the Group if the holder of the commitment draws down the loan and the cash flows that the Group expects to receive if the loan is drawn down. Outstanding exposure for utilised limit as well as un-utilised limit post applying the credit conversion factor as prescribed under RBI guidelines, absent availability of information of past history of conversion of un-utilised limits into utilised limits is considered as exposure at default for non-fund based facilities.

#### 4) Impact of COVID 19 on ECL impairment allowance:

The current COVID -19 impact on economic growth of the country is difficult to predict and the extent of negative impact will mainly depend on the future developments in containment of COVID-19 and responses of businesses, which is highly uncertain. Existing expected credit loss (ECL) model of the Group was primarily based on historical experiences of the economic conditions, customer behaviour and related factors. The increased uncertainty about potential future economic scenarios and their impact on credit losses has necessitated a consideration of additional scenarios while measuring ECLs.

Impact on certain type of borrowers like self-employed borrower segment and micro, small and medium enterprise (MSME) would be more than the salaried segment due to impact on working capital cycle caused by closure of business during the lockdown. In case of retail loans and construction equipment finance, the Group calculates ECL on a collective basis. The portfolio is segmented based on nature of products, past forward flow rates and days past due (DPD) status. Further, the Group has segmented the portfolio, in to various products for arriving at the potential impact on probability of default.

For Corporate loans, the Group has carried out an individual borrower wise assessment to quantify the COVID-19 impact. Financial assets were analysed based on scenario analysis to arrive at the potential impact of COVID impact. Scenarios analysis was done basis the scoring of the customer on credit risk parameters like secured/unsecured, industry, DPD, LTV and tenure of loans during the COVID 19 lockdown.

To estimate the potential impact of COVID-19, various scenarios were built on the basis of likely duration of the COVID-19 impact. Based on the portfolio segmentation, forward flow into various buckets were estimated for each of the scenarios. ECL rates of each product have been applied to the forward flows as estimated, to arrive at estimated provision under each scenario. Further, by assigning probabilities to various scenarios, overall impact assessment was quantified. The extent to which COVID-19 pandemic will impact current estimates of ECL is uncertain at this point in time. The Group has based on historical data and best available internal and external forward-looking information, built probable scenarios of impact, and quantified an additional loan loss provision of Rs. 18,000 lakh (includes stage 1 and stage 2 provisioning of Rs. 13,619 lakh and 4,381 lakh respectively), in order to capture any potential impact of COVID-19 on impairment allowances

The underlying forecasts and assumptions applied in the determination of ECL provision are subject to uncertainties which are often outside of the Group's control and accordingly, actual results may differ from these estimates.

# Tata Capital Financial Services Limited

## Notes forming part of the Consolidated Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 35. Financial risk review (Continued)

#### A. Credit risk

##### iii Amounts arising from ECL

##### Modified financial assets

The Group renegotiates loans given to customers in financial difficulties (referred to as forbearance activities, restructuring or rescheduling) to maximise collection opportunities and minimise the risk of default. Under the Companies forbearance policy, loan forbearance is granted on a selective basis if the customer is currently in default on its debt or if there is a high risk of default, there is evidence that the customer made all reasonable efforts to pay under the original contractual terms and the customer is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy. The Risk Management Committee regularly reviews reports on forbearance activities.

Upon renegotiation, such accounts are classified as stage 3. Such accounts are upgraded to stage 1 only upon observation of satisfactory repayments of one year from the date of such down-gradation and accordingly loss allowance is measured using 12 month PD.

##### Exposure to modified financial assets

PARTICULARS	(Rs. in lakh)	
	As at March 31, 2020	As at March 31, 2019
Loan exposure to modified financial assets		
(i) Gross carrying amount	3,421	5,359
(ii) Impairment allowance	1,827	2,430
(iii) Net carrying amount	1,594	2,929

# Tata Capital Financial Services Limited

## Notes forming part of the Consolidated Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 35. Financial risk review (Continued)

#### A. Credit risk

##### Loans by Division

#### iv) Concentration of Credit Risk

The table below shows the credit quality based on credit concentration and the maximum exposure to credit risk based on the days past due and year-end stage classification of Loans. The amounts presented are gross of impairment allowances.

STAGE	March 31, 2020				March 31, 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>SBU</b>								
Consumer Finance & Advisory Business	18,10,122	61,942	54,319	19,26,383	17,15,155	82,360	66,622	18,64,137
Corporate & SME Finance Division	23,94,219	50,700	49,991	24,94,910	25,11,033	35,243	41,175	25,87,451
Others	6,286	-	1,481	7,767	9,683	-	1,471	11,154
<b>Total</b>	<b>42,10,627</b>	<b>1,12,642</b>	<b>1,05,791</b>	<b>44,29,060</b>	<b>42,35,871</b>	<b>1,17,603</b>	<b>1,09,268</b>	<b>44,62,742</b>

Note : Gross carrying amount does not include loan commitments Rs. 290,258 (As on March 31, 2019: Rs. 346,180 lakh).

STAGE	March 31, 2020				March 31, 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>SBU</b>								
Consumer Finance & Advisory Business	27,124	19,351	41,696	88,171	20,217	19,938	56,182	96,337
Corporate & SME Finance Division	22,287	6,604	39,537	68,428	14,147	4,031	36,120	54,298
Others	25	-	1,481	1,506	163	-	-	163
<b>Total</b>	<b>49,436</b>	<b>25,955</b>	<b>82,714</b>	<b>1,58,105</b>	<b>34,527</b>	<b>23,969</b>	<b>92,302</b>	<b>1,50,798</b>

Note : Includes impairment allowance on loan commitments Rs. 1,726 lakh (As on March 31, 2019 1,458 lakh)

# Tata Capital Financial Services Limited

## Notes forming part of the Consolidated Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 35. Financial risk review (Continued)

#### B. Liquidity risk

##### ii. Maturity analysis for financial liabilities and financial assets

The amounts in the table above have been compiled as follows.

Type of financial instrument	Basis on which amounts are compiled
Non-derivative financial liabilities and financial assets	Undiscounted cash flows, which include estimated interest payments.
Loans disbursed to customers and unrecognised loan commitments	Earliest possible contractual maturity.
Derivative financial liabilities and financial assets held for risk management	The Derivative liability amount represents the Mark to market (MTM) gain.

The Companies expected cash flows on some financial assets and financial liabilities vary significantly from the contractual cash flows. The principal differences are as follows:

Unrecognised loan commitments are not all expected to be drawn down immediately; and retail loans (includes personal loan, business loan, consumer durable loan, auto loan, home equity) have an original contractual maturity of between 12 and 144 months but an average expected maturity of 16 months because customers take advantage of early repayment options. Similarly Corporate loans have an original contractual maturity of between 12 and 60 months respectively for Channel finance and Commercial finance term loans respectively, but an average expected maturity of 7 months and 24 months respectively.

As part of the management of liquidity risk arising from financial liabilities, the Group holds liquid assets comprising cash and cash equivalents to meet liquidity requirements. In addition, the Group maintains agreed lines of credit with other banks to maintain the liquidity requirements.

The Group has a policy of recognizing cash flows from performing assets on the basis of their contracted maturities. However due to the advent of Covid 19 and measures announced by RBI, the Group has adopted a conservative approach for bucketing the inflows by suitably deferring the expected inflows on performing loans.

The Group is in the business of giving loans for different categories of customers i.e. retail and wholesale and the tenor of such loans vary across categories. Each of such categories exhibits varying degrees of prepayment which is factored in the inflows except for the year ended March 31, 2020 as stated in the above note.

The Group has set tolerance limits in the light of the Group's business objectives, strategic direction and overall risk appetite. The tolerance limits reflects balance between profitability and managing liquidity risk and considers Group's current financial condition and funding capacity. The Group maintains liquidity buffer of unencumbered highly liquid assets (if required) to insure against liquidity stress events.

# Tata Capital Financial Services Limited

## Notes forming part of the Consolidated Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 35. Financial risk review (Continued)

#### B. Liquidity risk

ii. Maturity analysis for financial liabilities and financial assets

The following tables set out the remaining contractual maturities of the Companies financial liabilities and financial assets:

As at March 31, 2020	Note	Carrying amount	Gross nominal inflow/ (outflow)	Less than 1 month	1-3 months	3 months -1 year	1-5 years	More than 5 years	upto 1 Year	more than 1 Year
<b>Financial liability by type</b>										
<b>Non-derivative liabilities</b>										
Trade payables		46,152	46,152	4,615	23,076	18,461	-	-	46,152	-
Debt securities issued	14	18,28,010	18,28,010	50,000	3,94,900	3,21,112	7,96,421	2,65,577	7,66,012	10,61,998
Borrowings (Other than debt securities)	15	16,94,927	16,94,927	1,04,700	3,64,583	4,41,698	7,83,946	-	9,10,981	7,83,946
Subordinated liabilities	16	2,95,832	2,95,832	-	-	165	50,835	2,44,832	165	2,95,667
Other financial liabilities		1,75,758	1,75,758	11,786	58,929	61,333	43,710	-	1,32,048	43,710
<b>Derivative liabilities</b>		3,381	3,550	66	-	890	2,594	-	956	2,594
<b>Total</b>		<b>40,44,060</b>	<b>40,44,229</b>	<b>1,71,167</b>	<b>8,41,488</b>	<b>8,43,659</b>	<b>16,77,506</b>	<b>5,10,409</b>	<b>18,56,314</b>	<b>21,87,915</b>
Market Borrowings		22,32,192	22,32,192	50,000	4,49,900	3,44,627	8,77,256	5,10,409	8,44,527	13,87,665
Bank borrowings		15,86,577	15,86,577	1,04,700	3,09,583	4,18,306	7,53,988	-	8,32,589	7,53,988
<b>Total Borrowings excluding CCCPS</b>		<b>38,18,769</b>	<b>38,18,769</b>	<b>1,54,700</b>	<b>7,59,483</b>	<b>7,62,933</b>	<b>16,31,244</b>	<b>5,10,409</b>	<b>16,77,116</b>	<b>21,41,653</b>
<b>Financial asset by type</b>										
<b>Non-derivative assets</b>										
Cash and cash equivalents	4	1,58,454	1,58,454	1,42,605	-	15,849	-	-	1,58,454	-
Bank balances	5	72	72	72	-	-	-	-	72	-
Receivables	6	4,060	4,060	-	-	4,060	-	-	4,060	-
Loans	7	42,60,731	42,60,731	78,477	2,43,308	13,48,756	19,99,311	5,90,879	16,70,541	25,90,190
Investments	8	19,140	19,140	-	50	-	1,547	17,543	50	19,090
Other Financial Assets	9	44,715	44,715	-	7,566	30,402	6,747	-	37,968	6,747
<b>Derivative assets</b>		5,674	6,540	21	17	104	6,398	-	142	6,398
<b>Total</b>		<b>44,87,172</b>	<b>44,87,172</b>	<b>2,21,154</b>	<b>2,50,924</b>	<b>13,99,067</b>	<b>20,07,605</b>	<b>6,08,422</b>	<b>18,71,145</b>	<b>26,22,425</b>



# Tata Capital Financial Services Limited

## Notes forming part of the Consolidated Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 35. Financial risk review (Continued)

#### B. Liquidity risk

ii. Maturity analysis for financial liabilities and financial assets

The following tables set out the remaining contractual maturities of the Companies financial liabilities and financial assets:

As at March 31, 2019	Note	Carrying amount	Gross nominal inflow/ (outflow)	Less than 1 month	1-3 months	3 months –1 year	1-5 years	More than 5 years	upto 1 Year	more than 1 Year
<b>Financial liability by type</b>										
<b>Non-derivative liabilities</b>										
Trade payables		55,910	55,910	-	55,910	-	-	-	55,910	-
Debt securities issued	14	22,41,571	22,41,571	2,07,153	5,48,148	5,81,315	8,79,628	25,327	13,36,616	9,04,955
Borrowings (Other than debt securities)	15	14,62,550	14,62,550	2,60,906	3,19,500	2,18,244	4,75,000	1,88,900	7,98,650	6,63,900
Subordinated liabilities	16	3,29,760	3,29,760	-	-	90,545	9,643	2,29,572	90,545	2,39,215
Other financial liabilities		1,48,715	1,48,715	2,918	10,606	95,293	39,898	-	1,08,817	39,898
<b>Derivative liabilities</b>										
		-	-	-	-	-	-	-	-	-
<b>Total</b>		<b>42,38,506</b>	<b>42,38,506</b>	<b>4,70,977</b>	<b>9,34,164</b>	<b>9,85,397</b>	<b>14,04,169</b>	<b>4,43,799</b>	<b>23,90,538</b>	<b>18,47,968</b>
Market Borrowings		25,82,057	25,82,057	2,12,879	5,53,148	6,71,860	8,89,271	2,54,899	14,37,887	11,44,170
Bank borrowings		12,62,924	12,62,924	2,54,982	3,14,500	2,18,442	4,75,000	-	7,87,924	4,75,000
<b>Total Borrowings excluding CCCPS</b>		<b>38,44,981</b>	<b>38,44,981</b>	<b>4,67,861</b>	<b>8,67,648</b>	<b>8,90,302</b>	<b>13,64,271</b>	<b>2,54,899</b>	<b>22,25,811</b>	<b>16,19,170</b>
<b>Financial asset by type</b>										
<b>Non-derivative assets</b>										
Cash and cash equivalents	4	78,426	78,426	78,426	-	-	-	-	78,426	-
Bank balances	5	87	87	87	-	-	-	-	87	-
Receivables	6	2,885	2,885	2,885	-	-	-	-	2,885	-
Loans	7	43,01,528	43,01,528	2,90,974	8,52,930	10,53,399	15,49,542	5,54,683	21,97,303	21,04,225
Investments	8	38,159	38,159	-	-	1,379	36,653	127	1,379	36,780
Other Financial Assets	9	40,617	40,617	-	-	33,705	6,912	-	33,705	6,912
<b>Derivative assets</b>										
		-	-	-	-	-	-	-	-	-
<b>Total</b>		<b>44,61,702</b>	<b>44,61,702</b>	<b>3,72,372</b>	<b>8,52,930</b>	<b>10,88,483</b>	<b>15,93,107</b>	<b>5,54,810</b>	<b>23,13,785</b>	<b>21,47,917</b>

# Tata Capital Financial Services Limited

## Notes forming part of the Consolidated Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 35. Financial risk review (Continued)

#### B. Liquidity risk

iii. Financial assets available to support future funding

The Group has assets which are not pledged as securities. Details of assets pledged/not pledged as securities are as follows:

ASSETS	As at March 31, 2020			As at March 31, 2019		
	Pledged	Not Pledged	Total	Pledged	Not Pledged	Total
<b>Financial assets</b>						
Cash and cash equivalents	-	1,58,454	1,58,454	-	78,426	78,426
Bank Balance other than (a) above	-	72	72	-	87	87
Derivatives financial instruments	-	5,674	5,674	-	-	-
Trade Receivables	-	4,060	4,060	-	2,885	2,885
Loans	42,54,445	6,286	42,60,731	42,95,242	6,286	43,01,528
Investments	-	19,140	19,140	-	38,159	38,159
Other financial assets	-	44,715	44,715	-	40,617	40,617
<b>Non-financial Assets</b>						
Current tax asset	-	12,703	12,703	-	8,797	8,797
Deferred tax Assets (Net)	-	50,788	50,788	-	64,324	64,324
Investment property	-	-	-	-	-	-
Property, Plant and Equipment	77,143	16,517	93,660	83,283	8,204	91,487
Capital work-in-progress	-	52	52	-	62	62
Intangible assets under development	-	108	108	-	108	108
Other Intangible assets	-	2,036	2,036	-	2,179	2,179
Other non-financial assets	-	28,637	28,637	-	35,140	35,140
<b>Total Assets</b>	<b>43,31,588</b>	<b>3,49,242</b>	<b>46,80,830</b>	<b>43,78,525</b>	<b>2,85,274</b>	<b>46,63,799</b>

iv. Financial assets pledged as collateral

The total financial assets recognised in the statement of financial position that had been pledged as collateral for liabilities at March 31, 2020 and March 31, 2019 is shown in the preceding table.

# Tata Capital Financial Services Limited

## Notes forming part of the Consolidated Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 35. Financial risk review (Continued)

#### C. Market risk

##### i Exposure to interest rate risk – Non-trading portfolios (Continued)

Group carries out earning adjusted rate (EAR) model analysis for loans and borrowings, to assess the impact on the earnings upon change in the interest rates.

Below table illustrates impact on earnings on account of 100 bps change on in interest rate on the loans and borrowings due for repayment / rate reset in one year.

#### As on March 31, 2020

Particulars	Less than 1 Year	@ 100bps change increase	@ 100bps change decrease
Loans given	31,91,186	24,981	(24,981)
Borrowings	23,09,472	(15,933)	15,933
<b>Net Gap ( Asset - liability)</b>	<b>8,81,714</b>	<b>9,048</b>	<b>(9,048)</b>

#### As on March 31, 2019

Particulars	Less than 1 Year	@ 100bps change increase	@ 100bps change decrease
Loans given	32,85,034	16,425	(16,425)
Borrowings	26,56,273	(13,281)	13,281
<b>Net Gap ( Asset - liability)</b>	<b>6,28,761</b>	<b>3,144</b>	<b>(3,144)</b>

The following table sets forth, for the periods indicated, the break-up of borrowings into variable rate and fixed rate.

Particulars	As at March 31, 2020	As at March 31, 2019
Variable rate borrowings	40%	31%
Fixed rate borrowings	60%	69%
<b>Total borrowings</b>	<b>100%</b>	<b>100%</b>

##### ii Exposure to currency risks – Non-trading portfolios

There are no exposure to foreign currency risks in the non trading portfolio as on March 31, 2020, since Group has entered into derivative contract to fully hedge the risk

# Tata Capital Financial Services Limited

## Notes forming part of the Consolidated Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 35. Financial risk review (Continued)

#### D. Disclosure pursuant to Ind AS 7 “Statement of Cash Flows”

##### Changes in Liabilities arising from financing activities

particulars	April 1, 2019	Cash Flows	Exchange Difference	Others	March 31, 2020
Debt Securities	22,41,571	(4,11,883)	-	(1,678)	18,28,010
Borrowings (Other than debt securities)	14,62,550	4,14,653	8,600	(1,90,876)	16,94,927
Subordinated liabilities	3,29,760	(34,253)	-	325	2,95,832
<b>Total</b>	<b>40,33,881</b>	<b>(31,483)</b>	<b>8,600</b>	<b>(1,92,229)</b>	<b>38,18,769</b>

Other column includes the effect of amortisation of borrowing cost, amortisation of premium/discount on CPs/NCDs and conversion of CCCPS to equity shares.

particulars	April 1, 2018	Cash Flows	Exchange Difference	Others	March 31, 2019
Debt Securities	18,73,503	3,69,821	-	(1,753)	22,41,571
Borrowings (Other than debt securities)	11,38,897	3,89,419	-	(65,766)	14,62,550
Subordinated liabilities	2,72,040	57,140	-	580	3,29,760
<b>Total</b>	<b>32,84,440</b>	<b>8,16,380</b>	<b>-</b>	<b>66,939</b>	<b>40,33,881</b>

Other column includes the effect of amortisation of borrowing cost, amortisation of premium/discount on CPs/NCDs and conversion of CCCPS to equity shares.

# Tata Capital Financial Services Limited

## Notes forming part of the Consolidated Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 35. Financial risk review (Continued)

E. Capital management

i Regulatory capital

The Reserve Bank of India (RBI) sets and monitors capital adequacy requirements for the Group from time to time.

The Companies regulatory capital consists of the sum of the following elements.

Tier I Capital includes:

- 1) Ordinary share capital,
- 2) Securities premium reserve,
- 3) Retained earnings,
- 4) Cumulative compulsorily convertible preference Shares (CCCPS),
- 5) Debenture redemption reserve
- 6) Perpetual debt
- 7) Special reserve
- 8) Retained earnings
- 9) Special reserve.
- 10) General reserve

Tier I Capital does not include unrealised fair value gain/loss booked for financial instruments measured at fair value through profit and loss.

Following items are deducted from Tier I

- a) Intangibles
- b) Deferred revenue expenditure for raising borrowings
- c) Deferred tax assets
- d) Prepaid expenses and unamortised direct sourcing cost

Tier II capital includes

- 1) subordinated debt
- 2) impairment allowance provisioning for stage 1 financial assets to the extent the same does not exceed 1.25% of Risk weighted assets,
- 3) perpetual debt to the extent not eligible for Tier I.

# Tata Capital Financial Services Limited

## Notes forming part of the Consolidated Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 35. Financial risk review (Continued)

#### E. Capital management

##### i Regulatory capital

The Group's capital management strategy is to effectively determine, raise and deploy capital so as to create value for its shareholders. The same is done through a mix of either equity and/or convertible and/or combination of short term /long term debt as may be appropriate.

The Board of Directors (BOD) has authorised the Asset and Liability Management Committee (ALCO) to review the Capital requirement. Treasury team closely monitors the Tier I and Tier II capital requirement of the Group and reports to ALCO. The Group endeavour to maintain a balance between ensuring high level of return on capital employed and securing strong capital base.

The Holding Company is subject to the capital adequacy requirements of the Reserve Bank of India (RBI). Under RBI's capital adequacy guidelines, the Holding Company is required to maintain a capital adequacy ratio consisting of Tier I and Tier II Capital. The total of Tier II Capital at any point of time, shall not exceed 100 percent of Tier I Capital.

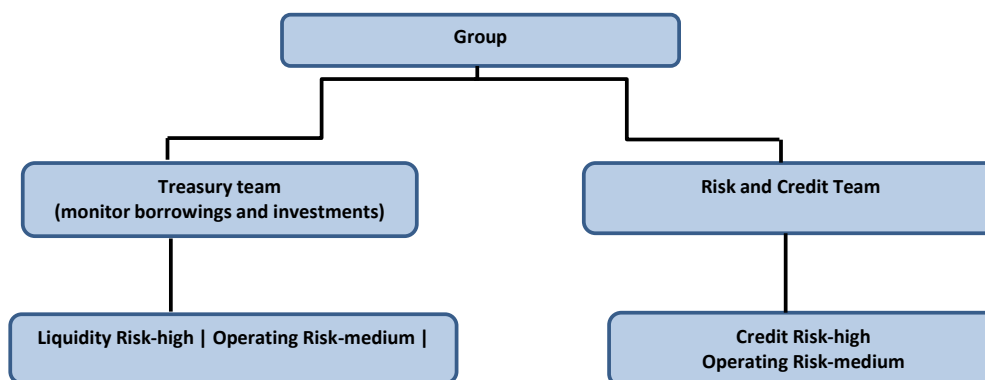
The minimum capital ratio as prescribed by RBI guidelines and applicable to the Holding Company, consisting of Tier I and Tier II capital, shall not be less than 15 percent of its aggregate risk weighted assets on-balance sheet and of risk adjusted value of off-balance sheet.

Particulars	As at March 31, 2020	As at March 31, 2019
<b>Tier 1 capital</b>		
Ordinary share capital	1,62,993	1,37,556
Securities premium reserve	3,34,897	1,46,648
Retained earnings	41,712	36,320
Cummulative compulsorily convertible preference Shares (CCCPs),	-	1,88,900
Debenture redemption reserve	30,000	30,000
Perpetual debt	86,000	74,600
Special reserve	51,073	46,982
General reserve	856	429
Less		
-Deferred Revenue Expenditure	28,000	21,100
-Goodwill & Software	2,100	2,300
-Deferred Tax Asset	50,800	64,300
<b>Tier I Capital</b>	<b>6,26,631</b>	<b>5,73,735</b>
Subordinate Debt	1,96,600	1,48,600
Impairment loss allowance - stage I & II	35,800	58,400
Perpetual debt	5,800	17,200
<b>Tier II Capital</b>	<b>2,38,200</b>	<b>2,24,200</b>
<b>Tier I + Tier II Capital</b>	<b>8,64,831</b>	<b>7,97,935</b>

**A Introduction and overview;**

Financial instruments of the Group has to credit risk, liquidity risk, market risks and operational risk.

The following chart provides a link between the Group's business units and the principal risks that they are exposed to:



Group's Risk Management framework for measuring and managing risk:

Risk management framework:

The Group's Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

The Board of Directors has constituted following committees and defined their role for monitoring the risk management policies of the Group.

i Asset and Liability Committee (ALCO): Review of the Asset and Liability position, liquidity risk and market risk of the Group.

ii Risk Management Committee: Review of the credit risk, operational risk and fraud risk management of the Group. Operational risk management committee(ORMC) reviews operational risk as per the Operational risk management framework. Fraud risk management committee (FRMC) reviews matters of frauds committed by employee, customer and vendors.

iii Investment Committee (IC)and Credit Committee(CC): Review of the investment and credit proposal of the Group and oversight of credit risk. A separate Managing Credit Committee(MCC) reports to the Credit Committee, is responsible for managing the credit risk of the Group.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The risk management policies and systems are reviewed regularly to reflect changes in the market conditions and the activities of the Group. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. The Risk Management Committee oversees how the management monitors compliance with the risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Sources of risk which the Group is exposed to and how the same is managed is illustrated in the table below:

Risk	Exposure arising from	Measurement	Management
Credit risk	Financial asset measured at amortised cost. Trade receivable and derivative financial instrument.	Review of ageing analysis and credit rating of the customer. Annual review of the Customer account as per the Credit monitoring policy of the Group.	Granularity of portfolio, product, ticket size, collateral and customer segment.
Liquidity risk	Borrowings and other liabilities	Rolling cash flow forecasts	Availability of committed bank lines and borrowing facilities
Market risk - foreign exchange	Payable in foreign currency for purchase of Assets given on operating lease Recognised financial assets and liabilities not denominated in Indian rupee (INR)	Cash flow forecasting and sensitivity analysis	Forward foreign exchange contracts.
Market risk - interest rate	Long-term borrowings at variable rates	Sensitivity analysis for rate sensitive assets and liabilities	Managing the borrowing mix between market and bank borrowing.
Market risk - security prices	Investments in equity securities	Sensitivity analysis	Portfolio diversification

The Group's Credit risk and market risk management for lending business is carried out by the Credit and Risk management team and the liquidity and market risk management for the sources of funds is carried out by a treasury department as per the policies approved by the board of directors. Treasury identifies, evaluates and mitigates financial risks in close co-operation with the Group's operating units. ALCO provides written principles for overall risk management, as well as policies covering specific areas, such as interest rate risk, use of derivative financial instruments and investment of excess liquidity.

**Financial risk management**

3 The Risk management approach of the Group for handling the various type of risks are as follows:

a Credit risk;

i means the risk of loss that may occur from the failure of any party to abide by the terms and conditions of any contract, principally the failure to make required payments of amounts due to us. In its lending operations, the Group is principally exposed to credit risk.

ii Management of Credit risk:

The credit risk is governed by the credit policy approved by the Investment and Credit Committee. The credit policy outlines the type of products that can be offered, customer categories, the targeted customer profile, credit approval process and limits and credit monitoring.

The Group measures, monitors and manages credit risk at an individual borrower level and at the group exposure level for corporate borrowers. The credit risk for retail borrowers is being managed at portfolio level. The Group has a structured and standardized credit approval process, which includes a well-established procedure of comprehensive credit appraisal. The Credit monitoring team verifies adherence to the terms of the credit approval prior to the commitment and disbursement of credit facilities and monitors deferral of the security perfection. The Risk Management Policy addresses the recognition, measurement, monitoring and reporting of the Credit risk.

The Group has additionally taken the following measures for risk management;

1 single party and group borrower limit.

2 limit on secured and unsecured exposure for Commercial and SME finance division and at Group level.

3 establishment of a separate credit monitoring team to enhance focus on monitoring of borrowers and to facilitate proactive action wherever required.

4 enhanced monitoring of retail product portfolios through periodic reviews.

For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposure - e.g. individual obligor default risk, customer type industry risk, market risk, geography risk and sector risk.

iii Governance framework of the Group:

The role of the Managing Credit Committee encompasses the following activities:

1 formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, setting and adherence to internal and regulatory threshold limits and compliance with regulatory and statutory requirements;

2 establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to business unit credit officers. Investment Committee (IC) and Credit Committee (CC) approves loan and investment proposal above threshold limit as per the credit policy. Review and assessment of credit risk is done by the Credit Team. Risk team lays down policies for risk management;

3 Renewal and review of the facility is subject to the same review process;

4 Limiting concentration of exposure to counterparty, geography and industry for loans and advances;

5 Developing and maintaining the Group's risk grading to categorise exposures according to the degree of risk of default. The current risk grading framework of the Group for Commercial and SME finance division (CSFD) is based on the 12 grades of internal rating reflecting varying degrees of risk of default.

The responsibility for setting risk grades lies with the final approving executive or committee, as appropriate. Risk grades are subject to regular reviews by Risk Management Committee;

6 Developing and maintaining the Group's processes for measuring ECL for CSFD and CFAB division for managing the following requirements:

1 Initial approval, regular validation and back-testing of the models used;

2 Incorporation of forward-looking information;

3 Reviewing compliance of business units with agreed exposure limits to products, state and sector;

4 Regular reports on the credit quality of product portfolio are provided to Credit Committee, which may require appropriate corrective action to be taken;

5 These include reports containing inputs, estimates and techniques of ECL allowances; and

6 Providing advice, guidance and specialist skills to business units to promote best practice throughout the Group in the management of credit risk.

7 Assess criteria of staging of the assets under qualitative parameters.

Each business unit is required to implement Group's credit policies and procedures, with credit approval authorities delegated from the Credit Committee. Each business unit has a Chief Credit Risk Officer who reports on all credit-related matters to Credit Committee and Chief Risk officer. Each business unit is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to approval of Credit Committee. Regular audits of business units and credit processes are undertaken by Internal Audit.

iv Credit Risk assessment methodology:

1 Credit management for Corporate Portfolio:

The Group has an established credit analysis procedure leading to appropriate identification of credit risk. Appropriate appraisals have been established for various types of products and businesses. The methodology involves critical assessment of quantitative and qualitative parameters subject to review and approval of Credit Committee.

The Group carries out a detailed analysis of funding requirements, including normal capital expenses, long-term working capital requirements and temporary imbalances in liquidity. A significant portion of Corporate Finance loans are secured by a lien over appropriate assets of the borrower.

Evaluation of Borrower risk is based on the following assessment:

1 the risks and prospects associated with the industry in which the borrower is operating (industry risk);

2 the financial position of the borrower by analysing the quality of its financial statements, its past financial performance, its financial flexibility in terms of ability to raise capital and its cash flow adequacy (financial risk);

3 the borrower's relative market position and operating efficiency (business risk);

4 the quality of management by analysing their track record, payment record and financial conservatism (management risk); and

5 the risks with respect to specific projects, both pre-implementation, such as construction risk and funding risk, as well as post-implementation risks such as industry, business, financial and management risks related to the project. (project risk).



**Financial risk management**

- v Risk management and portfolio review:  
The Group ensure effective monitoring of credit facilities through a risk-based asset review framework under which the frequency of asset review is higher for cases with higher outstanding balances. The credit monitoring team verifies adherence to the terms of the credit approval prior to the commitment and disbursement of credit facilities. The credit monitoring team/operations team monitors compliance with the terms and conditions for credit facilities prior to disbursement. It also reviews the completeness of documentation, creation of security and insurance policies for assets financed. The Managing Credit Committee (MCC), apart from approving proposals, regularly reviews the credit quality of the portfolio and various sub-portfolios. A summary of the reviews carried out by the MCC is submitted to the Credit Committee for its information.
- vi Credit management for Retail portfolio:  
The Group ensures effective monitoring of credit facilities through a risk-based asset review framework under which the frequency of asset review is higher for cases with higher outstanding balances. The credit team verifies adherence to the terms of the credit approval prior to the disbursement of credit facility. It also reviews the completeness of documentation, creation of security and insurance policies for assets financed. The credit team approves the proposals while the risk team regularly reviews the credit quality of the portfolio and various sub-portfolios. A summary of the reviews carried out by the risk team is submitted to the Risk management committee.
- vii The Group is taking following additional measures post COVID-19 to ensure the ongoing effectiveness of risk management, maintaining a strong, diversified and resilient portfolio and ensuring that areas of growth are well controlled and sustainable:
- 1 Engagement with the customers through dedicated relationship manager and collection team for regularisation of standard accounts
  - 2 Policy intervention by way of identifying positive and negative sectors and geographies for future funding need of the customers
  - 3 Realigning the product suite by way of differentiated product mix offering to different segments of borrowers
  - 4 Diversification of geographical concentration risk by way of varied maximum ticket size based on target geography
  - 5 Enhanced field monitoring for partly disbursed cases
  - 6 For large Corporate loans, stringent escrow management, field monitoring and engagement with promoters. Selection of new borrower is being done after assessing the impact of COVID-19 on the borrower and project.
  - 7 Continuous monitoring of both operational and under construction projects to identify risks at an early stage, to aid timely action.
  - 8 Assessment of cashflow of the borrowers under the current scenario.
  - 9 Strengthening of the collection infrastructure
  - 10 Cautious selection of new construction projects after careful assessment of impact of COVID-19 on the borrower and project.
  - 11 Regular assessment of the credit profile of off-takers and their payment track record to various developers. Gradual reduction in portfolio with relatively weaker off-takers.
  - 12 Strengthening of credit assessment terms for newer sanctions.
  - 13 Opportunistic acquisition of credit-worthy transactions from secondary markets.
  - 14 Long term Credit lines from foreign and Indian Institutions.
  - 15 Digitization of key processes enabling better and real time portfolio monitoring.
- b Market risk;  
Risk due to change in market prices - e.g. interest rates, equity prices, foreign exchange rates and credit spreads, but not relating to changes in the obligor's/issuer's credit standing and will affect the Group's income or the value of its holdings of financial instruments. The objective of the Group's market risk management is to manage and control market risk exposures within acceptable parameters to ensure the solvency while optimising the return on risk.  
The market risk in respect of changes in value in financial assets arising from changes in market credit spreads applied to loans are monitored by the market risk officer.  
ALCO sets up limits for each type of risk in aggregate and various products in the portfolio, with market liquidity being a primary factor in determining the level of limits. The market risk officer is responsible for the development of detailed market risk management policies & periodic review along with day to day implementation.  
Exposure to Market Risk:
- i Interest rate risk:  
Core business of the Group is borrowing and lending as permitted by the Reserve Bank of India, exposing us to interest rate risk. Interest rate risk is measured through earnings at risk from an earning perspective. The Group monitors the change in economic value of equity arising out of 100 bps change in the interest rate. Further, an interest rate sensitivity gap report is prepared by classifying all rate sensitive assets and rate sensitive liabilities into various time period categories according to earliest of contracted/behavioural maturities or anticipated re-pricing date. The difference in the amount of rate sensitive assets and rate sensitive liabilities maturing or being re-priced in any time period category, gives an indication of the extent of exposure to the risk of potential changes in the margins on new or re-priced assets and liabilities. The Group monitor interest rate risk through above measures on a monthly basis. The interest rate risk limits are approved by the ALCO.  
The extent to which COVID-19 pandemic will impact current estimates of interest rates is uncertain at this point in time. On a best estimate basis, the Group is not anticipating any significant interest rate risk due to COVID-19 outbreak. The following assessment are being conducted on regular basis to monitor the interest rate risk.
- 1 The impact of 100 bps change in interest rate on Net interest Income up to 1 year time frame.
  - 2 The impact of 200 bps movement in interest rate on economic value of equity.
- ii Currency Risk  
The foreign currency loan in form of external commercial borrowing (ECB) raised by the Group are fully hedged towards the risk of fluctuation in:
- 1 Floating interest rate and
  - 2 Foreign currency exchange rate and its impact on the repayment of the interest and principal.
- The Group has to manage various risks associated with the external commercial borrowings. These risks include Foreign exchange risk and interest rate risk.  
The hedging policy as approved by the Asset liability Committee (ALCO) prescribes the hedging of the entire risk associated with change in the interest rates and fluctuation of foreign exchange rates. The Group manages its interest rate and currency risk in accordance with the guidelines prescribed therein. As a part of Asset Liability Management, the Group has entered into interest rate swaps wherein it has converted its fixed rate rupee liabilities into floating rate linked to various benchmarks. The currency risk on the borrowings is managed through forward exchange contract.

**Financial risk management**

The Group's hedging policy only allows for effective hedging relationships to be considered as hedges as per the relevant Ind AS. Hedge effectiveness is determined at the inception of the hedge relationship and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. The Group enters into hedge relationships where the critical terms of the hedging instrument match with the terms of the hedged item, and so a qualitative and quantitative assessment of effectiveness is performed. All hedges entered into by the Group are cash flow hedges

Risk management for External commercial borrowings:

Liquidity risk and Interest rate risks arising out of maturity mismatch of assets and liabilities are managed through regular monitoring of maturity profiles. The currency risk on the borrowings is actively managed mainly through a combination of principal only swaps, forward contracts, option contracts and dollar denominated assets. Counter party risk is reviewed periodically in terms of exposure to various counter parties.

There is no change in the contractual terms of the hedged item and hedging instrument pursuant to the COVID-19 outbreak.

- iii Equity price risk  
The Group has carried investment in equity at fair value through the statement of profit and loss account and does not expect any incremental impact due to COVID-19 outbreak.
- c Liquidity risk;  
A risk that the Group will encounter difficulty in meeting its day to day financial obligations.  
Management of liquidity risk is done as follows;
  - i ALCO sets the strategy for managing liquidity risk commensurate with the business objectives;
  - ii ALCO has delegated the responsibility of managing overall liquidity risk and interest rate risk management to Treasury.
  - iii Treasury department manages the liquidity position on a day-to-day basis and reviews daily reports covering the liquidity position of the Group. Treasury team ensures the regulatory compliance to the liquidity risk related limits approved in the ALM policy by ALCO.

- iv The Group's approach to managing liquidity is to ensure sufficient liquidity to meet its liabilities when they are due without incurring unacceptable losses or risking damage to the Group's reputation.

The key elements of the Group's liquidity risk management strategy are as follows:

- 1 Maintaining a diversified funding through market and bank borrowings resources such as debentures, commercial papers, subordinated debt, perpetual debt, Intercorporate deposits(ICD's), overdraft and bank term loans. Unused bank lines constitute the main liquidity back up to meet the contingency funding plan. Additionally, based on Market scenario, the Group also maintains a portfolio of highly liquid mutual fund units.
- 2 Under the ALM guidelines, the dynamic liquidity statement and structural liquidity statement are being prepared on monthly basis to monitor the maturity gaps in the Assets and Liabilities cash flows. We monitor the behavioural characteristics of the Group's financial assets and financial liabilities while preparing the structural liquidity statement.
- 3 The Group carries out stress testing of cash flows on periodic basis and shares the results with ALCO to gauge the adequacy of liquidity.

A long-drawn nation-wide lockdown necessitated by the outbreak of COVID-19 pandemic, has impacted treasury operations and increased liquidity risk across the economy.

In order to address this risk and to seamlessly carry out treasury activities, the Group immediately activated its Business Continuity Plan (BCP) and took following key actions amongst other administrative actions as on March 31, 2020 and up to the date of the adoption of the financial statements:

- a. It has honoured all its debt obligations on time.
- b. The Group assessed its structural liquidity for the period ended March 31, 2020 after taking in to account the moratorium extended to its borrower under the RBI relief packages. Based on this assessment no negative impact on liquidity has been observed - and the cash flow mismatches have remained within the stipulated regulatory limits. The Group is tracking collections closely and calibrating disbursements to match with collections.
- c. The Group enhanced liquidity on hand by drawing upon bank lines and has accessed fresh funding lines from banks during Q1 FY20-21
- d. The Group also accessed money markets and raised medium to long term funding from the capital markets and financial institutions under the various schemes promulgated by the RBI.
- e. Owing to the above measures, the Group has not seen a rise in its liquidity risk.

- d Operational Risk;  
The risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, systems, and from external factors other than credit, compliance, reputation, market and liquidity risks.

The Group has a Board approved Operational Risk Management (ORM) framework. Ongoing monitoring of key risk indicators ("KRI") is done and corrective actions are implemented on KRI exceptions. ORMC meets periodically to review the operational risk profile of the organisation.

Risks associated with frauds are mitigated through a Fraud Risk Management (FRM) framework. FRMC reviews matters relating to fraud risk, including corrective and remedial actions as regards people and processes.

Tata Capital has adopted "Framework for Improving Critical Infrastructure Cyber Security" published by the National Institute of Standards & Technology (NIST) and comply with regulatory guidelines. Various measures are adopted to effectively protect against phishing, social media threats and rogue mobile.

In order to address the risk associated with COVID 19 and to seamlessly carry out normal operations, the Group immediately activated its Business Continuity Plan (BCP).

The Group ensured seamless accessibility of critical systems through virtual private network (VPN), thereby minimizing the risk of security/data breaches and cyberattacks

- 4 Risk of investment impairment

The Group has assessed the potential impact of COVID-19 on the carrying value of its investments and has considered internal and external information available, upto the date of approval of these financial statements. As the extent to which the global pandemic will impact the Group's assessment and resultant impairments to investments is highly uncertain, the actual impact may turn out to be different from the estimates as on the date of approval of these financial statements.

# Tata Capital Financial Services Limited

## Notes forming part of the Consolidated Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 37. Operating segments -Basis for segmentation

See accounting policy in Note 2(xvii)

In accordance with Ind AS 108 on Segment Reporting, the Group has identified three business segments i.e. Financing Activity, Investment Activity and Others, and one Geographical Segment viz. India, as secondary segment. These divisions offer different products and services, and are managed separately based on the Group's management.

Reportable segments	Operations
Financing activity	Loans for retail and corporate borrowers. Products offered include asset financing, term loans (corporate and retail), channel financing, credit substitutes, investments linked to/arising out of lending business, bill and invoice discounting
Investment activity	Corporate investments
Others	advisory services, wealth management, distribution of financial products and leasing

The Board of Directors review the performance of each division on a quarterly basis

a. Operating segment disclosures are consistent with the information reviewed by the chief operating decision maker (CODM). The basis of measurement of segment information is consistent with the basis of preparation of financial statements. The reconciling items are limited to items that are not allocated to reportable segments, as opposed to a difference in the basis of preparation of the information.

b. When two or more operating segments are aggregated into a single operating segment, the judgements made in applying the aggregation criteria are disclosed by the Group. This includes a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics.

# Tata Capital Financial Services Limited

## Notes forming part of the Consolidated Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 37. Operating segments - Information about reportable segments

Information related to each reportable segment is set out below. Segment profit before tax, as included in internal management reports reviewed by the Board of Director's, is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate within the same type of business. Inter-segment pricing is determined on an arm's length basis.

(Rs. in lakh)		
Particulars	For the Year Ended March 31, 2020	For the Year Ended March 31, 2019
<b>Segment Revenue</b>		
a) Financing Activity	5,58,985	4,89,767
b) Investment Activity	590	29,097
c) Others	46,620	40,998
<b>Total</b>	<b>6,06,195</b>	<b>5,59,862</b>
Less : Inter Segment Revenue	-	-
Add : Interest on Income Tax Refund	-	1
<b>Total Income</b>	<b>6,06,195</b>	<b>5,59,863</b>
<b>Segment Results</b>		
a) Financing Activity	63,656	67,199
b) Investment Activity	(9,753)	20,424
c) Others	7,639	4,946
<b>Total</b>	<b>61,542</b>	<b>92,569</b>
Less : Unallocated Corporate Expenses	16,292	27,208
Add: Share in profit/(Loss) of associates	(5)	(429)
<b>Profit before taxation</b>	<b>45,245</b>	<b>64,932</b>
Less : Provision for taxation	33,889	21,651
<b>Profit after taxation</b>	<b>11,356</b>	<b>43,281</b>

Particulars	As at March 31, 2020	As at March 31, 2019
<b>Segment Assets</b>		
a) Financing Activity	44,68,707	44,10,059
b) Investment Activity	19,352	38,170
c) Others	1,06,028	1,23,079
d) Unallocated	86,743	92,491
<b>Total</b>	<b>46,80,830</b>	<b>46,63,799</b>
<b>Segment Liabilities</b>		
a) Financing Activity	39,42,563	41,03,992
b) Investment Activity	-	-
c) Others	97,280	1,23,613
d) Unallocated	19,524	31,704
<b>Total</b>	<b>40,59,367</b>	<b>42,59,309</b>

Particulars	For the Year Ended March 31, 2020	For the Year Ended March 31, 2019
<b>Capital Expenditure (Including Capital Work-In-Progress)</b>		
a) Financing Activity	-	-
b) Investment Activity	-	-
c) Others	19,749	53,438
d) Unallocated	2,095	2,325
<b>Total</b>	<b>21,844</b>	<b>55,763</b>
<b>Depreciation and Amortisation</b>		
a) Financing Activity	3,405	606
b) Investment Activity	-	-
c) Others	31,461	24,859
d) Unallocated	2,313	1,958
<b>Total</b>	<b>37,179</b>	<b>27,423</b>

# Tata Capital Financial Services Limited

## Notes forming part of the Consolidated Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 38. Maturity analysis of assets and liabilities

The table below set out carrying amount of assets and liabilities according to when they are expected to be recovered or settled. With regard to loans and advances to customers, the Group uses the same basis of expected repayment behaviour as used for estimating the EIR. Issued debt reflect the contractual coupon amortisations.

ASSETS	As at March 31, 2020			As at March 31, 2019		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
<b>Financial assets</b>	<b>18,71,284</b>	<b>26,21,562</b>	<b>44,92,846</b>	<b>23,13,785</b>	<b>21,47,917</b>	<b>44,61,702</b>
Cash and cash equivalents	1,58,454	-	1,58,454	78,426	-	78,426
Bank Balance other than (a) above	72	-	72	87	-	87
Trade Receivables	4,060	-	4,060	2,885	-	2,885
Loans	16,70,541	25,90,190	42,60,731	21,97,303	21,04,225	43,01,528
Investments	50	19,090	19,140	1,379	36,780	38,159
Other financial assets	37,968	6,747	44,715	33,705	6,912	40,617
Derivative assets	139	5,535	5,674	-	-	-
<b>Non-financial Assets</b>	<b>14,616</b>	<b>1,73,368</b>	<b>1,87,984</b>	<b>28,897</b>	<b>1,73,200</b>	<b>2,02,097</b>
Current tax asset	-	12,703	12,703	-	8,797	8,797
Deferred tax Assets (Net)	-	50,788	50,788	-	64,324	64,324
Property, Plant and Equipment	13,048	80,612	93,660	-	91,487	91,487
Capital work-in-progress	-	52	52	-	62	62
Intangible assets under development	-	108	108	-	108	108
Other Intangible assets	-	2,036	2,036	-	2,179	2,179
Other non-financial assets	1,568	27,069	28,637	28,897	6,243	35,140
<b>Total Assets</b>	<b>18,85,900</b>	<b>27,94,930</b>	<b>46,80,830</b>	<b>23,42,682</b>	<b>23,21,117</b>	<b>46,63,799</b>
<b>LIABILITIES</b>						
<b>Financial Liabilities</b>	<b>18,55,358</b>	<b>21,88,702</b>	<b>40,44,060</b>	<b>23,90,538</b>	<b>18,47,968</b>	<b>42,38,506</b>
Trade Payables	46,152	-	46,152	55,910	-	55,910
Debt Securities	7,66,012	10,61,998	18,28,010	13,36,616	9,04,955	22,41,571
Borrowings (Other than debt securities)	9,10,981	7,83,946	16,94,927	7,98,650	6,63,900	14,62,550
Deposits	-	-	-	-	-	-
Subordinated liabilities	165	2,95,667	2,95,832	90,545	2,39,215	3,29,760
Other financial liabilities	1,32,048	43,710	1,75,758	1,08,817	39,898	1,48,715
Derivative financial instruments	-	3,381	3,381	-	-	-
<b>Non-Financial Liabilities</b>	<b>45,502</b>	<b>30,195</b>	<b>15,307</b>	<b>14,639</b>	<b>6,164</b>	<b>20,803</b>
Current tax liability	7,745	-	7,745	13,110	-	13,110
Provisions	1915	-	1,915	1,529	-	1,529
Other non-financial liabilities	35,842	30,195	5,647	-	6,164	6,164
<b>Liability and disposal groups held for sale</b>						
<b>Total liabilities</b>	<b>19,00,860</b>	<b>21,58,507</b>	<b>40,59,367</b>	<b>24,05,177</b>	<b>18,54,132</b>	<b>42,59,309</b>
<b>Net</b>	<b>-</b>	<b>14,960</b>	<b>6,21,463</b>	<b>-</b>	<b>4,66,985</b>	<b>4,04,490</b>

# Tata Capital Financial Services Limited

## Notes forming part of the Consolidated Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 39. Impact of transition to Ind AS 116:

As a lessee the Group classified property leases as operating leases under Ind AS 116. These include office premises taken on lease. The leases typically run for a period of one to nine years. Leases include conditions such as non-cancellable period, notice period before terminating the lease or escalation of rent upon completion of part tenure of the lease in line with inflation in prices.

At transition, for leases classified as operating leases under Ind AS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rates at the date of initial application. Right-of-use assets is measured at their carrying amount as if Ind AS 116 had been applied since the commencement date, discounted using the lessee's borrowing rate at the initiation of lease.

The Group used the following practical expedients when applying Ind AS 116 to leases previously classified as operating leases under Ind AS 17.

- (1) Excluded initial direct costs from measuring the right-of-use asset at the date of initial application
- (2) Used hindsight when determining the lease term if the contract contains option to extend or terminate the lease.

#### Impacts on transition

On transition to Ind AS 116, the Group recognised additional right-of-use assets and additional lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below:

Amount in lakh	As on April 1, 2019
Right-of-use assets presented in property, plant and equipment	9,238
Lease liability	10,850
Retained earnings	1,611
Less: Tax	406
Net retained earning	1,205

Information about leases for which the Group is a lessee is presented below.

#### (I). Right-of-use assets

Right-of-use assets relate to building that are presented separately within property and equipment (refer note 10)

Particulars	Amount
Balance at 1 April, 2019	10,688
Additions during the year	929
Deletion during the year	(39)
Depreciation charge for the year	(2,839)
<b>Balance at 31 March, 2020</b>	<b>8,739</b>

#### (II). Movement of Lease liabilities

Particulars	Amount
Balance at 1 April, 2019	10,850
Additions during the year	927
Deletion during the year	(53)
Finance cost	906
Payment of lease liabilities	(3,202)
<b>Balance at 31 March, 2020</b>	<b>9,428</b>

(III) Future minimum lease payments under non-cancellable operating leases were payable as follows:

Particulars	Amount
Less than one month	-
Between one and three months	756
Between three months and one year	2,225
Between one and five years	7,815
More than five years	635
<b>Total undiscounted lease liabilities</b>	<b>11,431</b>

(IV). Amounts recognized in the Statement of Profit and Loss

Particulars	Amount
Interest on lease liabilities	906
Depreciation of ROU lease asset	2,840
Write off/(Write back) of ROU lease asset	(13)

(V). Amounts recognised In statement of cash flows

Particulars	Amount
Total cash outflow for leases	(3,203)

Group has considered entire lease term for the purpose of determination of Right of Use assets and Lease liabilities.

Prepaid rent component as at April 01, 2019, arising on fair valuation of Security Deposits given for the above mentioned residential properties as per Ind AS 109, amounting to Rs 1,450 lakh has been reclassified to Right-of-use asset. This amount shall be depreciated over the remaining period of lease.

# Tata Capital Financial Services Limited

## Notes forming part of the Consolidated Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 40. Revenue from contracts with customers

Below table provides disaggregation of the Group's revenue from contracts with customers

PARTICULARS	For the year ended March 31, 2020	For the year ended March 31, 2019
<b>i. Type of service</b>		
- Fee and commission income	10,756	8,575
- Branch advertisement income	1,020	832
- Income from distribution of financial products	5,491	3,790
<b>Total</b>	<b>17,267</b>	<b>13,197</b>
<b>ii. Primary geographical market:</b>		
- Outside India	-	-
- India	17,267	13,197
<b>Total revenue from contracts with customers</b>	<b>17,267</b>	<b>13,197</b>
<b>iii. Timing of revenue recognition</b>		
- at a point in time upon rendering services	16,977	12,837
- over period of time upon rendering services	290	360
<b>Total</b>	<b>17,267</b>	<b>13,197</b>
<b>iv. Trade receivables towards contracts with customers</b>		
- Opening Balance	1,270	1,242
- Closing Balance	1,584	1,270
<b>v. Impairment on trade receivables towards contracts with customers</b>	<b>(246)</b>	<b>16</b>

The unbilled revenue of Rs. 732 lakh as at March 31, 2020 (as at March 31, 2019 : Rs. 994 lakh) has been considered as Contract assets, which are billable on completion of milestones specified in the contracts.

As on March 2020/2019, the Group doesn't have any unsatisfied/partially satisfied performance obligation.



# Tata Capital Financial Services Limited

## Notes forming part of the Consolidated Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 41. Share based payment

#### A. Description of share based payments:

Particulars	ESOP 2013	ESOP 2017	ESOP 2018	ESOP 2019
i. Vesting requirements	1/3rd at the end of each 12, 24 and 36 months from the date of grant	100% at the end of 12 months from the date of grant	20% at the end of each 12 and 24 months and 30% at the end of each 36 and 48 months from the date of grant	20% at the end of each 12 and 24 months and 30% at the end of each 36 and 48 months from the date of grant
ii. Maximum term of option	6 years	2 years	7 years	7 years
iii. Method of settlement	Equity settled	Equity settled	Equity settled	Equity settled
iv. Modifications to share based payment plans	N.A.	N.A.	N.A.	N.A.
iv. Any other details as disclosed in the audited Ind AS financial statements	N.A.	N.A.	N.A.	N.A.

#### B. Summary of share based payments

##### March 31, 2020

Particulars	ESOP 2013	ESOP 2017	ESOP 2018	ESOP 2019	Total
Outstanding balance at the beginning of the period	2,92,776	46,36,806	26,05,000	-	75,34,582
Options granted	-	-	-	22,25,000	22,25,000
Options forfeited	-	-	2,75,000	-	2,75,000
Options exercised	1,07,987	6,06,500	-	-	7,14,487
Options expired	1,84,789	40,30,306	-	-	42,15,095
Options lapsed	-	-	-	-	-
Options outstanding at the end of the period	-	-	23,30,000	22,25,000	45,55,000
Options exercisable at the end of the period	-	-	23,30,000	22,25,000	45,55,000
<b>For share options exercised:</b>					
Weighted average exercise price at date of exercise					32.13
Money realized by exercise of options					2,29,56,775
<b>For share options outstanding</b>					
Range of exercise prices	25.00	33.40	50.60	51.00	
Average remaining contractual life of options	-	-	5.50	6.34	5.91
<b>Modification of plans</b>	N.A.	N.A.	N.A.	N.A.	
<b>Incremental fair value on modification</b>	N.A.	N.A.	N.A.	N.A.	

##### March 31, 2019

Particulars	ESOP 2013	ESOP 2017	ESOP 2018	ESOP 2019	Total
Outstanding balance at the beginning of the period	7,41,902	77,45,000	-	-	84,86,902
Options granted	-	-	26,05,000	-	26,05,000
Options forfeited	2,67,904	17,50,000	-	-	20,17,904
Options exercised	1,81,222	13,58,194	-	-	15,39,416
Options expired	-	-	-	-	-
Options lapsed	-	-	-	-	-
Options outstanding at the end of the period	2,92,776	46,36,806	26,05,000	-	75,34,582
Options exercisable at the end of the period	2,92,776	46,36,806	-	-	49,29,582
<b>For share options exercised:</b>					
Weighted average exercise price at date of exercise	-	-	-	-	32.41
Money realized by exercise of options	-	-	-	-	4,98,94,230
<b>For share options outstanding</b>					
Range of exercise prices	25.00	33.40	50.60	-	
Average remaining contractual life of options	0.33	-	6.51	-	2.26
<b>Modification of plans</b>	N.A.	N.A.	N.A.	N.A.	
<b>Incremental fair value on modification</b>	N.A.	N.A.	N.A.	N.A.	

### C. Valuation of stock options

The fair value of services received in return for share options granted is based on the fair value of share options granted, measured using the Black-Scholes formula. The inputs used in measuring the fair values at grant date of the equity-settled sharebased payment plans were as follows :

Particulars	ESOP 2013	ESOP 2017	ESOP 2018	ESOP 2019
Share price:	25.00	33.40	50.60	51.00
Exercise Price:	25.00	33.40	50.60	51.00
Fair value of option:	8.60	8.40	23.34	23.02
Valuation model used:	Black Scholes valuation	Black Scholes valuation	Black Scholes valuation	Black Scholes valuation
Expected Volatility:	0.37	0.35	0.38	0.41
Basis of determination of expected volatility:	Average historical volatility over 3 years of comparable companies	Average historical volatility over 2 years of comparable companies	Average historical volatility over 4.85 years of comparable companies	Average historical volatility over 4.85 years of comparable companies
Contractual Option Life (years):	3.00	2.00	7.00	7.00
Expected dividends:	0.00	0.00	0.00	0.00
Risk free interest rate:	8.00%	6.57%	8.04%	6.28%
Vesting Dates	33.33% vesting on July 29, 2014 66.67% vesting on July 29, 2015 100% vesting on July 29, 2016	100% vesting on April 2, 2018	20% vesting on September 30, 2019 40% vesting on September 30, 2020 70% vesting on September 30, 2021 100% vesting on September 30, 2022	20% vesting on August 01, 2020 40% vesting on August 01, 2021 70% vesting on August 01, 2022 100% vesting on August 01, 2023
Valuation of incremental fair value on modification	N.A.	N.A.	N.A.	N.A.

### D) Options granted and inputs used for measurement of fair value of options, for the key managerial employees and other senior employees

#### As at March 31, 2020

Name of Scheme	Mr. Kusal Roy		Mr. Puneet Sharma*		Ms. Avan Doomasia	
	Granted	Exercised	Granted	Exercised	Granted	Exercised
ESPS 2009	-	-	1,31,838	1,31,838	80,615	80,615
ESPS 2011	-	-	-	-	-	-
ESOP 2011	-	-	80,000	80,000	60,000	60,000
PS 2013	-	-	14,212	14,212	8,690	8,690
ESPS 2013	-	-	-	-	-	-
ESOP 2013	-	-	-	-	-	-
ESOP 2016	-	-	10,000	10,000	10,000	10,000
ESOP 2017	-	-	10,000	10,000	10,000	10,000
ESOP 2018	6,00,000	-	4,00,000	78,950	1,25,000	-
ESOP 2019	6,00,000	-	4,00,000	-	1,00,000	-
<b>Total</b>	<b>12,00,000</b>	<b>-</b>	<b>10,46,050</b>	<b>3,25,000</b>	<b>3,94,305</b>	<b>1,69,305</b>

\* Mr. Puneet Sharma ceased to be a KMP w.e.f. February 16, 2020.

#### As at March 31, 2019

Name of Scheme	Mr. Kusal Roy		Mr. Puneet Sharma		Ms. Avan Doomasia	
	Granted	Exercised	Granted	Exercised	Granted	Exercised
ESPS 2009	-	-	1,31,838	1,31,838	80,615	80,615
ESPS 2011	-	-	-	-	-	-
ESOP 2011	-	-	80,000	80,000	60,000	60,000
PS 2013	-	-	14,212	14,212	8,690	8,690
ESPS 2013	-	-	-	-	-	-
ESOP 2013	-	-	-	-	-	-
ESOP 2016	-	-	10,000	10,000	10,000	10,000
ESOP 2017	-	-	10,000	10,000	10,000	10,000
ESOP 2018	6,00,000	-	4,00,000	-	1,25,000	-
ESOP 2019	-	-	-	-	-	-
<b>Total</b>	<b>6,00,000</b>	<b>-</b>	<b>6,46,050</b>	<b>2,46,050</b>	<b>2,94,305</b>	<b>1,69,305</b>

# Tata Capital Financial Services Limited

## Notes forming part of the Consolidated Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 42. Contingent Liabilities and Commitments:

(i) Contingent Liabilities :-

Claims not acknowledged by the Group relating to cases contested by the Group and which are not likely to be devolved on the Group relating to the following areas :

(Rs. in lakh)			
Sr. No.	Particulars	As at March 31, 2020	As at March 31, 2019
1	Income Tax (Pending before Appellate authorities)	4,669	2,586
2	VAT (Pending before Appellate authorities)	331	245
3	Suits filed against the Group	38	Nil

As at March 31, 2020, claims against the Group not acknowledged as debts in respect of income tax matters amounted to Rs. 4,669 lakhs. These claims against the Group are arising on account of multiple issues of disallowances on completion of assessment proceedings under the Income-tax Act, 1961, such as disallowance of expenditure incurred in relation to income not includible in total income u/s 14A of the Income Tax Act, 1961 and disallowance of interest expenditure on perpetual NCDs. These matters are pending before various appellate authorities and the Management expect that its position will likely be upheld on ultimate resolution and will not have a material adverse effect on the Group's financial position. Hence, the Group has not recognized these uncertain tax positions in its books.

The Group is in receipt of an inspection report dated April 25, 2020 for financial position as on March 31, 2019, from Reserve Bank of India (RBI/Regulator), under section 45N of the Reserve Bank of India Act, 1934 (RBI Act), wherein the Regulator has inter alia observed that the Group should have considered for Capital Adequacy purposes and make a provision of Rs. 28.31 crore, for amounts which are shown as contingent tax liabilities in the financial statements. These contingent tax liability pertained to Income Tax and VAT cases pending before various Appellate Authorities.

The Group has been asked by the Regulator to submit its comments on the observations and has contested this observation as it believes the contingent liability will not fructify considering various favourable precedent judicial decisions, an appellate order in its own case in an earlier year and legal opinions which support the tax position of the Group. The details of corresponding Contingent Liabilities outstanding as on March 31st 2020 are as under:

Sr. No.	Particulars	As at March 31, 2020	As at March 31, 2019	Rationale for treating tax liability as contingent instead of provision
1	Disallowance of expenses for earning exempt dividends u/s. 14A	1,151	1,095	Favourable Appellate Tribunal Order in an earlier year and decisions of jurisdictional High Court.
2	Disallowance on Interest on Perpetual Debentures	3,518	1,491	Legal opinions supporting our tax position.
3	Disallowance of VAT Input tax credit (Indirect Tax)	331	245	claim supported by valid tax invoices.
	Total	5,000	2,831	

While the Group has provided its comments to the Regulator explaining its position why Provision is not required, it has out of abundant caution, pending response from the Regulator, reduced the said contingent liabilities from the computation of Net Owned Fund as on March 31, 2020 for prudent reporting of the Capital Adequacy ratio.

(ii) Commitments :-

(a) Undrawn Commitment given to Borrowers

As on March 31, 2020 Rs. 376,721 lakh (Year ended March, 31, 2019 : Rs. 377,351 lakh)

Less than 1 Year: Rs. 305,140 lakh (Year ended March, 31, 2019 : Rs. 289,205 lakh)

More than 1 Year: Rs. 71,581 lakh (Year ended March, 31, 2019 : Rs. 88,146 lakh)

(b) Letter of Credit, Buyers Credit and Other Guarantees Rs. 7,957 lakh (Year ended March, 31, 2019 : Rs. 7,909 lakh)

(c) Leases entered but not executed Rs. 60,842 lakh (Year ended March, 31, 2019 : Rs. 88,210 lakh)

(d) Estimated amount of contracts remaining to be executed on capital account and not provided for Rs. 837 lakh (as at March 31, 2019: Rs. 1,325 lakh).

- Tangible: Rs. 327 lakh (Year ended March, 31, 2019 : Rs. 692 lakh)

- Intangible: Rs. 510 lakh (Year ended March, 31, 2019 : Rs. 633 lakh)

# Tata Capital Financial Services Limited

## Notes forming part of the Consolidated Financial Statements (Continued) for the year ended March 31, 2020

(Rs. in lakh)

- 43 The Group has given assets under non-cancellable operating leases. The total of future minimum lease payments that the Group is committed to receive is:

Lease Payments	As at March 31, 2020	As at March 31, 2019
- Within one year	31,572	31,976
- Later than one year and not later than five years	50,586	56,530
- Later than five years	1,772	2,716

Accumulated Depreciation on lease assets is Rs. 65,861 lakh (Year ended March, 31, 2019: Rs. 41,835 lakh).

Accumulated Impairment losses on the leased assets Rs. Nil (Year ended March, 31, 2019 Rs. Nil)

### 44 Earnings per Share (EPS):

Particulars		2019-20	2018-19
Profit after tax	Rs. in lakh	11,356	43,281
Add: Preference dividend on Compulsorily Convertible Cumulative Preference shares (including dividend distribution tax)	Rs. in lakh	3,255	14,194
Profit after tax attributable to Group	Rs. in lakh	14,611	57,475
Weighted average number of Equity Shares used in computing earnings per share	Nos.	1,49,00,38,928	1,31,01,60,104
Add: Potential weighted average number of Equity shares that could arise on conversion of preference shares	Nos.	11,17,06,362	22,74,47,759
Add: Potential weighted average number of Equity shares allotted to ESOP Trust	Nos.	Nil	Nil
Weighted average number of equity shares in computing Basic / Diluted earnings per share	Nos.	1,60,17,45,290	1,53,76,07,863
Face value of equity shares	Rupees	10	10
Earnings per share (Basic and Diluted)	Rupees	0.91	3.74

- 45 Movement in Contingent provisions against Standard Assets (stage I & II) during the year is as under:

Particulars	As at March 31, 2020	As at March 31, 2019
Opening Balance	58,412	49,559
Add : Additions during the year	16,959	8,853
Less : Utilised during the year	-	-
Closing Balance	75,371	58,412

- 46 Movement in other provisions during the year is as under:

Particulars	As at March 31, 2020	As at March 31, 2019
Opening Balance	1,529	1,769
Add : Additions during the year (net)	386	(240)
Closing Balance	1,915	1,529

# Tata Capital Financial Services Limited

## Notes forming part of the Consolidated Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

47. Loans and advances - Financing Activity (Secured) include Rs.433 lakh (Year ended March, 31, 2019 : Rs. 433 lakh) being the value of the unquoted preference shares acquired in satisfaction of the respective loans under the Settlement Agreement. As on March 31, 2020, the Group is in possession of non current assets held for sale (NCAHS) carrying value Nil lakh (gross carrying value Rs, 4,433 lakh (Previous year : Rs. 4,931 lakh) and provision towards the same Rs. 4,433 lakh (Previous year : 4,931 lakh)) (Previous year : Nil lakh). Investments include Rs. 1,379 lakh (Year ended March, 31, 2019 : Rs. 1,379 lakh) being the value of the unquoted equity shares acquired in satisfaction of the respective loans under the Settlement Agreement.
48. The value of a unhedged foreign currency transaction for purchase of Operating Lease asset as on March 31, 2020 is Nil (Year ended March, 31, 2019 : Rs 12 lakh)
49. The Group has reported frauds aggregating Rs. 740 lakh (Year ended March, 31, 2019 : Rs. 1,574 lakh) based on management reporting to risk committee and to the RBI through prescribed returns.
50. As per Section 203 (1) of the Companies Act, 2013, the Holding Company Tata Capital Financial Services Limited is required to appoint a Chief Financial Officer ("CFO"). Mr. Puneet Sharma, who was earlier the CFO of the Company, resigned with effect from February 16, 2020. The Holding Company is in the process of appointing a CFO and as per the provisions of the said section, the Company has a period of 6 months to fill up the said vacancy.
51. In accordance with the RBI guidelines relating to COVID-19 Regulatory Package dated March 27, 2020, April 17, 2020 and May 23, 2020, the Holding Company is granting a moratorium of up to six months on payment of installments, falling due between March 1, 2020 and August 31, 2020 to eligible borrowers as per the Group's policy approved by the Board. For all such accounts where the borrower has been granted moratorium, the asset classification shall remain standstill during the moratorium period (i.e. the number of days past-due shall exclude the moratorium period for the purposes of staging).

At March 31, 2020, the aggregate outstanding of the borrowers is Rs. 172,366 lakh, to whom moratorium has been extended and were overdue but standard (DPD 1-89 days) as at February 29, 2020. Of these, borrowers with aggregated outstanding of Rs. 22,740 lakh (including accrued interest of Rs. 295 lakh) were extended asset classification benefit (accounts not classified as Stage 3) at March 31, 2020. At March 31, 2020, the Group has loan loss allowances of Rs. 5,890 lakh against these loan accounts (allowances made during Q4-2020 amounted to Rs. Nil pursuant to compliance with the RBI circular on moratorium mandating a minimum of 5.4% provision as on March 31, 2020).

52. Previous year's figures have been regrouped / reclassified, wherever necessary, to correspond with the current year's classification/ disclosure.

## Tata Capital Financial Services Limited

### Notes forming part of the Consolidated Financial Statements (Continued)

for the year ended March 31, 2020

#### 53. Disclosure as required by Indian Accounting Standard (Ind AS) – 24 on “Related Party Disclosures” notified under the

##### A) List of related parties and relationship:

Ultimate Holding Company	Tata Sons Private Limited
Holding Company	Tata Capital Limited
Fellow Subsidiaries (with which the Company had transactions)	Tata Capital Housing Finance Limited Tata Cleantech Capital Limited Tata Securities Limited Tata Capital Advisors Pte. Limited Tata Capital Markets Pte Limited Tata Capital General Partners LLP Tata Capital Growth II General Partners LLP Tata Capital Healthcare General Partners LLP TATA Capital Healthcare II General Partners LLP Tata Capital Plc Tata Capital Pte. Limited Tata Opportunities General Partners LLP
Associates and Fellow Associates (with which the Company had transactions)	TVS Logistics Services Limited Shriram Properties Private Limited Fincare Business Services Limited Tata Autocomp Systems Limited Tata Projects Limited Tata Technologies Limited TEMA India Private Limited
Post Employment Benefit Plan	Tata Capital Limited Gratuity Scheme Tata Capital Limited Employees Provident Fund Trust Tata Capital Limited Superannuation Scheme TCL Employee Welfare Trust
Key Management Personnel	Mr. Rajiv Sabharwal - (Non-Executive Director and Chairman) Mr. F.N. Subedar - (Non-Executive Director) Ms. Anuradha E. Thakur - (Independent Director) Ms. Varsha Purandare - (Independent Director) (w.e.f 01.04.2019) Mr. Mukund S. Dharmadhikari - (Independent Director) (resigned w.e.f 27.01.2020) Mr. Kusal Roy (Managing Director) Mr. Puneet Sharma - (Chief Financial Officer) (resigned w.e.f 16.02.2020) Ms. Avan Doomasia (Company Secretary) Mr. Sarosh Amaria (w.e.f 05.05.2020)

**53. Disclosure as required by Indian Accounting Standard (Ind AS) – 24 on “Related Party Disclosures” notified under the**

**A) List of related parties and relationship:**

Subsidiaries, Associates and Joint Venture of ultimate holding Company (with which the Company had transactions)	<p>Automotive Stampings and Assemblies Limited</p> <p>Infiniti Retail Limited</p> <p>Niskalp Infrastructure Services Limited</p> <p>TATA Advanced Materials Limited</p> <p>Tata Advanced Systems Limited</p> <p>Tata AIG General Insurance Company Limited</p> <p>Tata Asset Management Limited</p> <p>Tata Communications Collaboration Services Private Limited</p> <p>Tata Communications Limited</p> <p>Tata Communications Transformation Services Limited</p> <p>Tata Consultancy Services Limited</p> <p>Tata Consulting Engineers Limited</p> <p>Tata Industries Limited</p> <p>Tata International Limited</p> <p>Tata Teleservices (Maharashtra) Limited</p> <p>Tata Teleservices Limited</p> <p>Conneqt Business Solutions Limited</p> <p>Tata Chemicals Limited</p> <p>Tata Global Beverages Limited</p> <p>Tata Motors Limited</p> <p>The Associated Building Company Limited</p> <p>The Indian Hotels Company Limited</p> <p>The Tata Power Company Limited</p> <p>Titan Company Limited</p> <p>Trent Limited</p> <p>Voltas Limited</p> <p>Coastal Gujarat Power Limited</p> <p>Concorde Motors (India) Limited</p> <p>Fiora Hypermarket Limited</p> <p>Indian Steel &amp; Wire Products Ltd.</p> <p>Maithon Power Limited</p> <p>Nelco Limited</p> <p>Piem Hotels Limited</p> <p>Tata Metaliks Ltd.</p> <p>Tata Motors Finance Limited</p> <p>Tata Power Delhi Distribution Limited</p> <p>Tata Power Solar Systems Limited</p> <p>Tata Power Trading Company Limited</p> <p>Tata Steel Utilities and Infrastructure Services Limited</p> <p>Tayo Rolls Limited</p> <p>TP Ajmer Distribution Limited</p> <p>United Hotels Limited</p> <p>Air International TTR Thermal Systems Private Limited</p> <p>AirAsia (India) Limited</p> <p>Mikado Realtors Private Limited</p> <p>Tata AIA Life Insurance Company Limited</p> <p>Tata AutoComp GY Batteries Private Limited</p> <p>Tata Boeing Aerospace Limited</p> <p>Tata International DLT Private Limited</p> <p>Tata Lockheed Martin Aerostructures Limited</p> <p>Tata Precision Industries (India) Limited</p> <p>Tata Sikorsky Aerospace Limited</p> <p>Tata Toyo Radiator Limited</p> <p>Tata Sky Broadband Private Limited</p> <p>Sir Dorabji Tata Trust</p> <p>Sir Ratan Tata Trust</p> <p>Calsea Footwear Private Limited</p> <p>Smart Value Homes (Peenya Project) Private Limited</p> <p>Tata Steel Limited</p> <p>Tata Elxsi Limited</p>
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# Tata Capital Financial Services Limited

## Notes forming part of the Consolidated Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 53. Disclosure as required by Indian Accounting Standard (Ind AS) – 24 on “Related Party Disclosures” notified under the Companies (Indian Accounting Standard) Rules, 2015:

#### B) Transactions with related parties

Sr No	Party Name	Nature of Transactions	FY 19-20	FY 18-19
1	Tata Sons Private Limited	<b>Income</b> Finance Lease Interest 62 48 Op. Lease Rental 816 469  <b>Expenses</b> BEBP Expenses 1,600 1,503 Legal & Professional Fees 5 - Staff Welfare Expenses 2 - Training Expenses 3 25  <b>Other transactions</b> Facility provided during year - 681 Facility repayment received during year 170 95  <b>Assets</b> Finance Lease Facility Principal receivable 465 635 Finance lease accrued income & other receivables 8 6  <b>Liabilities</b> Balance Payable 1,600 1,503  <b>Commitments</b> Off balance sheet exposure - 30		
2	Tata Capital Limited	<b>Income</b> PMS Income 15 - Referral Fees 30 113 Recovery Rent and Guest house expenses 12 22  <b>Expenses</b> Dividend paid during the period - CCCPS 2,739 11,741 Dividend paid during the period - Equity Shares 4,890 - ICD Interest 5,071 4,954 NCD Interest 1,113 1,113 Service provider charges 3,420 3,496 Insurance Expenses 7 - Rent and Guest house expenses 953 949 Electricity Expenses 59 82  <b>Other transactions</b> Conversion of Convertible Preference Shares into Equity Shares 1,88,900 65,600 Amount raised by issue of Equity shares made during the year 25,000 - Amount raised by issue of Compulsory Convertible Cumulative Preference Shares - 1,02,500 Inter-Corporate Deposit received 10,34,419 7,52,235 Inter-Corporate Deposit repaid 9,81,795 7,80,293  <b>Assets</b> Security Deposit receivable 5,847 5,847 Balance receivable 22 5		



# Tata Capital Financial Services Limited

## Notes forming part of the Consolidated Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 53. Disclosure as required by Indian Accounting Standard (Ind AS) – 24 on “Related Party Disclosures” notified under the Companies (Indian Accounting Standard) Rules, 2015:

#### B) Transactions with related parties

Sr No	Party Name	Nature of Transactions	FY 19-20	FY 18-19
		<b>Liabilities</b>		
		Equity shares held	1,62,993	1,37,556
		# Compulsorily Convertible Cumulative Preference shares	-	1,88,900
		# Inter-Corporate Deposit Payable	58,350	5,726
		# Perpetual Non-Convertible debentures	12,500	12,500
		# Accrued Interest on ICD Outstanding	307	31
		# Accrued Interest on Perpetual Debentures	18	18
		Trade Payable	405	334
3	Tata Capital Housing Finance Limited	<b>Income</b>		
		Referral Fees	20	-
		Loan Sourcing Fee	-	14
		Recovery Rent and Guest house expenses	1,032	1,060
		<b>Expenses</b>		
		Rent and Guest house expenses	119	52
		Insurance Expenses	1	-
		Valuation charges	71	-
		<b>Assets</b>		
		Balance Receivable	278	298
		<b>Liabilities</b>		
		Trade Payable	100	-
4	Tata Cleantech Capital Limited	<b>Income</b>		
		Recovery Rent and Guest house expenses	119	98
		<b>Expenses</b>		
		Rent and Guest house expenses	11	19
		<b>Other transactions</b>		
		Transfer of loan portfolio	12,855	7,500
		<b>Assets</b>		
		Balance Receivable	11	9
5	Tata Securities Limited	<b>Income</b>		
		Recovery Rent and Guest house expenses	30	47
		<b>Expenses</b>		
		Fixed Assets transfer	1	1
		Legal & Professional Fees	38	30
		<b>Liabilities</b>		
		Balance Receivable	4	5
6	Tata Capital Advisors Pte. Limited	<b>Income</b>		
		SLA Fees	8	7
		<b>Assets</b>		
		Balance Receivable	8	7

# Tata Capital Financial Services Limited

## Notes forming part of the Consolidated Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 53. Disclosure as required by Indian Accounting Standard (Ind AS) – 24 on “Related Party Disclosures” notified under the Companies (Indian Accounting Standard) Rules, 2015:

#### B) Transactions with related parties

Sr No	Party Name	Nature of Transactions	FY 19-20	FY 18-19
7	Tata Capital Markets Pte Limited	<b>Income</b> SLA Fees  <b>Assets</b> Balance Receivable	 -  -	 7  7
8	Tata Capital General Partners LLP	<b>Income</b> * SLA Fees  <b>Assets</b> * Balance Receivable	 1  1	 -  -
9	Tata Capital Growth II General Partners LLP	<b>Income</b> SLA Fees  <b>Assets</b> Balance Receivable	 1  1	 -  -
10	Tata Capital Healthcare General Partners LLP	<b>Income</b> * SLA Fees  <b>Assets</b> * Balance Receivable	 1  1	 -  -
11	TATA Capital Healthcare II General Partners LLP	<b>Income</b> * SLA Fees  <b>Assets</b> * Balance Receivable	 -  -	 -  -
12	Tata Capital Plc	<b>Income</b> SLA Fees  <b>Assets</b> Balance Receivable	 8  8	 7  7
13	Tata Capital Pte. Limited	<b>Income</b> SLA Fees  <b>Assets</b> Balance Receivable	 15  15	 13  13
14	Tata Opportunities General Partners LLP	<b>Income</b> * SLA Fees  <b>Assets</b> * Balance Receivable	 1  1	 -  -

# Tata Capital Financial Services Limited

## Notes forming part of the Consolidated Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 53. Disclosure as required by Indian Accounting Standard (Ind AS) – 24 on “Related Party Disclosures” notified under the Companies (Indian Accounting Standard) Rules, 2015:

#### B) Transactions with related parties

Sr No	Party Name	Nature of Transactions	FY 19-20	FY 18-19
15	TVS Supply Chain Solutions Limited	<b>Income</b> Dividend received Term Loan Interest Income Invoice Discounting Management Fees  <b>Other transactions</b> Loan given during year Loan repayment received during year Invoice discounted during year Invoice discounted repayment received during year  <b>Assets</b> Term Loan Principal receivable Term Loan accrued income # Term Loan Principal receivable # Term Loan accrued income # Invoice Discounted receivable # Invoice Discounting other receivables* Investment in Equity Shares  <b>Commitments</b> Off balance sheet exposure	  1,664 7 27  20,000 12,953 1,180 1,053  5,705 43 7,020 60 229 4 1,465   -	 3 416 5 15  4,220 833 80 53  5,678 3 - - 102 - 1,465  1,040
16	Shriram Properties Private Limited	<b>Assets</b> Investment in Equity Shares Provision for Diminution in value of Investment	 3,935 (1,535)	 3,935 (585)
17	Fincare Business Services Limited	<b>Assets</b> Investment in Equity Shares	 734	 734
18	Tata Autocomp Systems Limited	<b>Income</b> Op. Lease Rental Management Fees  <b>Other transactions</b> Security deposit received during year  <b>Assets</b> Balance Receivable / (Payable)  <b>Liabilities</b> Security deposit payable  <b>Commitments</b> Off balance sheet exposure	 574 19  248  (2)  574  10,808	 21 45  326  7  326  350

# Tata Capital Financial Services Limited

## Notes forming part of the Consolidated Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 53. Disclosure as required by Indian Accounting Standard (Ind AS) – 24 on “Related Party Disclosures” notified under the Companies (Indian Accounting Standard) Rules, 2015:

#### B) Transactions with related parties

Sr No	Party Name	Nature of Transactions	FY 19-20	FY 18-19
19	Tata Projects Limited	<b>Income</b> Finance Lease Interest Op. Lease Rental Management Fees  <b>Other transactions</b> Facility provided during year Facility repayment received during year Security deposit received during year Security deposit repaid during year  <b>Assets</b> Finance Lease Facility Principal receivable Finance lease accrued income & other receivables Balance Receivable / (Payable)  <b>Liabilities</b> Security deposit payable  <b>Commitments</b> Off balance sheet exposure	 155 2,902 12  2,245 227 202 87  2,698 455 (2)  608  6,834	 99 1,716 -  802 122 337 -  680 19 -  492  10,982
20	Tata Technologies Limited	<b>Income</b> Finance Lease Interest Management Fees  <b>Expenses</b> Information Technology Expenses  <b>Other transactions</b> Facility provided during year Facility repayment received during year  <b>Assets</b> Finance Lease Facility Principal receivable Finance lease accrued income & other receivables Balance Receivable  <b>Commitments</b> Off balance sheet exposure	 13 -  43  16 28  70 2 -  100	 12 -  47  24 15  82 1 10  349

# Tata Capital Financial Services Limited

## Notes forming part of the Consolidated Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 53. Disclosure as required by Indian Accounting Standard (Ind AS) – 24 on “Related Party Disclosures” notified under the Companies (Indian Accounting Standard) Rules, 2015:

#### B) Transactions with related parties

Sr No	Party Name	Nature of Transactions	FY 19-20	FY 18-19
21	TEMA India Private Limited	<b>Income</b> Term Loan Interest Income Management Fees  <b>Other transactions</b> Loan given during year  <b>Assets</b> Term Loan Principal receivable Term Loan accrued income	 5 11  86  86 1	 - -  -  - -
22	Tata Capital Limited Gratuity Scheme	<b>Expenses</b> Contribution to Gratuity fund	391	414
23	Tata Capital Limited Employees Provident Fund Trust	<b>Expenses</b> Contribution to Provident Fund  <b>Other transactions</b> Employees Contribution to Provident Fund	 1,186  1,858	 926  1,500
24	Tata Capital Limited Superannuation Scheme	<b>Expenses</b> Contribution to Superannuation  <b>Assets</b> Balance Receivable	 76  61	 86  1
25	TCL Employee Welfare Trust	<b>Other transactions</b> Loan given during year Loan repayment received during year  <b>Assets</b> # Outstanding Loan Balance Receivable	 650 650  6,286 11	 - 1,016  6,286 30
26	Automotive Stampings and Assemblies Limited	<b>Income</b> Term Loan Interest Income WCDL Interest Income Op. Lease Rental Management Fees  <b>Other transactions</b> Term Loan / WCDL given during year Term Loan / WCDL repayment received during year  <b>Assets</b> Term Loan / WCDL Principal receivable # Term Loan / WCDL Principal receivable # Term Loan / WCDL accrued income * Balance Receivable / (Payable)  <b>Commitments</b> Off balance sheet exposure	 25 433 31 13  15,025 14,775  - 4,474 38 -  1,526	 89 387 62 8  17,160 15,520  434 3,790 39 -  709

# Tata Capital Financial Services Limited

## Notes forming part of the Consolidated Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 53. Disclosure as required by Indian Accounting Standard (Ind AS) – 24 on “Related Party Disclosures” notified under the Companies (Indian Accounting Standard) Rules, 2015:

#### B) Transactions with related parties

Sr No	Party Name	Nature of Transactions	FY 19-20	FY 18-19
27	Infiniti Retail Limited	<b>Income</b> Op. Lease Rental 211 211 Management Fees 6 -  <b>Expenses</b> Commission on Cards 75 101 DMA Commission 69 167 Fixed Assets Purchased 3 1 Staff Welfare Expenses - -  <b>Other transactions</b> Facility provided during year 18 - NSR Payment 2,192 1,243 Security deposit repaid during year - -  <b>Assets</b> Finance Lease Facility Principal receivable 18 - Finance lease accrued income & other receivables 4 - Balance Receivable 38 1  <b>Liabilities</b> Security deposit payable 75 75  <b>Commitments</b> Off balance sheet exposure 119 -		
28	Niskalp Infrastructure Services Limited	<b>Income</b> * Recovery Rent and other expenses - -		
29	TATA Advanced Materials Limited	<b>Income</b> Finance Lease Interest 1 -  <b>Other transactions</b> Facility provided during year 14 - Facility repayment received during year 1 -  <b>Assets</b> Finance Lease Facility Principal receivable 14 - Finance lease accrued income & other receivables 8 -  <b>Commitments</b> Off balance sheet exposure 122 -		
30	Tata Advanced Systems Limited	<b>Income</b> Finance Lease Interest 19 12  <b>Other transactions</b> Facility provided during year 88 85 Facility repayment received during year 35 11  <b>Assets</b> Finance Lease Facility Principal receivable 180 126 Finance lease accrued income & other receivables 59 4  <b>Commitments</b> Off balance sheet exposure 345 122		

# Tata Capital Financial Services Limited

## Notes forming part of the Consolidated Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 53. Disclosure as required by Indian Accounting Standard (Ind AS) – 24 on “Related Party Disclosures” notified under the Companies (Indian Accounting Standard) Rules, 2015:

#### B) Transactions with related parties

Sr No	Party Name	Nature of Transactions	FY 19-20	FY 18-19
31	Tata AIG General Insurance Company Limited	<b>Income</b> Insurance Commission  <b>Expenses</b> Insurance Expenses  <b>Assets</b> Balance Receivable # Balance Receivable	 1,049  13  44 162	 857  14  - 165
32	Tata Asset Management Limited	<b>Income</b> PMS Income  <b>Assets</b> # Balance Receivable	 403  17	 18  -
33	Tata Communications Collaboration Services Private Limited	<b>Expenses</b> Telephone Expenses	 1	 -
34	Tata Communications Limited	<b>Income</b> Finance Lease Interest Foreclosure Charges  <b>Expenses</b> Information Technology Expenses  <b>Other transactions</b> Facility repayment received during year  <b>Assets</b> Finance Lease Facility Principal receivable Finance lease accrued income & other receivables / * (Payables)  <b>Commitments</b> Off balance sheet exposure	 3 -  241  19  18 -  -	 5 -  285  16  36 2  360
35	Tata Communications Transformation Services Limited	<b>Income</b> Finance Lease Interest  <b>Other transactions</b> Facility repayment received during year  <b>Assets</b> Finance Lease Facility Principal receivable Finance lease accrued income & other receivables / (Payables)	 3  11  12 1	 4  13  23 (1)

# Tata Capital Financial Services Limited

## Notes forming part of the Consolidated Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 53. Disclosure as required by Indian Accounting Standard (Ind AS) – 24 on “Related Party Disclosures” notified under the Companies (Indian Accounting Standard) Rules, 2015:

#### B) Transactions with related parties

Sr No	Party Name	Nature of Transactions	FY 19-20	FY 18-19
36	Tata Consultancy Services Limited	<b>Income</b> Finance Lease Interest 38 37 Op. Lease Rental 186 -  <b>Expenses</b> Information Technology Expenses 4,623 5,773  <b>Other transactions</b> Facility provided during year 63 38 Facility repayment received during year 38 29 Security deposit received during year 129 - Security deposit repaid during year 49 -  <b>Assets</b> Finance Lease Facility Principal receivable 245 220 Finance lease accrued income & other receivables 1 38 Balance Receivable / (Payable) (4) -  <b>Liabilities</b> Balance Payable 2,376 1,902 Security deposit payable 80 -  <b>Commitments</b> Off balance sheet exposure 1,751 1,542		
37	Tata Consulting Engineers Limited	<b>Income</b> Term Loan Interest Income 77 - Management Fees 15 -  <b>Other transactions</b> Loan given during year 1,500 - Loan repayment received during year 1,500 -		
38	Tata Industries Limited	<b>Income</b> Finance Lease Interest 121 413 Sale of Assets 61 - * Recovery of Expenses - -  <b>Other transactions</b> Facility provided during year 1,148 20 Facility repayment received during year 168 46  <b>Assets</b> Finance Lease Facility Principal receivable 1,160 178 Finance lease accrued income & other receivables 989 76 * Balance Receivable - -  <b>Commitments</b> Off balance sheet exposure 836 1,876		



# Tata Capital Financial Services Limited

## Notes forming part of the Consolidated Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 53. Disclosure as required by Indian Accounting Standard (Ind AS) – 24 on “Related Party Disclosures” notified under the Companies (Indian Accounting Standard) Rules, 2015:

#### B) Transactions with related parties

Sr No	Party Name	Nature of Transactions	FY 19-20	FY 18-19
39	Tata International Limited	<b>Income</b> Finance Lease Interest  <b>Expenses</b> Staff Welfare Expenses  <b>Other transactions</b> Facility provided during year Facility repayment received during year Security deposit received during year  <b>Assets</b> Finance Lease Facility Principal receivable Finance lease accrued income & other receivables  <b>Liabilities</b> Security deposit payable  <b>Commitments</b> Off balance sheet exposure	 5  7  84 4 21  80 28  21  63	 -  -  - - -  - -  -  -
40	Tata Teleservices (Maharashtra) Limited	<b>Expenses</b> Telephone Expenses  <b>Income</b> Op. Lease Rental  <b>Liabilities</b> * Balance Payable	 134  -  -	 205  12  -
41	Tata Teleservices Limited	<b>Income</b> Finance Lease Interest Op. Lease Rental Management Fees Foreclosure Charges  <b>Expenses</b> Electricity Expenses Rent Expenses Telephone Expenses  <b>Other transactions</b> Facility provided during year Facility repayment received during year  <b>Assets</b> Finance Lease Facility Principal receivable Finance lease accrued income & other receivables / (payables) Balance Receivable Security Deposit receivable  <b>Commitments</b> Off balance sheet exposure	 20 3 2 -  14 39 35  137 150  139 (29) - 8  491	 48 165 - -  21 70 95  21 495  151 4 2 8  4

# Tata Capital Financial Services Limited

## Notes forming part of the Consolidated Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 53. Disclosure as required by Indian Accounting Standard (Ind AS) – 24 on “Related Party Disclosures” notified under the Companies (Indian Accounting Standard) Rules, 2015:

#### B) Transactions with related parties

Sr No	Party Name	Nature of Transactions	FY 19-20	FY 18-19
42	Conneqt Business Solutions Limited	<b>Income</b> Finance Lease Interest 124 240 Op. Lease Rental 279 410 Management Fees 2 - Sale of Assets - 29 Recovery Electricity expenses 40 190 Recovery Rent and Guest house expenses 129 -  <b>Expenses</b> Outsourcing Expenses 7,633 4,869  <b>Other transactions</b> Facility provided during year 418 - Facility repayment received during year 397 140 Loan repayment received during year - 2,000  <b>Assets</b> Finance Lease Facility Principal receivable 1,063 1,042 Finance lease accrued income & other receivables 46 101 Balance Receivable 83 115  <b>Liabilities</b> Trade Payable 1,037 1,889 Security deposit payable 37 37  <b>Commitments</b> Off balance sheet exposure 716 -		
43	Tata Chemicals Limited	<b>Income</b> Finance Lease Interest 9 - Op. Lease Rental 11 -  <b>Other transactions</b> Facility provided during year 112 - Facility repayment received during year 11 -  <b>Assets</b> Finance Lease Facility Principal receivable 101 - Finance lease accrued income & other receivables 22 - Balance Receivable 5 -  <b>Commitments</b> Off balance sheet exposure 310 -		
44	Tata Global Beverages Limited	<b>Income</b> Op. Lease Rental 49 49		

# Tata Capital Financial Services Limited

## Notes forming part of the Consolidated Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 53. Disclosure as required by Indian Accounting Standard (Ind AS) – 24 on “Related Party Disclosures” notified under the Companies (Indian Accounting Standard) Rules, 2015:

#### B) Transactions with related parties

Sr No	Party Name	Nature of Transactions	FY 19-20	FY 18-19
45	Tata Motors Limited	<b>Income</b> Finance Lease Interest 27 53 Management Fees 540 - Foreclosure Charges 20 - <b>Other transactions</b> Facility repayment received during year 124 223 Loan Given during period 15,002 - <b>Assets</b> Finance Lease Facility Principal receivable 235 359 Finance lease accrued income & other receivables (181) 6 # PTC loan receivable 15,002 - <b>Commitments</b> Off balance sheet exposure - 74		
46	The Associated Building Company Limited	<b>Income</b> Term Loan Interest Income 68 713 <b>Expenses</b> Legal & Professional Fees 1 - <b>Other transactions</b> Loan given during year 100 7,500 Loan repayment received during year 4,244 7,175 <b>Assets</b> # Term Loan Principal receivable - 4,144 # Term Loan accrued income - 151 <b>Commitments</b> Off balance sheet exposure 97 243		
47	The Indian Hotels Company Limited	<b>Income</b> Finance Lease Interest 19 21 Op. Lease Rental 7 - <b>Expenses</b> Hotel Expenses 5 - Training Expenses 6 - Business promotion Expenses - 74 Staff Welfare Expenses - 11 <b>Other transactions</b> Facility provided during year 22 - Facility repayment received during year 55 17 <b>Assets</b> Finance Lease Facility Principal receivable 110 143 Finance lease accrued income & other receivables 10 3 Balance Receivable - 5 <b>Commitments</b> Off balance sheet exposure - 231		

# Tata Capital Financial Services Limited

## Notes forming part of the Consolidated Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 53. Disclosure as required by Indian Accounting Standard (Ind AS) – 24 on “Related Party Disclosures” notified under the Companies (Indian Accounting Standard) Rules, 2015:

#### B) Transactions with related parties

Sr No	Party Name	Nature of Transactions	FY 19-20	FY 18-19
48	The Tata Power Company Limited	<b>Income</b> Finance Lease Interest Management Fees  <b>Other transactions</b> Facility provided during year Facility repayment received during year  <b>Assets</b> Finance Lease Facility Principal receivable Finance lease accrued income & other receivables  <b>Commitments</b> Off balance sheet exposure	 142 10  340 174  1,074 71  260	 88 -  647 70  908 23  -
49	Titan Company Limited	<b>Expenses</b> Staff Welfare Expenses Interest Expenses  <b>Other transactions</b> ICD Repaid ICD Taken NSR payment  <b>Assets</b> Balance Receivable  <b>Liabilities</b> ICD Balance	 6 60  5,000 - -  1  -	 33 426  8,000 13,000 6  1  5,000
50	Trent Limited	<b>Other transactions</b> NSR Payment  <b>Assets</b> Balance Receivable*	 295  -	 282  -
51	Voltas Limited	<b>Expenses</b> Fixed Assets Purchased Incentive payment dealers Repairs and Maintenance  <b>Income</b> Subvention Income Bill Discounting  <b>Assets</b> Balance Receivable Invoice Discounted receivable	 22 17 30  - -  - -	 32 29 37  60 31  64 1

# Tata Capital Financial Services Limited

## Notes forming part of the Consolidated Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 53. Disclosure as required by Indian Accounting Standard (Ind AS) – 24 on “Related Party Disclosures” notified under the Companies (Indian Accounting Standard) Rules, 2015:

#### B) Transactions with related parties

Sr No	Party Name	Nature of Transactions	FY 19-20	FY 18-19
52	Coastal Gujarat Power Limited	<b>Income</b> Finance Lease Interest 13 - Term Loan Interest Income 854 2,037 Management Fees 15 83  <b>Other transactions</b> Facility provided during year 50 60 Facility repayment received during year 13 5 Loan given during year - 32,500 Loan repayment received during year 32,500 -  <b>Assets</b> Finance Lease Facility Principal receivable 103 66 Finance lease accrued income & other receivables (16) - # Term Loan Principal receivable - 32,500 # Term Loan accrued income - 18		
53	Concorde Motors (India) Limited	<b>Income</b> Trade Advance Interest Income 1,046 1,854 Op. Lease Rental 460 486 Management Fees 20 19  <b>Expenses</b> Fixed Assets Purchased 9 -  <b>Other transactions</b> Loan given during year 33,890 1,08,463 Loan repayment received during year 52,677 1,06,788  <b>Assets</b> # Term Loan Principal receivable - 18,787 # Term Loan accrued income - 173 Balance Receivable 9 - # Balance Receivable 16 -  <b>Commitments</b> Off balance sheet exposure 18,106 2,548		
54	Fiora Hypermarket Limited	<b>Expenses</b> Commission on Cards 7 9  <b>Other transactions</b> NSR Payment 233 129		

# Tata Capital Financial Services Limited

## Notes forming part of the Consolidated Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 53. Disclosure as required by Indian Accounting Standard (Ind AS) – 24 on “Related Party Disclosures” notified under the Companies (Indian Accounting Standard) Rules, 2015:

#### B) Transactions with related parties

Sr No	Party Name	Nature of Transactions	FY 19-20	FY 18-19
55	Indian Steel & Wire Products Ltd.	<b>Income</b> Finance Lease Interest Management Fees  <b>Other transactions</b> Facility provided during year Facility repayment received during year  <b>Assets</b> Finance Lease Facility Principal receivable Finance lease accrued income & other receivables  <b>Commitments</b> Off balance sheet exposure	 7 1  99 18  81 1  32	 - -  - -  - -  -
56	Maithon Power Limited	<b>Income</b> Finance Lease Interest Syndication fees  <b>Other transactions</b> Facility provided during year Facility repayment received during year  <b>Assets</b> Finance Lease Facility Principal receivable Finance lease accrued income & other receivables / * (payables)	 3 135  11 3  29 -	 1 1  21 1  21 (1)
57	Nelco Limited	<b>Income</b> Finance Lease Interest  <b>Other transactions</b> Facility provided during year Facility repayment received during year  <b>Assets</b> Finance Lease Facility Principal receivable Finance lease accrued income & other receivables / * (payables)  <b>Commitments</b> Off balance sheet exposure	 6  39 6  48 1  94	 2  12 7  16 -  418

# Tata Capital Financial Services Limited

## Notes forming part of the Consolidated Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 53. Disclosure as required by Indian Accounting Standard (Ind AS) – 24 on “Related Party Disclosures” notified under the Companies (Indian Accounting Standard) Rules, 2015:

#### B) Transactions with related parties

Sr No	Party Name	Nature of Transactions	FY 19-20	FY 18-19
58	Piem Hotels Limited	<b>Expenses</b> Hotel Expenses	-	11
59	Tata Metaliks Ltd.	<b>Income</b> Op. Lease Rental  <b>Other transactions</b> Security deposit received during year  <b>Assets</b> Balance Receivable  <b>Liabilities</b> Security deposit payable  <b>Commitments</b> Off balance sheet exposure	25   6   2   14   361	13   8   -   8   -
60	Tata Motors Finance Limited	<b>Income</b> Interest on Bonds  <b>Expenses</b> Rent and Guest house expenses FA Purchased  <b>Other transactions</b> Proceeds from Divestments  <b>Assets</b> Investment in Bonds Balance Receivable  <b>Liabilities</b> Balance Payable	176   8 -   2,000   - -   32	218   - 2   -   2,042 214   216
61	Tata Power Delhi Distribution Limited	<b>Expenses</b> * Legal & Professional Fees	-	-

# Tata Capital Financial Services Limited

## Notes forming part of the Consolidated Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 53. Disclosure as required by Indian Accounting Standard (Ind AS) – 24 on “Related Party Disclosures” notified under the Companies (Indian Accounting Standard) Rules, 2015:

#### B) Transactions with related parties

Sr No	Party Name	Nature of Transactions	FY 19-20	FY 18-19
62	Tata Power Solar Systems Limited	<b>Income</b> Finance Lease Interest Management Fees  <b>Other transactions</b> Facility provided during year Facility repayment received during year  <b>Assets</b> Finance Lease Facility Principal receivable Finance lease accrued income & other receivables /(Payables)  <b>Commitments</b> Off balance sheet exposure	 19 1  148 31  129 (9)  500	 4 -  26 14  13 (12)  229
63	Tata Power Trading Company Limited	<b>Income</b> Finance Lease Interest  <b>Other transactions</b> Facility repayment received during year  <b>Assets</b> Finance Lease Facility Principal receivable * Finance lease accrued income & other receivables	 1  1  5 (5)	 1  1  6 -
64	Tata Steel Utilities and Infrastructure Services Limited	<b>Income</b> Finance Lease Interest Op. Lease Rental  <b>Other transactions</b> Facility provided during year Facility repayment received during year Security deposit received during year  <b>Assets</b> Finance Lease Facility Principal receivable Finance lease accrued income & other receivables Balance Receivable / (Payables)  <b>Liabilities</b> Security deposit payable  <b>Commitments</b> Off balance sheet exposure	 7 32  72 20 -  52 1 (2)  9  15	 - -  - - 9  - - -  9  15
65	Tayo Rolls Limited	<b>Income</b> ODC Income*  <b>Other transactions</b> Loan repayment received during year  <b>Assets</b> # Loan outstanding	 -  3  -	 1  -  3



# Tata Capital Financial Services Limited

## Notes forming part of the Consolidated Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 53. Disclosure as required by Indian Accounting Standard (Ind AS) – 24 on “Related Party Disclosures” notified under the Companies (Indian Accounting Standard) Rules, 2015:

#### B) Transactions with related parties

Sr No	Party Name	Nature of Transactions	FY 19-20	FY 18-19
66	TP Ajmer Distribution Limited	<b>Income</b> Finance Lease Interest Management Fees  <b>Other transactions</b> Facility provided during year Facility repayment received during year  <b>Assets</b> Finance Lease Facility Principal receivable * Finance lease accrued income & other receivables	 3 1  11 6  22 1	 3 -  16 4  17 -
67	United Hotels Limited	<b>Income</b> Finance Lease Interest  <b>Expenses</b> * Hotel Expenses  <b>Other transactions</b> Facility provided during year Facility repayment received during year  <b>Assets</b> Finance Lease Facility Principal receivable Finance lease accrued income & other receivables  <b>Commitments</b> Off balance sheet exposure	 2  -  29 1  28 3  53	 -  -  - -  - -  -
68	Air International TTR Thermal Systems Private Limited	<b>Income</b> Op. Lease Rental Management Fees  <b>Other transactions</b> Security deposit received during year  <b>Liabilities</b> Security deposit payable  <b>Commitments</b> Off balance sheet exposure	 26 -  5  18  1,823	 - -  13  13  -
69	AirAsia (India) Limited	<b>Income</b> Term Loan Interest Income Trade Advance Interest Income Management Fees  <b>Other transactions</b> Loan given during year Loan repayment received during year  <b>Assets</b> Term Loan Principal receivable Term Loan accrued income # Term Loan Principal receivable # Term Loan accrued income  <b>Commitments</b> Off balance sheet exposure	 767 287 59  10,000 10,000  - - 10,000 96  10,000	 358 - 50  10,000 -  10,000 80 - -  -

# Tata Capital Financial Services Limited

## Notes forming part of the Consolidated Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 53. Disclosure as required by Indian Accounting Standard (Ind AS) – 24 on “Related Party Disclosures” notified under the Companies (Indian Accounting Standard) Rules, 2015:

#### B) Transactions with related parties

Sr No	Party Name	Nature of Transactions	FY 19-20	FY 18-19
70	Mikado Realtors Private Limited	<b>Income</b> Term Loan Interest Income Management Fees  <b>Other transactions</b> Loan given during year  <b>Assets</b> # Term Loan Principal receivable # Term Loan accrued income  <b>Commitments</b> Off balance sheet exposure	 29 2  1,500  1,500 29  2,500	 - -  -  - -  -
71	Tata AIA Life Insurance Company Limited	<b>Income</b> Finance Lease Interest Insurance Commission  <b>Expenses</b> Insurance Expenses  <b>Other transactions</b> Facility provided during year  <b>Assets</b> Finance Lease Facility Principal receivable Finance lease accrued income & other receivables Balance Receivable # Balance Receivable  <b>Commitments</b> Off balance sheet exposure	 - 193  70  10  10 36 70 6  150	 - 69  37  -  - - 57 2  -
72	Tata AutoComp GY Batteries Private Limited	<b>Income</b> Trade Advance Interest Income Management Fees  <b>Other transactions</b> Loan given during year Loan repayment received during year  <b>Assets</b> # Term Loan Principal receivable # Term Loan accrued income  <b>Commitments</b> Off balance sheet exposure	 12 3  1,000 1,500  - -  1,000	 37 -  3,500 4,000  500 1  500
73	Tata Boeing Aerospace Limited	<b>Income</b> * Finance Lease Interest  <b>Other transactions</b> Facility provided during year * Facility repayment received during year  <b>Assets</b> Finance Lease Facility Principal receivable * Finance lease accrued income & other receivables  <b>Commitments</b> Off balance sheet exposure	 1  - 1  5 4  138	 -  6 -  6 -  -

# Tata Capital Financial Services Limited

## Notes forming part of the Consolidated Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 53. Disclosure as required by Indian Accounting Standard (Ind AS) – 24 on “Related Party Disclosures” notified under the Companies (Indian Accounting Standard) Rules, 2015:

#### B) Transactions with related parties

Sr No	Party Name	Nature of Transactions	FY 19-20	FY 18-19
74	Tata International DLT Private Limited	<b>Income</b> Term Loan Interest Income  <b>Other transactions</b> Loan repayment received during year  <b>Assets</b> Term Loan Principal receivable Term Loan accrued income	 36  200  225 1	 55  200  425 2
75	Tata Lockheed Martin Aerostructures Limited	<b>Income</b> Finance Lease Interest  <b>Other transactions</b> Facility given during year Facility repayment received during year  <b>Assets</b> Finance Lease Facility Principal receivable Finance lease accrued income & other receivables / (payables)	 7  - 14  47 (1)	 5  70 13  61 1
76	Tata Precision Industries (India) Limited	<b>Income</b> Term Loan Interest Income  <b>Other transactions</b> Loan repayment received during year  <b>Assets</b> Term Loan Principal receivable * Term Loan accrued income	 8  23  45 -	 10  23  68 -
77	Tata Sikorsky Aerospace Limited	<b>Income</b> Finance Lease Interest  <b>Other transactions</b> Facility provided during year Facility repayment received during year  <b>Assets</b> Finance Lease Facility Principal receivable * Finance lease accrued income & other receivables  <b>Commitments</b> Off balance sheet exposure	 2  8 3  11 -  139	 1  8 1  7 -  -
78	Tata Toyo Radiator Limited	<b>Income</b> Op. Lease Rental Management Fees  <b>Other transactions</b> Security deposit received during year  <b>Assets</b> Balance receivable  <b>Liabilities</b> Security deposit payable  <b>Commitments</b> Off balance sheet exposure	 1,093 12  458  (8)  948  10,215	 144 14  -  1  490  -

# Tata Capital Financial Services Limited

## Notes forming part of the Consolidated Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 53. Disclosure as required by Indian Accounting Standard (Ind AS) – 24 on “Related Party Disclosures” notified under the Companies (Indian Accounting Standard) Rules, 2015:

#### B) Transactions with related parties

Sr No	Party Name	Nature of Transactions	FY 19-20	FY 18-19
79	Tata Sky Broadband Private Limited	<b>Income</b> Syndication fees	35	-
80	Sir Dorabji Tata Trust	<b>Expenses</b> CSR Expenditure	100	-
81	Sir Ratan Tata Trust	<b>Income</b> Finance Lease Interest  <b>Other transactions</b> Facility repayment received during year  <b>Assets</b> Finance Lease Facility Principal receivable  <b>Commitments</b> Off balance sheet exposure	-  3  -  -	1  4  3  36
82	Calsea Footwear Private Limited	<b>Income</b> Interest income on Inter-Corporate Deposit  <b>Other transactions</b> ICD repaid	-  -	110  1,500
83	Smart Value Homes (Peenya Project) Private Limited	<b>Income</b> Referral Fees	-	1
84	Tata Steel Limited	<b>Expenses</b> Rent and Other Expenses	-	1
85	Tata Elxsi Limited	<b>Expenses</b> Staff Welfare Expenses	-	9
86	Key Management	<b>Remuneration to KMP</b> Short Term Employee Benefits Post Employment Benefits Share based payments (No. of Shares) Options granted ** Options exercised Director Sitting Fees & Commission	434 13  12,00,000 - 125	342 12  6,00,000 - 109

#### Notes :

a) \* less than Rs.50,000/-

b) \*\* ESOP has been granted by Tata Capital Limited

c) # all the loans / borrowings balance above are not secured

d) Expected credit loss provision for parties listed above have not been considered as provision for doubtful debts, hence not disclosed

e) The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends. The above figures do not include provisions for encashable leave, gratuity and premium paid for Company health insurance, as separate actuarial valuation / premium paid are not available.

f) All transactions with these related parties are priced on an arm's length and in the ordinary course of business. Outstanding amount as at the end of the year, in respect of loan and advances to be settled in cash and / or adjusted against goods or services.

#### C) List of Associates

Name of Associate	Country of Incorporation	Ownership Interest	
		March 31, 2020	March 31, 2019
Shriram Properties Private Limited	India	1.50%	1.50%
TVS Logistics Services Limited	India	0.63%	0.68%
Fincare Business Services Limited	India	0.78%	0.80%

54. The Group has investments in the following associates, which are accounted for on the Equity Method in accordance with the Ind AS 28 on 'Investment in Associates':

The Particulars of investments in associates as on March 31, 2020 are as follows :

( Rs. in lakh )

Sr No	Name of Associates	Country of Incorporation	As on	Ownership Interest (%)	Original Cost of Investment	Amount of goodwill/ (Capital Reserve) in original cost	Share of post acquisition Reserves & Surplus	Gross	Impairment	Carrying Amount of Investments
1	Fincare Business Services Limited (Refer footnote 1 below)	India	March 31, 2020 March 31, 2019	0.78% 0.80%	734 734	214 214	125 38	859 772	- -	859 772
2	Shriram Properties Limited (Refer footnote 1 below)	India	March 31, 2020 March 31, 2019	1.50% 1.50%	3,935 3,935	3,004 3,004	- -	3,935 3,935	(1,535) (585)	2,400 3,350
3	TVS Logistics Services Limited (Refer footnote 1 below)	India	March 31, 2020 March 31, 2019	0.68% 0.68%	1,465 1,465	1,036 1,036	2 89	1,467 1,554	- -	1,467 1,554
<b>Total</b>					<b>6,134</b>	<b>4,254</b>	<b>127</b>	<b>6,261</b>	<b>(1,535)</b>	<b>4,726</b>
					6,134	4,254	127	6,261	(585)	5,676

Note:

1) The Group's share in voting rights does not exceed 20%. However, the presumption of significant influence is overcome and it has been concluded that Group has significant influence as the Group represents the board of directors and management participates in policy making processes.

55. Additional information as required by Paragraph 2 of the General Instructions for Preparation of Consolidated Financial Statements to Schedule III to the Companies Act, 2013

Name of the entity	As at March 31,2020		As at March 31,2019		For the period ended March 31,2020		For the period ended March 31,2019		For the period ended March 31,2020		For the period ended March 31,2019	
	Net assets, i.e., total assets minus total liabilities		Net assets, i.e., total assets minus total liabilities		Share of profit or loss		Share of profit or loss		Share in Other Comprehensive Income		Share in Other Comprehensive Income	
	As % of consolidated net assets	Rs in lakh	As % of consolidated net assets	Rs in lakh	As % of consolidated profit or loss	Rs in lakh	As % of consolidated profit or loss	Rs in lakh	As % of consolidated profit or loss	Rs in lakh	As % of consolidated profit or loss	Rs in lakh
<b>Parent:</b> Tata Capital Financial Services Limited	99.24%	6,16,738	98.60%	3,98,814	100.04%	11,360	99.10%	42,890	100.37%	(1,360)	40.61%	(173.00)
<b>Associates (Investment as per the equity method)</b>												
<b>Indian</b>												
Fincare Business Services Limited	0.14%	859	0.19%	772	0.70%	79	0.22%	97	-0.52%	7	0.00%	-
Shriram Properties Limited	0.39%	2,400	0.83%	3,350	0.00%	-	0.00%	-	0.00%	-	0.00%	-
TVS Logistics Services Limited	0.24%	1,466	0.38%	1,554	-0.73%	(83)	0.10%	42	0.15%	(2)	0.00%	-
Varroc Engineering Private Limited	0.00%	-	0.00%	-	0.00%	-	0.58%	252	0.00%	-	59.39%	(253)
<b>Total</b>	<b>100.01%</b>	<b>6,21,463</b>	<b>100.00%</b>	<b>4,04,490</b>	<b>100.01%</b>	<b>11,356</b>	<b>100.00%</b>	<b>43,281</b>	<b>100.00%</b>	<b>(1,355)</b>	<b>100.00%</b>	<b>(426)</b>

For B S R & Co. LLP  
Chartered Accountants  
Firm's Registration No: 101248W/W-100022

For and on behalf of the Board of Directors  
TATA Capital Financial Services Limited

**Sagar Lakhani**  
Partner  
Membership No: 111855

**Rajiv Sabharwal**  
(Director)  
(DIN No. : 00057333)

**F.N. Subedar**  
(Director)  
(DIN No. : 00028428)

**Anuradha E. Thakur**  
(Director)  
(DIN No. : 06702919)

Mumbai  
June 27, 2020

**Varsha Purandare**  
(Director)  
(DIN No. : 05288076)

**Sarosh Amaria**  
(Managing Director)  
(DIN No. : 08733676)

**Avan Doomasia**  
(Company Secretary)

Form AOC - 1  
(Pursuant to first proviso to sub-section (3) of Section 129 read with Rule 5 of the Companies (Accounts) Rules, 2014)  
Statement containing salient features of the financial statements of subsidiaries/associates/joint ventures

(Rs in lakh)

Part "A": Subsidiaries														
Sr. No	Name of Subsidiary	The date since when subsidiary was acquired	Reporting currency and exchange rate as on the last date of the relevant Financial Year in the case of foreign subsidiaries	Share Capital / Partner's Capital / Unitholder's Capital	Reserves & Surplus	Total Assets	Total Liabilities	Investments	Turnover	Profit / (Loss) before Taxation	Provision for taxation	Profit / (Loss) After Taxation	Proposed Dividend	% of Shareholding
NA.														

Part "B": Associates  
Statement pursuant to Section 129 (3) of the Companies Act, 2013 related to Associate Companies

(Rs. In Lakh)

Sr. No	Name of Associate/Joint Venture	1. Latest audited Balance Sheet date	2. Date on which the Associate was associated or acquired	3. Shares of Associate held by the Company on the year end			4. Description of how there is significant influence	5. Reason why the Associate / Joint Venture has not been consolidated	6. Networth attributable to shareholding as per latest audited Balance Sheet	7. Profit/Loss for the year	
				No. of Shares	Amount of investment in Associate	Extent of Holding %				i. Considered in Consolidation	ii. Not Considered in Consolidation
1	Shriram Properties Limited	March 31, 2019	July 10, 2014	22,23,569	3,935	1.50%	Based on rights under definitive documents	N.A.	1,455	-	-
2	TVS Supply Chain Solutions Limited	March 31, 2019	September 3, 2015	2,17,325	1,465	0.63%		N.A.	428	(83)	(12,392)
3	Fincare Business Services Limited	March 31, 2019	March 21, 2017	25,47,910	734	0.78%		N.A.	574	79	10,117

**For and on behalf of the Board of Directors**  
**TATA Capital Financial Services Limited**

**Rajiv Sabharwal**  
(Director)  
(DIN No. : 00057333)

**F.N. Subedar**  
(Director)  
(DIN No. : 00028428)

**Anuradha E. Thakur**  
(Director)  
(DIN No. : 06702919)

**Varsha Purandare**  
(Director, Pune)  
(DIN No. : 05288076)

**Sarosh Amaria**  
(Managing Director)  
(DIN No. : 08733676)

**Avan Doomasia**  
(Company Secretary)

Mumbai  
June 27, 2020

# **Standalone Financial Statements**



# B S R & Co. LLP

Chartered Accountants

5th Floor, Lodha Excelus,  
Apollo Mills Compound  
N. M. Joshi Marg, Mahalaxmi  
Mumbai - 400 011  
India

Telephone +91 (22) 4345 5300  
Fax +91 (22) 4345 5399

## Independent Auditors' Report

### To the Members of Tata Capital Financial Services Limited

#### Report on the Audit of the Standalone Financial Statements

#### Opinion

We have audited the standalone financial statements of Tata Capital Financial Services Limited (the 'Company'), which comprise the standalone balance sheet as at 31 March 2020, and the standalone statement of profit and loss (including other comprehensive income), standalone statement of changes in equity and standalone statement of cash flows for the year then ended, and notes to the standalone financial statements, including a summary of the significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 (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 31 March 2020, and profit and other comprehensive income, changes in equity and its cash flows for the year ended on that date.

#### Basis for Opinion

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

#### Emphasis of matter

As described in Note 60 to the standalone financial statements, in respect of accounts overdue but standard at 29 February 2020 where moratorium benefit has been granted, the staging of those accounts at 31 March 2020 is based on the days past due status as on 29 February 2020 in accordance with the Reserve Bank of India COVID-19 Regulatory Package.

B S R & Co (a partnership firm with Registration No. BA61223) converted into B S R & Co. LLP (a Limited Liability, Partnership with LLP Registration No. AAB-8181) with effect from October 14, 2013

Registered Office:  
5th Floor, Lodha Excelus  
Apollo Mills Compound  
N. M. Joshi Marg, Mahalaxmi Mumbai -  
400 011. India

**Independent Auditor's Report (Continued)****Tata Capital Financial Services Limited****Emphasis of matter (Continued)**

As described in Note 60 to the standalone financial statements, the extent to which the COVID-19 pandemic will impact the Company's financial performance is dependent on future developments, which are highly uncertain.

Our opinion is not modified in respect of the above matters.

**Key Audit Matters**

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

**Description of Key Audit Matter:**

<b>Key audit matter</b>	<b>How the matter was addressed in our audit</b>
<p><b>Impairment of loans and advances to customers</b></p> <p><b>Charge: INR 863.51 crores for year ended 31 March 2020</b></p> <p><b>Provision: INR 1,580.85 crores at 31 March 2020</b></p> <p><i>Refer to the accounting policies in "Note 2 (xi)(a) to the Financial Statements: Impairment", "Note 2 (v) to the Financial Statements: Significant Accounting Policies- use of estimates", "Note 7 to the Financial Statements: Loans", "Note 60 to the Financial Statements: Deferment and COVID 19" and "Note 36 to the Financial Statements: Financial Risk management".</i></p> <p><b>Subjective estimate</b></p> <p>Recognition and measurement of impairment of loans and advances involve significant management judgement.</p> <p>Under Ind AS 109, <i>Financial Instruments</i>, allowance for loan losses are determined using expected credit loss ('ECL') model. The Company's impairment allowance is derived from estimates including the historical default and loss ratios. Management exercises judgement in determining the quantum of loss based on a range of factors.</p> <p>The most significant areas in the ECL calculation are:</p> <ul style="list-style-type: none"> <li>- Segmentation of loan book;</li> <li>- Determination of exposure at default</li> <li>- Loan staging criteria;</li> <li>- Calculation of probability of default / loss given default;</li> <li>- Consideration of probability weighted scenarios and forward looking macro-economic factors.</li> </ul> <p>The application of ECL model requires several data inputs. This increases the risk of completeness and accuracy of the data that has been used to create assumptions in the model. In some cases, data is unavailable and reasonable alternatives have been applied to allow calculations to be performed.</p>	<p>Our key audit procedures included:</p> <p><b>Design / controls</b></p> <ul style="list-style-type: none"> <li>• Evaluating the appropriateness of the impairment principles used by management based on the requirements of Ind AS 109 and our business understanding.</li> <li>• Understanding management's revised processes, systems and controls implemented in relation to impairment allowance process, particularly in view of COVID-19 regulatory package.</li> <li>• Evaluating management's controls over collation of relevant information used for determining estimates for ECL computation, including for assessing the impact arising on account of COVID-19.</li> <li>• Assessing the design and implementation of key internal financial controls over loan impairment process used to calculate the ECL charge.</li> <li>• Testing the system reports with the help of our IT specialists to check the completeness and accuracy of the data and reports used to perform computations for ECL.</li> <li>• Testing key controls operating over the information technology in relation to certain loan management systems, including system access and system change management, program development and computer operations with the help of our IT specialists in respect of the changes made to give effect to moratorium benefits policy approved by the Board.</li> </ul>

**Independent Auditor's Report (Continued)****Tata Capital Financial Services Limited****Key Audit Matters (Continued)**

## Description of Key Audit Matter: (Continued)

Key audit matter	How the matter was addressed in our audit
<b>Impairment of loans and advances to customers (Continued)</b>	
<b>Charge: INR 863.51 crores for year ended 31 March 2020 (Continued)</b>	
<b>Provision: INR 1,580.85 crores at 31 March 2020 (Continued)</b>	
<p><i>Impact of COVID-19</i></p> <p>On 11 March 2020, the World Health Organisation declared the Novel Coronavirus (COVID-19) outbreak to be a pandemic.</p> <p>Management has identified the impact of, and uncertainty related to the COVID-19 pandemic as a key element of consideration for recognition and measurement of impairment of loans and advances on account of:</p> <ul style="list-style-type: none"> <li>- short and long term macroeconomic effect on businesses in the country and globally and its consequential first order and cascading negative impact on revenue and employment generation opportunities;</li> <li>- impact of the pandemic on the Company's customers and their ability to repay dues; and</li> <li>- application of regulatory package announced by the Reserve Bank of India ('RBI') on asset classification and provisioning.</li> </ul> <p>Management has conducted a qualitative assessment of significant increase in credit risk ('SICR') of the loan portfolio and considered updated macroeconomic scenarios along with using management overlays to reflect potential impact of COVID-19 on expected credit losses on its loan portfolio.</p>	<ul style="list-style-type: none"> <li>• Testing of review controls over measurement of impairment allowances and disclosures in financial statements.</li> <li>• Testing that the governance controls over ECL are line with the RBI guidance.</li> </ul> <p><b>Substantive tests</b></p> <ul style="list-style-type: none"> <li>• Assessing appropriate application of accounting principles (including criteria for SICR), validating completeness and accuracy of the data and reasonableness of assumptions used in the ECL model / calculations.</li> <li>• Performing test of details over calculation of ECL, in relation to the completeness, accuracy and relevance of data.</li> <li>• Assessing the appropriateness of changes made in macroeconomic factors and management overlays to calibrate the risks that are not yet fully captured by the existing model.</li> <li>• Corroborate through independent check and enquiries the reasonableness of management's assessment of severity of impact of COVID-19 on segments of its loan portfolio and the resultant impairment provision computed.</li> <li>• Using modelling specialist to test the ECL model methodology and reasonableness of assumptions used (including assessing for COVID impact), including management overlays.</li> <li>• Undertaking model calculations testing through re-performance, where possible.</li> <li>• Assessing the appropriateness of the additional financial statement disclosures made by the Company regarding impact of COVID-19.</li> </ul>

## Independent Auditor's Report (*Continued*)

### Tata Capital Financial Services Limited

#### Key Audit Matters (*Continued*)

Description of Key Audit Matter: (*Continued*)

#### Information Technology

The key audit matter	How the matter was addressed in our audit
<p><b>IT systems and controls</b></p> <p>The Company's key financial accounting and reporting processes are highly dependent on the automated controls in information systems. Further, the prevailing COVID-19 situation has caused the required IT applications to be made accessible to the employees on a remote basis.</p> <p>There exists a risk that gaps in the IT control environment could result in the financial accounting and reporting records being materially misstated.</p> <p>We have focused on program development, user access management, change management, segregation of duties, and system application controls over key financial accounting and reporting systems.</p> <p>We have identified 'IT system and controls' as a Key Audit Matter since the Company relies on automated processes and controls in the day to day conduct of its business.</p>	<p>Our key audit procedures included:</p> <ul style="list-style-type: none"> <li>• Testing the General IT Control (GITC) over key financial accounting and reporting systems and supporting control systems (referred to as in-scope systems)</li> <li>• Testing sample of key controls operating over information technology in relation to financial accounting and reporting systems, including system access and system change management, program development and computer operations.</li> <li>• Testing the design and operating effectiveness of key controls over user access management which includes granting access right, new user creation, removal of user rights and preventative controls designed to enforce segregation of duties.</li> <li>• For a selected group of key controls over financial and reporting system, independently performed procedures to determine that these controls remained unchanged during the year or were changed following the standard change management process.</li> <li>• Evaluating the design, implementation and operating effectiveness of the significant accounts-related IT automated controls which are relevant to the accuracy of system calculation, and the consistency of data transmission.</li> <li>• Assessing other areas independently, that include password policies, security configurations, controls over changes to applications and databases and that business users, developers and production support did not have access to change applications, the operating system or databases in the production environment.</li> <li>• Understanding and testing the IT infrastructure (operating systems and databases supporting the in-scope systems and related data security controls) in relation to large number of users working on the Company's systems remotely in the light of COVID-19.</li> </ul>

## **Independent Auditor's Report (*Continued*)**

### **Tata Capital Financial Services Limited**

#### **Other Information**

The Company's management and Board of Directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the financial statements and our auditor's report thereon.

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

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

#### **Management's and Board of Directors' Responsibility for the Standalone Financial Statements**

The Company's Management and Board of Directors are responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the state of affairs, profit/loss and other comprehensive income, changes in equity and cash flows 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. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

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

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

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

## **Independent Auditor's Report (*Continued*)**

### **Tata Capital Financial Services Limited**

#### **Auditor's Responsibilities for the Audit of the Standalone Financial Statements (*Continued*)**

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 standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal 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 with reference to financial statements 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 in the standalone financial statements made by Management and Board of Directors.
- Conclude on the appropriateness of Management and Board of Directors use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

## **Independent Auditor's Report (*Continued*)**

### **Tata Capital Financial Services Limited**

#### **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 in terms of section 143 (11) of the Act, we give in the "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
  - (A) 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 standalone balance sheet, the standalone statement of profit and loss (including other comprehensive income), the standalone statement of changes in equity and the standalone statement of cash flows dealt with by this Report are in agreement with the books of account.
    - d) In our opinion, the aforesaid standalone financial statements comply with the Ind AS specified under section 133 of the Act.
    - e) On the basis of the written representations received from the directors as on 31 March 2020 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 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 with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".
  - (B) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
    - i. The Company has disclosed the impact of pending litigations as at 31 March 2020 on its financial position in its standalone financial statements - Refer Note 42 to the standalone 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 - Refer Note 42 to the standalone financial statements.
    - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.
    - iv. The disclosures in the standalone financial statements regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been made in these financial statements since they do not pertain to the financial year ended 31 March 2020.



**Independent Auditor's Report (*Continued*)**

**Tata Capital Financial Services Limited**

**Report on Other Legal and Regulatory Requirements (*Continued*)**

(C) With respect to the matter to be included in the Auditor's Report under section 197(16):

In our opinion and according to the information and explanations given to us, the remuneration paid by the Company to its directors during the current year is in accordance with the provisions of section 197 of the Act. The remuneration paid to any director is not in excess of the limit laid down under section 197 of the Act. The Ministry of Corporate Affairs has not prescribed other details under section 197(16) which are required to be commented upon by us.

For **B S R & Co. LLP**

*Chartered Accountants*

Firm's Registration No. 101248W/W-100022

Mumbai  
27 June 20

**Sagar Lakhani**

*Partner*

Membership No. 111855

UDIN: 20111855AAAAEM3247



# Tata Capital Financial Services Limited

## Annexure A to the Independent Auditor's Report of even date

We report that:

- (i) a. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- b. The Company has a program of physical verification of owned fixed assets whereby all the items of owned fixed assets are verified once in three years. In case of leased assets, the Company has an annual program of physical verification of leased assets with outstanding of above Rs. 5 crores. The other leased assets would be verified basis risk categorization undertaken by the Company and on a case to case basis. In our opinion, the periodicity of the physical verification is reasonable having regard to the size of the Company and the nature of its assets. On account of the Covid-19 virus outbreak and the nation-wise lock-down imposed in India, in the current year, management has physically verified all material fixed assets. For the assets where physical verification exercise was completed, no material discrepancies were noticed on such verification.
- c. According to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of the immovable properties included in property, plant and equipment are held in the name of the Company.
- (ii) The Company is a service company primarily engaged in lending business. Accordingly, it does not hold any inventories. Thus, the provision of clause 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 loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the Register maintained under section 189 of the Act. Accordingly, the provision of clause 3(iii) of the Order is not applicable to the Company.
- (iv) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has not granted any loans, made investments or provided guarantees and securities which attract the provisions of section 185 and section 186 of the Act. Accordingly, paragraph 3(iv) of the Order is not applicable to the Company.
- (v) According to the information and explanations given to us, the Company has not accepted any deposits from the public to which the directives issued by the Reserve Bank of India and the provisions of section 73 to 76 or any other relevant provisions of the Act and the Rules framed there under apply. Accordingly, the provision of clause 3(v) of the Order is not applicable to the Company.
- (vi) The Central Government has not prescribed the maintenance of cost records under sub-section (1) of section 148 of the Act for any of the services rendered by the Company. Accordingly, the provision of clause 3(vi) of the Order is not applicable to the Company.
- (vii) a. According to the information and explanations given to us and on the basis of our examination of records of the Company, amounts deducted / accrued in the books of account in respect of undisputed statutory dues including provident fund, employees' state insurance, income tax, goods and service tax, cess and other statutory dues have generally been regularly deposited by the Company with the appropriate authorities. As explained to us, the Company did not have any dues on account of sales tax, value added tax, duty of customs and duty of excise.

# Tata Capital Financial Services Limited

## Annexure A to the Independent Auditor's Report of even date *(Continued)*

- 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 material statutory dues were in arrears as at 31 March 2020 for a period of more than six months from the date they become payable.
- c. According to the information and explanations given to us, the Company did not have any dues on account of provident fund, employees' state insurance, goods and service tax, cess and other statutory dues applicable to the Company which have not been deposited on account of dispute. Details of dues of value added tax and income tax as on 31 March 2020, not deposited on account of disputes are given below:

Particulars	Period to which the amount relate (Financial Year)	Forum where dispute is pending	Amount in Rupees
Income Tax	2016-17	Commissioner of Income Tax (Appellate Authority)	18,302,792
Income Tax	2017-18	Commissioner of Income Tax (Appellate Authority)	164,882,216
Value Added Tax	2012-13	Deputy Commissioner (Commercial Taxes)	63,127
Value Added Tax	2015-16	Deputy Commissioner (Commercial Taxes)	2,308,429
Value Added Tax	2015-16	Deputy Commissioner (Commercial Taxes)	7,865,064
Value Added Tax	2015-16 2016-17 2017-18	Deputy Commissioner (Commercial Taxes)	222,403
Value Added Tax	2016-17	Deputy Commissioner (Commercial Taxes)	478,397
Value Added Tax	2014-15	Deputy Commissioner (Commercial Taxes)	7,114,983
Value Added Tax	2014-15	Deputy Commissioner (Commercial Taxes)	1,120,630
Central Sales Tax	2014-15	Deputy Commissioner (Commercial Taxes)	295,312

- (viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of loans or borrowings to financial institutions, banks, or debenture holders during the year. During the year, the Company did not have any loans or borrowings from the Government.
- (ix) In our opinion and according to the information and explanations given to us, the monies raised by way of further public offer of debt instruments and term loans taken by the Company have been generally applied for the purpose for which they were raised, except pending utilization of funds which were temporarily deployed in liquid assets. The Company has not raised any money by way of initial public offer during the year.
- (x) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the explanation and information given to us, no material fraud by the Company or on the Company by its officers or employees has been noticed or reported during the course of our audit.

# Tata Capital Financial Services Limited

## Annexure A to the Independent Auditor's Report of even date (*Continued*)

- (xi) According to the information and explanations give to us and based on our examination of the records of the Company, the Company has paid / provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 of the Act read with Schedule V to the Act.
- (xii) In our opinion and according to the information and explanations given to us, the Company is not a Nidhi Company. Accordingly, the provision of clause 3(xii) of the Order is not applicable.
- (xiii) According to the information and explanations given to us and on the basis of our examination of the records of the Company, transactions with the related parties are in compliance with sections 177 and 188 of the Act where applicable, and the details have been disclosed in the accompanying financial statements as required by the applicable accounting standards.
- (xiv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partially convertible debentures during the year. Thus, provisions of clause 3(xiv) of the Order are not applicable.
- (xv) According to the information and explanations given to us and based on our examination of the records, during the year the Company has not entered into any non-cash transactions with directors or persons connected with him. Accordingly, the provision of clause 3(xv) of the Order is not applicable.
- (xvi) The Company is required to be registered under section 45-IA of the Reserve Bank of India Act, 1934 and it has obtained certificate of registration dated 4 November 2011.

For **B S R & Co. LLP**  
*Chartered Accountants*  
Firm's Registration No: 101248W/W-100022

Mumbai  
27 June 2020

**Sagar Lakhani**  
*Partner*  
Membership No. 111855  
UDIN: 20111855AAAAEM3247

# Tata Capital Financial Services Limited

## **Annexure B to the Independent Auditor's Report of even date**

**Report on the internal financial controls with reference to the Standalone financial statements under Clause (i) of sub-section 3 of section 143 of the Companies Act, 2013**

**(Referred to in paragraph 1(A) (f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)**

### **Opinion**

We have audited the internal financial controls with reference to standalone financial statements of Tata Capital Financial Services Limited (the 'Company') as of 31 March 2020 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

In our opinion, the Company has, in all material respects, adequate internal financial controls with reference to standalone financial statements and such internal financial controls were operating effectively as at 31 March 2020, based on the internal financial controls with reference to standalone financial statements 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 (the 'Guidance Note').

### **Emphasis of Matter**

As described in Emphasis of Matter paragraph of our report to the standalone financial statements, the extent to which the COVID - 19 pandemic will have impact on the Company's internal financial controls with reference to standalone financial statements is dependent on future developments, which are highly uncertain.

Our opinion is not modified in respect of the above matter.

### **Management's Responsibility for Internal Financial Controls**

The Company's management and the Board of Directors are responsible for establishing and maintaining internal financial controls based on the internal financial controls with reference to standalone financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to 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 (hereinafter referred to as the 'Act').

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the Company's internal financial controls with reference to the standalone financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to standalone financial statements. 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 with reference to standalone financial statements were established and maintained and whether such controls operated effectively in all material respects.

# Tata Capital Financial Services Limited

## Annexure B to the Independent Auditor's Report of even date (*Continued*)

### Auditor's Responsibility (*Continued*)

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to standalone financial statements and their operating effectiveness. Our audit of internal financial controls with reference to standalone financial statements included obtaining an understanding of such internal financial controls, 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 standalone financial statements, whether due to fraud or error.

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

### Meaning of Internal Financial controls with Reference to the Financial Statements

A company's internal financial controls with reference to standalone financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of standalone financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial controls with reference to standalone financial statements include those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of standalone financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with 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 standalone financial statements.

### Inherent Limitations of Internal Financial controls with Reference to standalone Financial Statements

Because of the inherent limitations of internal financial controls with reference to standalone 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 with reference to standalone financial statements to future periods are subject to the risk that the internal financial controls with reference to standalone financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

For B S R & Co. LLP

*Chartered Accountants*

Firm's Registration No: 101248W/W-100022

**Sagar Lakhani**

*Partner*

Mumbai

27 June 2020

Membership No: 111855

ICAI UDIN: 20111855AAAAEM3247

# Tata Capital Financial Services Limited

## Standalone Balance Sheet

as at March 31, 2020

(Rs. in lakh)

Particulars	Note	As at March 31, 2020	As at March 31, 2019
<b>ASSETS</b>			
<b>(1) Financial assets</b>			
(a) Cash and cash equivalents	3	1,58,454	78,426
(b) Bank balances other than (a) above	4	72	87
(c) Derivative financial instruments	6	5,674	-
(c) Receivables			
(i) Trade receivables	5	4,060	2,885
(ii) Other receivables		-	-
(d) Loans	7	42,60,731	43,01,528
(e) Investments	8	19,013	38,032
(f) Other financial assets	9	44,715	40,617
<b>Total financial assets</b>		<b>44,92,719</b>	<b>44,61,575</b>
<b>(2) Non-financial assets</b>			
(a) Current tax assets (net)	12(i)	12,703	8,797
(b) Deferred tax assets (net)	12(ii)	50,788	64,324
(c) Investment property		-	-
(d) Property, plant and equipment	10	93,660	91,487
(e) Capital work-in-progress		52	62
(f) Intangible assets under development		108	108
(g) Goodwill		-	-
(h) Other intangible assets	10	2,036	2,179
(i) Other non-financial assets	11	28,637	35,140
<b>Total non-financial assets</b>		<b>1,87,984</b>	<b>2,02,097</b>
<b>Total Assets</b>		<b>46,80,703</b>	<b>46,63,672</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
<b>(1) Financial liabilities</b>			
(a) Derivative financial instruments	6	3,381	-
(b) Payables			
(i) Trade payables			
- Total outstanding dues of micro enterprises and small enterprises	13(ii)	50	-
- Total outstanding dues of creditors other than micro enterprises and small enterprises	13(i)	46,102	55,910
(ii) Other trade payables			
- Total outstanding dues of micro enterprises and small enterprises		-	-
- Total outstanding dues of creditors other than micro enterprises and small enterprises		-	-
(c) Debt Securities	14	18,28,010	22,41,571
(d) Borrowings (Other than debt securities)	15	16,94,927	14,62,550
(e) Deposits		-	-
(f) Subordinated liabilities	16	2,95,832	3,29,760
(g) Other financial liabilities	17	1,75,758	1,48,715
<b>Total financial liabilities</b>		<b>40,44,060</b>	<b>42,38,506</b>
<b>(2) Non-Financial liabilities</b>			
(a) Current tax liabilities (net)	18	7,744	13,110
(b) Provisions	19	1,915	1,529
(c) Other non-financial liabilities	20	5,648	6,164
<b>Total non-financial liabilities</b>		<b>15,307</b>	<b>20,803</b>
<b>(3) Equity</b>			
(a) Equity share capital	21	1,62,993	1,37,556
(b) Other equity	22	4,58,343	2,66,807
<b>Total Equity</b>		<b>6,21,336</b>	<b>4,04,363</b>
<b>Total Liabilities and Equity</b>		<b>46,80,703</b>	<b>46,63,672</b>
Significant accounting policies	2		
See accompanying notes forming part of the financial statements	3-61		
In terms of our report of even date			

For **B S R & Co. LLP**  
Chartered Accountants  
Firm's Registration No: 101248W/W-100022

For and on behalf of the Board of Directors  
TATA Capital Financial Services Limited

**Sagar Lakhani**  
Partner  
Membership No: 111855

**Rajiv Sabharwal**  
(Director)  
(DIN No. : 00057333)

**F.N. Subedar**  
(Director)  
(DIN No. : 00028428)

**Anuradha E. Thakur**  
(Director)  
(DIN No. : 06702919)

Mumbai  
June 27, 2020

**Varsha Purandare**  
(Director)  
(DIN No. : 05288076)

**Sarosh Amaria**  
(Managing Director)  
(DIN No. : 08733676)

**Avan Doomasia**  
(Company Secretary)

# Tata Capital Financial Services Limited

## Standalone Statement of Profit and Loss

for the year ended March 31, 2020

(Rs. in lakh)

Particulars	Note	For the year ended March 31, 2020	For the year ended March 31, 2019
<b>I Revenue from operations</b>			
(i) Interest income	23	5,47,075	4,81,096
(ii) Dividend income	24	590	503
(iii) Rental income	25	39,879	35,498
(iv) Fees and commission income	26	10,756	8,575
(v) Net gain on fair value changes	27	-	16,814
(vi) Net gain on derecognition of investment in associates		-	11,780
<b>Total Revenue from operations</b>		<b>5,98,300</b>	<b>5,54,266</b>
<b>II Other income</b>	28	<b>7,895</b>	<b>5,597</b>
<b>III Total Income (I+II)</b>		<b>6,06,195</b>	<b>5,59,863</b>
<b>IV Expenses</b>			
(i) Finance costs	29	3,25,673	3,12,501
(ii) Fees and commission expense		-	-
(iii) Net loss on fair value changes	27	9,393	-
(iv) Impairment of investment in associates		950	-
(iv) Impairment of financial instruments	31	86,351	45,153
(v) Employee benefits expense	30	45,027	45,492
(vi) Depreciation and amortisation and impairment	10	37,179	27,423
(vii) Other expenses	32	56,372	63,933
<b>Total expenses (IV)</b>		<b>5,60,945</b>	<b>4,94,502</b>
<b>V Profit before exceptional items and tax (III-IV)</b>		<b>45,250</b>	<b>65,361</b>
<b>VI Exceptional Items</b>		<b>-</b>	<b>-</b>
<b>VII Profit before tax (V-VI)</b>		<b>45,250</b>	<b>65,361</b>
<b>VIII Tax expense</b>			
(1) Current tax	12(i)	19,684	23,390
(2) Deferred tax	12(ii)	14,205	(1,739)
<b>Net tax expense</b>		<b>33,889</b>	<b>21,651</b>
<b>IX Profit for the year from continuing operations (VII-VIII)</b>		<b>11,361</b>	<b>43,710</b>
<b>X Profit from discontinued operations before tax</b>		<b>-</b>	<b>-</b>
<b>XI Tax expense of discontinued operations</b>		<b>-</b>	<b>-</b>
<b>XII Profit from discontinued operations (after tax) (X-XI)</b>		<b>-</b>	<b>-</b>
<b>XIII Profit for the year (IX+XII)</b>		<b>11,361</b>	<b>43,710</b>
<b>XIV Other Comprehensive Income</b>			
<b>A (i) Items that will be reclassified subsequently to statement of profit and loss</b>			
(a) Fair value (loss)/gain on financial assets carried at Fair Value Through Other Comprehensive Income (FVTOCI)		(258)	283
(b) Income tax relating to fair value gain on financial assets carried at FVTOCI		65	(99)
(c) The effective portion of gains and loss on hedging instruments in a cash flow hedge		(784)	-
(d) Income tax relating to the effective portion of gains and loss on hedging instruments in a cash flow hedge		197	-
<b>(ii) Items that will not be reclassified subsequently to statement of profit and loss</b>			
(a) Remeasurement of defined employee benefit plans		(775)	(548)
(b) Income tax relating to items that will not be reclassified to profit or loss		195	191
<b>Total Other Comprehensive Income</b>		<b>(1,360)</b>	<b>(173)</b>
<b>XV Total Comprehensive Income for the year (XIII+XIV)(Comprising Profit and Other Comprehensive Income for the year)</b>		<b>10,001</b>	<b>43,537</b>

# TATA Capital Financial Services Limited

## Standalone Statement of Profit and Loss (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

Particulars	Note	For the year ended March 31, 2020	For the year ended March 31, 2019
<b>XVI Earnings per equity share (for continuing operation):</b>			
(1) Basic (Rupees)		<b>0.91</b>	3.77
(2) Diluted (Rupees)		<b>0.91</b>	3.77
<b>XVII Earnings per equity share (for discontinued operation):</b>			
(1) Basic (Rupees)		-	-
(2) Diluted (Rupees)		-	-
<b>XVIII Earnings per equity share (for continuing and discontinued operations)</b>			
(1) Basic (Rupees)		<b>0.91</b>	3.77
(2) Diluted (Rupees)		<b>0.91</b>	3.77

Significant accounting policies

2

See accompanying notes forming part of the financial statements

3-61

In terms of our report of even date

For **B S R & Co. LLP**  
Chartered Accountants  
Firm's Registration No: 101248W/W-100022

For and on behalf of the Board of Directors  
TATA Capital Financial Services Limited

**Sagar Lakhani**  
Partner  
Membership No: 111855

**Rajiv Sabharwal**  
(Director)  
(DIN No. : 00057333)

**F.N. Subedar**  
(Director)  
(DIN No. : 00028428)

**Anuradha E. Thakur**  
(Director)  
(DIN No. : 06702919)

Mumbai  
June 27, 2020

**Varsha Purandare**  
(Director)  
(DIN No. : 05288076)

**Sarosh Amaria**  
(Managing Director)  
(DIN No. : 08733676)

**Avan Doomasia**  
(Company Secretary)



# Tata Capital Financial Services Limited

## Standalone Cash Flow Statement

for the year ended March 31, 2020

(Rs. in lakh)

Particulars	Note	For the year ended March 31, 2020	For the year ended March 31, 2019
<b>1 CASH FLOW USED IN OPERATING ACTIVITIES</b>			
Profit before tax		45,250	65,361
<b>Adjustments for :</b>			
Depreciation and amortisation		37,179	27,423
Net gain on derecognition of property, plant and equipment		(671)	(198)
Interest expenses		2,88,860	2,58,332
Discounting charges on commercial paper		36,456	53,675
Discounting charges on debentures		357	494
Interest income		(5,47,075)	(4,81,096)
Dividend Income		(590)	(503)
Net loss /(gain) on fair value changes			
- Realised		(5,369)	(9,087)
- Unrealised		14,762	(7,727)
Net loss/(gain) on derecognition of investment in Associates		950	(11,780)
Share based payments- Equity-settled		386	148
Provision for leave encashment		221	316
Impairment loss allowance on loans (Stage I & II)		16,895	8,923
Provision against Restructured Advances		-	(325)
Impairment loss allowance on loans (Stage III)		69,695	36,591
Provision against trade receivables		(239)	(36)
Provision against assets held for sale		(746)	1,446
<b>Operating Loss before working capital changes and adjustments for interest received, interest paid and dividend received</b>		<b>(43,679)</b>	<b>(58,043)</b>
<b>Adjustments for :</b>			
(Increase) / Decrease in trade receivables		(936)	3,672
Increase in Loans		(15,119)	(7,91,278)
(Increase) / Decrease in other financial/non financial assets		(17,417)	23,057
Decrease / (Increase) in other financial/ non financial liabilities		5,142	(18,097)
<b>Cash used in operations before adjustments for interest received, interest paid and dividend received</b>		<b>(72,009)</b>	<b>(8,40,689)</b>
Interest paid		(3,12,174)	(2,89,640)
Interest received		5,27,346	4,56,846
Dividend received		590	503
<b>Cash from /(used in) operations</b>		<b>1,43,753</b>	<b>(6,72,980)</b>
Taxes paid		(28,761)	(22,735)
<b>NET CASH FROM / (USED IN) OPERATING ACTIVITIES = A</b>		<b>1,14,992</b>	<b>(6,95,715)</b>
<b>2 CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment (including capital advances)		(21,844)	(55,763)
Proceeds from sale of property, plant and equipment		2,069	1,739
Purchase of investments		-	(3,911)
Purchase of mutual fund units		(2,10,72,293)	(2,52,63,615)
Proceeds from redemption of mutual fund units		2,10,77,462	2,52,70,958
Proceeds from sale of investments		3,500	16,602
Fixed deposits matured		-	4,400
<b>NET CASH USED IN INVESTING ACTIVITIES = B</b>		<b>(11,106)</b>	<b>(29,590)</b>
<b>3 CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of Equity Shares		25,000	-
Issue of Compulsory Convertible Cumulative Preference share capital		-	1,02,500
Collection of Loan given to "TCL Employees Welfare Trust"		-	-
Debt issue / loan processing expenses		(4,976)	(6,571)
Interim dividend paid on equity and preference shares (including dividend distribution tax)		(9,196)	(14,154)
Proceeds from borrowings (Other than debt securities)		44,74,467	29,93,235
Proceeds from Debt Securities		20,86,520	33,35,093
Proceeds from Subordinated liabilities		56,292	57,140
Repayment of Borrowings (Other than debt securities)		(40,59,815)	(27,06,316)
Repayment of Debt Securities		(24,98,403)	(29,65,272)
Repayment of Debt Subordinated liabilities		(90,545)	-
Repayment of lease liabilities		(3,202)	-
<b>NET CASH (USED IN) / GENERATED FROM FINANCING ACTIVITIES = C</b>		<b>(23,858)</b>	<b>7,95,655</b>

# TATA Capital Financial Services Limited

## Standalone Cash Flow Statement (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

Particulars	Note	For the year ended March 31, 2020	For the year ended March 31, 2019
NET INCREASE IN CASH AND CASH EQUIVALENTS (A + B + C )		80,028	70,350
CASH AND CASH EQUIVALENTS AS AT THE BEGINNING OF THE YEAR		78,426	8,076
CASH AND CASH EQUIVALENTS AS AT THE END OF THE YEAR		1,58,454	78,426
Reconciliation of cash and cash equivalents as above with cash and bank balances			
Cash and Cash equivalents at the end of the year as per above		1,58,454	78,426
Add : Restricted Cash [Refer note 4(i)]		34	52
Add: Fixed deposits with original maturity over 3 months		38	35
CASH AND CASH EQUIVALENTS AND OTHER BANK BALANCES AS AT THE END OF THE YEAR [REFER NOTE 3 & 4 ]		1,58,526	78,513

Significant accounting policies

See accompanying notes forming part of the financial statements

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In terms of our report of even date

For **B S R & Co. LLP**

Chartered Accountants

Firm's Registration No: 101248W/W-100022

For and on behalf of the Board of Directors

TATA Capital Financial Services Limited

**Sagar Lakhani**

Partner

Membership No: 111855

**Rajiv Sabharwal**

(Director)

(DIN No. : 00057333)

**F.N. Subedar**

(Director)

(DIN No. : 00028428)

**Anuradha E. Thakur**

(Director)

(DIN No. : 06702919)

**Varsha Purandare**

(Director)

(DIN No. : 05288076)

**Sarosh Amaria**

(Managing Director)

(DIN No. : 08733676)

**Avan Doomasia**

(Company Secretary)

Mumbai

June 27, 2020

# Tata Capital Financial Services Limited

## Statement of Changes in Equity for the year ended March 31, 2020

(Rs. in lakh)

### a. Equity share capital

Particulars	Note	Rs. in Lakh
<b>Balance as at April 1, 2018</b>		<b>1,29,755</b>
Changes in equity share capital during the year	21	7,801
<b>Balance as at April 1, 2019</b>		<b>1,37,556</b>
Changes in equity share capital during the year	21	25,437
<b>Balance at March 31, 2020</b>		<b>1,62,993</b>

### b. Other equity

Particulars	Securities premium	Debenture Redemption Reserve	Reserves and surplus Special Reserve Account	Retained earnings	General Reserve	Share options outstanding account	Cost of hedge reserve	Item of other comprehensive income Remeasurement of defined benefit liability /asset	Fair value gain / (loss) on Financial Assets carried at FVTOCI	Total other equity
<b>Balance at April 1, 2018</b>	<b>88,942</b>	<b>30,000</b>	<b>35,401</b>	<b>10,174</b>	<b>162</b>	<b>655</b>	-	<b>48</b>	<b>34</b>	<b>1,65,416</b>
Profit for the year	-	-	-	43,710	-	-	-	-	-	43,710
Other comprehensive income for the year, net of income tax	-	-	-	-	-	-	-	(357)	184	(173)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>43,710</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(357)</b>	<b>184</b>	<b>43,537</b>
Transfer to stock reserve - equity settled options	-	-	-	-	267	(267)	-	-	-	-
Share based payment expense	-	-	-	-	-	148	-	-	-	148
Premium on issue of Equity Shares	57,799	-	-	-	-	-	-	-	-	57,799
Share issue expenses	(93)	-	-	-	-	-	-	-	-	(93)
Transfer to Special Reserve Account	-	-	11,581	(11,581)	-	-	-	-	-	-
<b>Balance at March 31, 2019</b>	<b>1,46,648</b>	<b>30,000</b>	<b>46,982</b>	<b>42,303</b>	<b>429</b>	<b>536</b>	-	<b>(309)</b>	<b>218</b>	<b>2,66,807</b>
Ind AS 116 transition impact, net of tax	-	-	-	(1,205)	-	-	-	-	-	(1,205)
Profit for the year	-	-	-	11,361	-	-	-	-	-	11,361
Other comprehensive income for the year, net of income tax	-	-	-	-	-	-	(587)	(580)	(193)	(1,360)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,156</b>	<b>-</b>	<b>-</b>	<b>(587)</b>	<b>(580)</b>	<b>(193)</b>	<b>8,796</b>
Share issue expenses	(214)	-	-	-	-	-	-	-	-	(214)
Transfer to stock reserve - equity settled options	-	-	-	-	427	(427)	-	-	-	-
Share based payment expense	-	-	-	-	-	386	-	-	-	386
Premium on issue of Equity Shares	1,88,463	-	-	-	-	-	-	-	-	1,88,463
Interim Dividend on equity shares (including tax on dividend)	-	-	-	(5,895)	-	-	-	-	-	(5,895)
Transfer to Special Reserve Account	-	-	4,091	(4,091)	-	-	-	-	-	-
<b>Balance at March 31, 2020</b>	<b>3,34,897</b>	<b>30,000</b>	<b>51,073</b>	<b>42,473</b>	<b>856</b>	<b>495</b>	<b>(587)</b>	<b>(889)</b>	<b>25</b>	<b>4,58,343</b>

Significant accounting policies

See accompanying notes forming part of the financial statements

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In terms of our report of even date

For **B S R & Co. LLP**

Chartered Accountants

Firm's Registration No: 101248W/W-100022

For and on behalf of the Board of Directors

**TATA Capital Financial Services Limited**

**Sagar Lakhani**

Partner

Membership No: 111855

**Rajiv Sabharwal**

(Director)

(DIN No. : 000573333)

**F.N. Subedar**

(Director)

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**Varsha Purandare**

(Director)

(DIN No. : 05288076)

**Sarosh Amaria**

(Managing Director)

(DIN No. : 08733676)

**Avan Doomasia**

(Company Secretary)

Mumbai

June 27, 2020

# **TATA CAPITAL FINANCIAL SERVICES LIMITED**

## **Notes forming part of the Standalone Financial Statements**

### **1. CORPORATE INFORMATION**

Tata Capital Financial Services Limited (the "Company") is a wholly owned subsidiary of Tata Capital Limited and a Systemically Important Non-Deposit Accepting Non-Banking Finance Company ("NBFC"), holding a Certificate of Registration from the Reserve Bank of India ("RBI") dated November 4, 2011. The Company is domiciled in India and incorporated under the Companies Act, 2013 and listed its non-convertible debentures with BSE Limited and National Stock Exchange Limited.

### **2. Basis of Preparation**

#### **i. Statement of compliance**

These standalone or separate financial statements have been prepared in accordance with the Indian Accounting Standards (IND AS) as per the Companies (Indian Accounting Standards) Rules, 2015, as amended by the Companies (Indian Accounting Standards) Rules, 2016, notified under Section 133 of the Companies Act, 2013 (the "Act"), other relevant provisions of the Act, guidelines issued by the Reserve Bank of India as applicable to an NBFCs and other accounting principles generally accepted in India. Any application guidance / clarifications / directions issued by RBI or other regulators are implemented as and when they are issued / applicable, the guidance notes/announcements issued by the Institute of Chartered Accountants of India (ICAI) are also applied except where compliance with other statutory promulgations require a different treatment. Accounting policies have been consistently applied except where a newly issued Ind AS is initially adopted or a revision to an existing Ind AS required a change in the accounting policy hitherto in use. The financial statements were authorised for issue by the Board of Directors (BOD) on June 27, 2020.

#### **ii. Presentation of financial statements**

The Balance Sheet, Statement of Profit and Loss and Statement of Changes in Equity are prepared and presented in the format prescribed in the Division III of Schedule III of the Companies Act, 2013 (the 'Act'). The Statement of Cash Flows has been prepared and presented as per the requirements of Ind AS.

A summary of the significant accounting policies and other explanatory information is in accordance with the Companies (Indian Accounting Standards) Rules, 2015 as specified under Section 133 of the Companies Act, 2013 (the 'Act') including applicable Indian Accounting Standards (Ind AS) and accounting principles generally accepted in India.

Amounts in the financial statements are presented in Indian Rupees in Lakh, which is also the Company's functional currency and all amounts have been rounded off to the nearest lakhs unless otherwise indicated.

## **TATA CAPITAL FINANCIAL SERVICES LIMITED**

### **Notes forming part of the Standalone Financial Statements (*Continued*)**

#### **iii. Basis of measurement**

The financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services at the time of entering into the transaction.

#### **iv. Measurement of fair values:**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

Fair value for measurement and/or disclosure purposes for certain items in these financial statements is determined considering the following measurement methods:

<b>Items</b>	<b>Measurement basis</b>
Certain financial assets and liabilities (including derivatives instruments)	Fair value
Net defined benefit (asset)/liability	Fair value of planned assets less present value of defined benefit obligations
Property plant and equipment	Value in use under Ind AS 36

Fair values are categorized into different levels (Level 1, Level 2 or Level 3) in a fair value hierarchy based on the inputs used in the valuation techniques. When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The levels are described as follows:

- a. Level 1: inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date

## **TATA CAPITAL FINANCIAL SERVICES LIMITED**

### **Notes forming part of the Standalone Financial Statements (*Continued*)**

- b. Level 2: inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and
- c. Level 3: inputs are unobservable inputs for the valuation of assets or liabilities that the Company can access at the measurement date.

Valuation model and framework used for fair value measurement and disclosure of financial instrument

Refer notes 34A and 34B

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred

#### **v. Use of estimates and judgements**

The preparation of financial statements in conformity with Ind AS requires the management of the Company to make judgements, assumptions and estimates that affect the reported balances of assets and liabilities and disclosures relating to the contingent liabilities as at the date of the financial statements and reported amounts of income and expenses for the reporting period. The application of accounting policies that require critical accounting estimates involving complex and subjective judgments and the use of assumptions in the financial statements have been disclosed as applicable in the respective notes to accounts. Accounting estimates could change from period to period. Future results could differ from these estimates. Appropriate changes in estimates are made as the Management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the financial statements in the period in which changes are made and, if material, their effect are disclosed in the notes to the financial statements.

#### **Judgements:**

Information about judgements made in applying accounting policies that have most significant effect on the amount recognised in the financial statements is included in the following note:

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

#### **Assumptions and estimation of uncertainties:**

Information about assumptions and estimation of uncertainties that have a significant risk of resulting in a material adjustment in the year ending March 31, 2020 are included in the following notes:

- Note xii - impairment test of non-financial assets: key assumption underlying recoverable amounts.
- Note xi - The Company's EIR methodology: rate of return that represents the best estimate of a constant rate of return over the expected behavioural life of loans given/taken
- 
- Note xii - useful life of property, plant, equipment and intangibles.

## **TATA CAPITAL FINANCIAL SERVICES LIMITED**

### **Notes forming part of the Standalone Financial Statements (*Continued*)**

- Note 42 - Significant judgments are involved in determining the provision for income taxes, including amount expected to be paid / recovered for uncertain tax positions
- Note xxi – recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.
- Note xiv – measurement of defined benefit obligations: key actuarial assumptions.
- Note 34A and Note 34B – determination of the fair value of financial instruments with significant unobservable inputs.
- Note 35A(iii) – impairment of financial instruments: assessment of whether credit risk on the financial asset has increased significantly since initial recognition, assumptions used in estimating recoverable cash flows and incorporation of forward-looking information in the measurement of expected credit loss (ECL).

The Company has estimated the possible effects that may arise from the COVID-19 pandemic, on the carrying amount of its assets. For details, please refer disclosure on expected credit losses (ECL) and disclosure on fair valuation. The extent to which COVID-19 pandemic will impact current estimates is uncertain at this point in time. The impact of COVID-19 on the Company's financial position may differ from that estimated as on the date of approval of these financial statements.

#### **vi. Interest**

Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

Interest income and expense are recognised using the effective interest method. The effective interest rate (EIR) is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument to the gross carrying amount of the financial asset or amortised cost of the financial liability.

Calculation of the EIR includes all fees paid or received that are incremental and directly attributable to the acquisition or issue of a financial asset or liability.

Interest income is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (i.e. at the amortised cost of the financial asset before adjusting for any expected credit loss allowance). For credit-impaired financial assets the interest income is calculated by applying the EIR to the amortised cost of the credit-impaired financial assets {i.e. at the amortised cost of the financial asset after adjusting for any expected credit loss allowance (ECLs)}. The Company assesses the collectability of the interest on credit impaired assets at each reporting date. Based on the outcome of such assessment, the interest income accrued on credit impaired financial assets are either accounted for as income or written off as per the write off policy of the Company.

## **TATA CAPITAL FINANCIAL SERVICES LIMITED**

### **Notes forming part of the Standalone Financial Statements (*Continued*)**

The interest cost is calculated by applying the EIR to the amortised cost of the financial liability.

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

#### **vii. Income not integral to effective interest rate (EIR) method under Ind AS 109 and Income from services and distribution of financial products:**

The Company recognises the fee and commission income not integral to EIR under Ind AS 109 in accordance with the terms of the relevant customer contracts / agreement and when it is probable that the Company will collect the consideration for items.

Revenue in the form of income from financial advisory, underwriting commission, income from private equity, distribution from private equity funds, income from distribution from financial products (brokerage) (other than for those items to which Ind AS 109 - Financial Instruments are applicable) is measured at fair value of the consideration received or receivable, in accordance with Ind AS 115 - Revenue from contracts with customers.

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

Step 1: Identify contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2: Identify performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step 3: Determine the transaction price: The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4: Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Company allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.

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



## **TATA CAPITAL FINANCIAL SERVICES LIMITED**

### **Notes forming part of the Standalone Financial Statements (*Continued*)**

Fees for financial advisory services are accounted as and when the service is rendered, provided there is reasonable certainty of its ultimate realisation.

Revenue from brokerage is recognised when the service is performed. Trail brokerage is recognised at the end of the measurement period when the pre-defined thresholds are met. Revenue is net of applicable indirect taxes and sub-brokerage.

Other Income includes branch advertising, represents income earned from the activities incidental to the business and is recognised when the right to receive the income is established as per the terms of the contract

#### **viii.Dividend income**

Income from dividend on investment in equity shares and preference share of corporate bodies and units of mutual funds is accounted when the Company's right to receive dividend is established.

#### **ix. Leases**

Asset given on lease:

Leases are classified as operating lease where significant portion of risks and reward of ownership of assets acquired under lease is retained by the lessor. Leases of assets under which substantially all of the risks and rewards of ownership are effectively retained by the lessee are classified as finance lease.

Assets given under finance lease are recognised as a receivable at an amount equal to the net investment in the lease. Lease rentals are apportioned between principal and interest on the internal rate of return. The principal amount received reduces the net investment in the lease and interest is recognised as revenue.

Lease rental - under operating leases (excluding amount for services such as insurance and maintenance) are recognised on a straight-line basis over the lease term, except for increase in line with expected inflationary cost increases.

Asset taken on lease:

The Company's lease asset classes primarily consist of leases for properties.

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all the risks and rewards of ownership. Under Ind AS 116, the Company recognises right-of-use assets and lease liabilities for certain type of its leases.

The Company presents right-of-use assets in 'property, plant and equipment' in the same line item as it presents underlying assets of the same nature it owns.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The cost of the right-of-use asset measured at inception shall comprise of the amount of the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date less any lease incentives received, plus any initial direct costs incurred and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset or restoring the underlying asset or site on which it is located. The right-of-use asset is

## **TATA CAPITAL FINANCIAL SERVICES LIMITED**

### **Notes forming part of the Standalone Financial Statements (*Continued*)**

subsequently measured at cost less any accumulated depreciation and accumulated impairment loss, if any, and adjusted for certain re-measurements of the lease liability. The right-of-use assets is depreciated using the straight-line method from the commencement date over the shorter of lease term or useful life of right-of-use asset. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. Right-of-use assets are tested for impairment whenever there is any indication that their carrying amounts may not be recoverable. Impairment loss, if any, is recognized in the statement of profit and loss. When a right-of-use asset meets the definition of investment property, it is presented in investment property.

The Company measures the lease liability at the present value of the lease payments that are not paid at the commencement date of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses incremental borrowing rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. The carrying amount of lease liability is remeasured to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. A change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Company has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right of use assets recognised. The discounted rate is generally based on incremental borrowing rate specific to the lease being evaluated.

The Company has adopted Ind AS 116, effective annual reporting period beginning April 1, 2019 and applied the standard to its leases, retrospectively, with the cumulative effect of initially applying the standard, recognized on the date of initial application (April 1, 2019). Accordingly, the Company has not restated comparative information, instead, the cumulative effect of initially applying this standard has been recognized as an adjustment to the opening balance of retained earnings as on April 1, 2019.

#### **x. Borrowing cost:**

Borrowing costs include interest expense calculated using the EIR on respective financial instruments measured at amortised cost, finance charges in respect of assets acquired on finance lease and exchange differences arising from foreign currency borrowings, to the extent they are regarded as an adjustment to interest costs

While computing the capitalisation rate for funds borrowed generally, an entity should exclude borrowing costs applicable to borrowings made specifically for obtaining a qualifying asset, only until the asset is ready for its intended use or sale. Borrowing costs (related to specific borrowings) that remain outstanding after the related qualifying asset is ready for intended use or for sale would subsequently be considered as part of the general borrowing costs of the entity

## **TATA CAPITAL FINANCIAL SERVICES LIMITED**

### **Notes forming part of the Standalone Financial Statements (*Continued*)**

#### **xi. Financial Instruments**

Financial assets and financial liabilities are recognised in the Company's balance sheet on trade date, i.e. when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs and revenues that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities measured at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs and revenues of financial assets or financial liabilities carried at fair value through the profit or loss account are recognised immediately in the Statement of Profit or Loss.

##### **a) Financial assets**

###### **Classification**

On initial recognition, depending on the Company's business model for managing the financial assets and its contractual cash flow characteristics, a financial asset is classified as measured at;

- 1) amortised cost;
- 2) fair value through other comprehensive income (FVOCI); or
- 3) fair value through profit and loss (FVTPL).

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. Financial assets are not reclassified subsequent to their initial recognition, except if and in the period the Company changes its business model for managing financial assets.

A financial asset is measured at amortized cost using Effective Interest Rate (EIR) method if it meets both of the following conditions and is not recognised as at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI (designated as FVOCI – equity investment). This election is made an investment – by – investment basis.

All financials assets not classified and measured at amortized cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate the financials assets that otherwise meets the requirements to be measured at amortized cost or at FVOCI or at FVTPL, if doing so eliminates or significantly reduces the accounting mismatch that would otherwise arise.

## **TATA CAPITAL FINANCIAL SERVICES LIMITED**

### **Notes forming part of the Standalone Financial Statements (*Continued*)**

#### ***Business model assessment***

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice.
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectation about future sales activity.
- How managers of the business are compensated (e.g. whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

At initial recognition of a financial asset, the Company determines whether newly recognized financial assets are part of an existing business model or whether they reflect a new business model. The Company reassess its business models each reporting period to determine whether the business models have changed since the preceding period.

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

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

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

- Contingent events that would change the amount or timing of cash flows;
- Terms that may adjust the contractual coupon rate, including variable interest rate features;
- Prepayment and extension features; and
- Terms that limit the Company's claim to cash flows from specified assets.

Contractual cash flows that are SPPI are consistent with a basic lending arrangement. Contractual terms that introduce exposure to risks or volatility in the contractual cash flows

## TATA CAPITAL FINANCIAL SERVICES LIMITED

### Notes forming part of the Standalone Financial Statements (*Continued*)

that are unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI.

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

#### **Subsequent measurement and gains and losses**

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in the statement of profit or loss. The transaction costs and fees are also recorded related to these instruments in the statement of profit and loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in the statement of profit or loss. Any gain or loss on de-recognition is recognised in the statement of profit or loss.
Financial assets (other than Equity Investments) at FVOCI	Financial assets that are held within a business model whose objective is achieved by both, selling financial assets and collecting contractual cash flows that are solely payments of principal and interest, are subsequently measured at fair value through other comprehensive income. Fair value movements are recognized in the other comprehensive income (OCI). Interest income measured using the EIR method and impairment losses, if any are recognised in the statement of Profit and Loss. On derecognition, cumulative gain or loss previously recognised in OCI is reclassified from the equity to ‘other income’ in the statement of Profit and Loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in the Statement of Profit and Loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are not reclassified to profit or loss.

## **TATA CAPITAL FINANCIAL SERVICES LIMITED**

### **Notes forming part of the Standalone Financial Statements (*Continued*)**

#### **Reclassifications within classes of financial assets**

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

The classification and measurement requirements of the new category apply prospectively from the first day of the first reporting period following the change in business model that result in reclassifying the Company's financial assets.

#### **Impairment of Financial Asset**

##### **Impairment approach**

Overview of the Expected Credit Losses (ECL) principles

The Company records allowance for expected credit losses for all loans (including those classified as measured at FVOCI), together with loan commitments, in this section all referred to as 'financial instruments' other than those measured at FVTPL. Equity instruments are not subject to impairment under Ind AS 109.

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), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12m ECL). The Company's policies for determining if there has been a significant increase in credit risk are set out in Note 35A(iii).

The 12m ECL is 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.

Both LTECLs and 12m ECLs are calculated on an individual/portfolio basis – having similar risk characteristic, depending on the nature of the underlying portfolio of financial instruments.

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

Based on the above process, the Company categorises its loans into Stage 1, Stage 2 and Stage 3, as described below:

Stage 1: When loans are first recognised, the Company recognises an allowance based on 12mECLs. This also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.

## **TATA CAPITAL FINANCIAL SERVICES LIMITED**

### **Notes forming part of the Standalone Financial Statements (*Continued*)**

Stage 2: When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.

Stage 3: Loans considered credit-impaired. A default on a financial asset is when the counterparty fails to make the contractual payments within 90 days of when they fall due. Accordingly, the financial assets shall be classified as Stage 3, if on the reporting date, it has been 90 days past due. Further if the customer has requested forbearance in repayment terms, such restructured, rescheduled or renegotiated accounts are also classified as Stage 3. Non-payment on another obligation of the same customer is also considered as a stage 3. The Company records an allowance for the LTECLs.

#### **Undrawn loan commitments**

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

Financial guarantee contract:

A financial guarantee contract requires the Company to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Company are initially measured at their fair values and, if not designated as at FVTPL and not arising from a transfer of a financial asset, are subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with Ind AS 109; and
- the amount initially recognised less, where appropriate, cumulative amount of income recognised in accordance with the Company's revenue recognition policies. The Company has not designated any financial guarantee contracts as FVTPL.

Company's ECL for financial guarantee is estimated based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the interest rate relevant to the exposure.

#### **The Measurement of ECLs**

The Company calculates ECLs based on a probability-weighted scenario to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

## **TATA CAPITAL FINANCIAL SERVICES LIMITED**

### **Notes forming part of the Standalone Financial Statements (*Continued*)**

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

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

EAD: The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

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

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value

When estimating LTECLs for undrawn loan commitments, the Company estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability-weightage. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan.

The above calculated PDs, EAD and LGDs are reviewed and changes in the forward looking estimates are analysed during the year.

The mechanics of the ECL method are summarised below:

Stage 1 The 12 months ECL 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. These expected 12-months default probabilities are applied to a forecast 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. The expected cash shortfalls are discounted by an contractual or portfolio EIR as the case may be.



## **TATA CAPITAL FINANCIAL SERVICES LIMITED**

### **Notes forming part of the Standalone Financial Statements (*Continued*)**

Stage 3 For loans considered credit-impaired, the Company recognises the lifetime expected credit losses for these loans. The method is similar to that for stage 2 assets, with the PD set at 100%.

In ECL model the Company relies on broad range of forward looking information for economic inputs.

The Company recognises loss allowance for expected credit losses (ECLs) on all financial assets at amortised cost that are debt instruments, - debt financial assets at fair value through other comprehensive income, loan commitments and financial guarantee contracts. No impairment loss is recognised on equity investments.

When determining whether credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, including on historical experience and forward-looking information (Refer Note 35A(iii)).

#### **Impairment of Trade receivable and Operating lease receivable**

Impairment allowance on trade receivables is made on the basis of life time credit loss method, in addition to specific provision considering the uncertainty of recoverability of certain receivables.

#### **Write-off**

Impaired loans and receivables are written off, against the related allowance for loan impairment on completion of the Company's internal processes and when the Company concludes that there is no longer any realistic prospect of recovery of part or all of the loan. For loans that are individually assessed for impairment, the timing of write off is determined on a case by case basis. A write-off constitutes a de-recognition event. The Company has a right to apply enforcement activities to recover such written off financial assets. Subsequent recoveries of amounts previously written off are credited to the statement of profit and loss.

#### **Collateral valuation and repossession**

To mitigate the credit risk on financial assets, the Company seeks to use collateral, where possible as per the powers conferred on the Non Banking Finance Companies under the Securitisation and Reconstruction of Financial Assets and Enforcement of Securities Interest Act, 2002 ("SARFAESI").

The Company provides fully secured, partially secured and unsecured loans to individuals and Corporates. In its normal course of business upon account becoming delinquent, the Company physically repossess properties or other assets in its retail portfolio. Any surplus funds are returned to the customers/obligors. As a result of this practice, the residential

## TATA CAPITAL FINANCIAL SERVICES LIMITED

### Notes forming part of the Standalone Financial Statements (*Continued*)

properties, vehicles, plant and machinery under legal repossession processes are not recorded on the balance sheet and not treated as non-current assets held for sale unless the title is also transferred in the name of the Company.

#### Presentation of ECL allowance for financial asset:

Type of Financial asset	Disclosure
Financial asset measured at amortised cost	shown as a deduction from the gross carrying amount of the assets
Loan commitments and financial guarantee contracts	shown separately under the head “provisions”

#### Modification and De-recognition of financial assets

##### Modification of financial assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. The Company renegotiates loans to customers in financial difficulty to maximise collection and minimise the risk of default. A loan forbearance is granted in cases where although the borrower made all reasonable efforts to pay under the original contractual terms, there is a high risk of default or default has already happened and the borrower is expected to be able to meet the revised terms. The revised terms in most of the cases include an extension of the maturity of the loan, changes to the timing of the cash flows of the loan (principal and interest repayment), reduction in the amount of cash flows due (principal and interest forgiveness). Such accounts are classified as stage 3 immediately upon such modification in the terms of the contract. Not all changes in terms of loans are considered as renegotiation and changes in terms of a class of obligors that are not overdue is not considered as renegotiation and is not subjected to deterioration in staging.

##### 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 derecognised when:

- 1) the rights to receive cash flows from the asset have expired, or
- 2) the Company has transferred its rights to receive cash flows from the asset and substantially all the risks and rewards of ownership of the asset, or the Company has neither transferred nor retained substantially all the risks and rewards of ownership of the asset, but has transferred control of the asset

If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

## **TATA CAPITAL FINANCIAL SERVICES LIMITED**

### **Notes forming part of the Standalone Financial Statements (*Continued*)**

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

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

#### **Financial liability, Equity and Compound Financial Instruments**

Debt and equity instruments that are issued are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities are subsequently measured at the amortised cost using the effective interest method, unless at initial recognition, they are classified as fair value through profit and loss. Interest expense are recognised in the Statement of profit and loss. Any gain or loss on derecognition is also recognised in the statement of profit or loss.

#### **Financial liabilities**

A financial liability is a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Company or a contract that will or may be settled in the Company's own equity instruments and is a non-derivative contract for which the Company is or may be obliged to deliver a variable number of its own equity instruments, or a derivative contract over own equity that will or may be settled other than by the exchange of a fixed amount of cash (or another financial asset) for a fixed number of the Company's own equity instruments.

#### **Classification**

The Company classifies its financial liability as "Financial liability measured at amortised cost" except for those classified as financial liabilities measured at fair value through profit and loss (FVTPL).

#### **De-recognition of financial liabilities**

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying

## **TATA CAPITAL FINANCIAL SERVICES LIMITED**

### **Notes forming part of the Standalone Financial Statements (*Continued*)**

amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

#### **Equity**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

No gain/loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

#### **Compound instruments**

The Company has issued financial instruments with equity conversion rights and call options. When establishing the accounting treatment for these non-derivative instruments, the Company first establishes whether the instrument is a compound instrument and classifies such instrument's components separately as financial liabilities or equity instruments in accordance with Ind AS 32. Classification of the liability and equity components of a convertible instrument is not revised as a result of a change in the likelihood that a conversion option will be exercised, even when exercising the option may appear to have become economically advantageous to some holders. When allocating the initial carrying amount of a compound financial instrument to the equity and liability components, the equity component is assigned as the residual amount after deducting from the entire fair value of the instrument, the amount separately determined for the liability component. The value of any derivative features (such as a call options) embedded in the compound financial instrument, other than the equity component (such as an equity conversion option), is included in the liability component. Once the Company has determined the split between equity and liability, it further evaluates whether the liability component has embedded derivatives that must be separately accounted for. Subsequently the liability is measured as per requirement of IND AS 109.

A Cumulative Compulsorily Convertible Preference Shares (CCCPS), with an option to holder to convert the instrument into variable number of equity shares of the entity upon redemption is classified as a financial liability and dividend including dividend distribution tax is accrued on such instruments and recorded as finance cost. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to retained profits. No gain/loss is recognised in profit or loss upon conversion or expiration of the conversion option.

## **TATA CAPITAL FINANCIAL SERVICES LIMITED**

### **Notes forming part of the Standalone Financial Statements (*Continued*)**

#### **b) Derivative Financial Instruments**

The Company holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if certain criteria are met.

Derivatives are initially measured at fair value; any directly attributed transaction costs are recognised in profit and loss as incurred. Subsequent to initial recognition derivatives are measured at fair value, and changes therein are generally recognised in profit and loss.

The Company designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with its floating rate borrowings arising from changes in interest rates and exchange rates.

At inception of designated hedging relationships, the Company documents the risk management objective and strategy for undertaking the hedge. The Company also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

##### **Cash flow hedges**

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the other equity under 'effective portion of cash flows hedges'. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in fair value of the derivative is recognised immediately in profit or loss.

The Company designates only the change in fair value of the spot element of forward exchange contracts as the hedging instrument in cash flow hedge relationships. The change in fair value of the forward element of the forward exchange contracts ('forward points') is separately accounted for as cost of hedging and recognised separately within equity.

If a hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in other equity are immediately reclassified to profit or loss.

#### **c) Cash, Cash equivalents and bank balances**

Cash, Cash equivalents and bank balances include fixed deposits, (with an original maturity of three months or less from the date of placement), margin money deposits, and earmarked balances with banks are carried at amortised cost. Short term and liquid investments which

## **TATA CAPITAL FINANCIAL SERVICES LIMITED**

### **Notes forming part of the Standalone Financial Statements (*Continued*)**

are not subject to more than insignificant risk of change in value, are included as part of cash and cash equivalents.

#### **xii. Property, plant and equipment(PPE)**

##### **a) PPE**

PPE acquired by the Company are reported at acquisition cost less accumulated depreciation and accumulated impairment losses, if any. Estimated cost of dismantling and removing the item and restoring the site on which its located does not arise for owned assets, for leased assets the same are borne by the lessee as per the lease agreement. The acquisition cost includes any cost attributable for bringing an asset to its working condition net of tax/duty credits availed, which comprises of purchase consideration and other directly attributable costs of bringing the assets to their working condition for their intended use. PPE is recognised when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Subsequent expenditure on PPE after its purchase is capitalized only if it is probable that the future economic benefits will flow to the enterprise and the cost of the item can be measured reliably.

##### **b) Capital work-in-progress**

PPE not ready for the intended use on the date of the Balance Sheet are disclosed as “capital work-in-progress” and carried at cost, comprising direct cost, related incidental expenses and attributable interest.

##### **c) Other Intangible assets**

Intangible assets are recognised when it is probable that the future economic benefits that are attributable to the asset will flow to the Company and the cost of the asset can be measured reliably. Intangible assets are stated at original cost net of tax/duty credits availed, if any, less accumulated amortisation and cumulative impairment. Administrative and other general overhead expenses that are specifically attributable to the acquisition of intangible assets are allocated and capitalised as a part of the cost of the intangible assets. Expenses on software support and maintenance are charged to the Statement of Profit and Loss during the year in which such costs are incurred.

##### **d) Intangible assets under development**

Intangible assets not ready for the intended use on the date of Balance Sheet are disclosed as “Intangible assets under development”.

##### **e) Depreciation and Amortisation**

Depreciable amount for tangible property, plant and equipment is the cost of an asset, or other amount substituted for cost, less its estimated residual value. The residual value of

## **TATA CAPITAL FINANCIAL SERVICES LIMITED**

### **Notes forming part of the Standalone Financial Statements (*Continued*)**

each asset given on Operating lease is determined at the time of recording of the lease asset. If the residual value of the Operating lease asset is higher than 5%, the Company has a justification in place for considering the same.

Depreciation on tangible property, plant and equipment deployed for own use has been provided on the straight-line method as per the useful life prescribed in Schedule II to the Companies Act, 2013 except in respect of buildings, computer equipment, electrical installation and equipment and vehicles, in whose case the life of the assets has been assessed based on the nature of the asset, the estimated usage of the asset, the operating conditions of the asset, past history of replacement, etc. Depreciation on tangible property, plant and equipment deployed on operating lease has been provided on the straight-line method over the primary lease period of the asset. Depreciation method is reviewed at each financial year end to reflect expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life and residual values are also reviewed at each financial year end with the effect of any change in the estimates of useful life/residual value is accounted on prospective basis. Depreciation for additions to/deductions from owned assets is calculated pro rata to the remaining period of use. Depreciation charge for impaired assets is adjusted in future periods in such a manner that the revised carrying amount of the asset is allocated over its remaining useful life. All capital assets with individual value less than Rs. 5,000 are depreciated fully in the year in which they are purchased.

Purchased software / licenses are amortised over the estimated useful life during which the benefits are expected to accrue, while Goodwill if any is tested for impairment at each Balance Sheet date. The method of amortisation and useful life are reviewed at the end of each accounting year with the effect of any changes in the estimate being accounted for on a prospective basis. Amortisation on impaired assets is provided by adjusting the amortisation charge in the remaining periods so as to allocate the asset's revised carrying amount over its remaining useful life.

Estimated useful life considered by the Company are:

<b>Asset</b>	<b>Estimated Useful Life</b>
Leasehold Improvements	As per lease period
Construction Equipment	2 to 13.5 years
Furniture and Fixtures	Owened: 10 years Leased: 3 to 7 years
Computer Equipment	Owened: 3 to 4 years Leased: 2 to 4 years
Office Equipment	Owened: 5 years Leased: 3 to 5 years
Vehicles	Owened: 4 years

## TATA CAPITAL FINANCIAL SERVICES LIMITED

### Notes forming part of the Standalone Financial Statements (*Continued*)

	Leased: 1 to 5 years
Software Licenses	Owned: 1 to 10 years Leased: 1 to 3 years
Buildings	25 years
Plant & Machinery	Owned: 10 years Leased: 2 to 15 years
Railway Wagons	Leased: 6 years
Electrical Installation & Equipment	Leased: 3 to 6 years
Networking Assets	Leased: 2 to 4 years

#### **f) Investment property**

Properties held to earn rentals and/or capital appreciation are classified as Investment properties and measured and reported at cost, including transaction costs. Subsequent to initial recognition its measured at cost less accumulated depreciation and accumulated impairment losses, if any. When the use of an existing property changes from owner-occupied to investment property, the property is reclassified as investment property at its carrying amount on the date of reclassification.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on de-recognition of property is recognised in the Statement of Profit and Loss in the same period.

#### **g) Impairment of assets:**

Upon an observed trigger or at the end of each accounting reporting period, the Company reviews the carrying amounts of its PPE, investment property and intangible asset to determine whether there is any indication that the asset have suffered an impairment loss. If such indication exists, the PPE, investment property and intangible assets are tested for impairment so as to determine the impairment loss, if any.

Impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount. Recoverable amount is the higher of fair value less cost of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If recoverable amount of an asset is estimated to be less than its carrying amount, such deficit is recognised immediately in the Statement of Profit and Loss as impairment loss and the carrying amount of the asset is reduced to its recoverable amount.



## **TATA CAPITAL FINANCIAL SERVICES LIMITED**

### **Notes forming part of the Standalone Financial Statements (*Continued*)**

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss is recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the Statement of Profit and Loss.

#### **h) De-recognition of property, plant and equipment and intangible asset**

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of PPE is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Statement of Profit and Loss. An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from de-recognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in the Statement of Profit and Loss.

#### **xiii. Non-Current Assets held for sale:**

Non-current assets are classified as held for sale if their carrying amount is intended to be recovered principally through a sale (rather than through continuing use) when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sale of such asset and the sale is highly probable and is expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at lower of their carrying amount and fair value less costs to sell.

The Company has a policy to make impairment provision at one third of the value of the Asset for each year upon completion of three years up to the end of five years based on the past observed pattern of recoveries. Losses on initial classification as Held for sale and subsequent gains & losses on remeasurement are recognised in Statement of Profit and loss. Once classified as Held for sale, the assets are no longer amortised or depreciated.

#### **xiv. Employee Benefits**

Defined Employee benefits include provident fund and -superannuation fund.

Defined contribution benefits include gratuity fund, compensated absences and long service awards.

##### **Defined contribution plans**

The eligible employees of the Company are entitled to receive benefits under the provident fund, a defined contribution plan, in which both employees and the Company make monthly

## **TATA CAPITAL FINANCIAL SERVICES LIMITED**

### **Notes forming part of the Standalone Financial Statements (*Continued*)**

contributions at a specified percentage of the covered employees' salary (currently 12% of employees' salary), which is recognised as an expense in the Statement of Profit and Loss based on the amount of contribution required to be made and when services are rendered by the employees in the year in which they occur. The contributions as specified under the law are paid to the provident fund set up as irrevocable trust by the Company. The Company is generally liable for annual contributions and any deficiency in interest cost compared to interest computed based on the rate of interest declared by the Central Government under the Employee's Provident Scheme, 1952 is recognised as an expense in the year in which it is determined

The Company's contribution to superannuation fund and employee state insurance scheme are considered as defined contribution plans and are charged as an expense in the Statement of Profit and Loss based on the amount of contribution required to be made and when services are rendered by the employees.

#### **Defined benefit plans**

For defined benefit plans in the form of gratuity, the cost of providing benefits is determined using the Projected Unit Credit method, with actuarial valuations being carried out at each Balance Sheet date. As per Ind AS 19, the service cost and the net interest cost are charged to the Statement of Profit and Loss. Remeasurement of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised in Other Comprehensive Income. Past service cost is recognised immediately to the extent that the benefits are already vested. The retirement benefit obligation recognised in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the schemes.

#### **Short-term employee benefits**

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognised during the year when the employees render the service. These benefits include performance incentive and compensated absences which are expected to occur within twelve months after the end of the reporting period in which the employee renders the related service.

The cost of short-term compensated absences is accounted as under:

- (a) in case of accumulated compensated absences, when employees render the services that increase their entitlement of future compensated absences; and
- (b) in case of non-accumulating compensated absences, when the absences occur.

## **TATA CAPITAL FINANCIAL SERVICES LIMITED**

### **Notes forming part of the Standalone Financial Statements (*Continued*)**

#### **Other long-term employee benefits**

Compensated absences which are not expected to occur within twelve months after the end of the year in which the employee renders the related service are recognised as a liability at the present value of the defined benefit obligation as at the balance sheet date less the fair value of the plan assets out of which the obligations are expected to be settled. Long term service awards are recognised as a liability at the present value of the defined benefit obligation as at the balance sheet date.

The obligation is measured on the basis of actuarial valuation using Projected unit credit method and remeasurements gains/ losses are recognised in P&L in the period in which they arise.

#### **Share based payment transaction**

The stock options of the Parent Company, granted to employees pursuant to the Company's Stock Options Schemes, are measured at the fair value of the options at the grant date as per Black and Scholes model. The fair value of the options is treated as discount and accounted as employee compensation cost, with a corresponding increase in other equity, over the vesting period on a straight line basis. The amount recognised as expense in each year is arrived at based on the number of grants expected to vest. If a grant lapses after the vesting period, the cumulative discount recognised as expense, with a corresponding increase in other equity, in respect of such grant is transferred to the General reserve within other equity.

#### **xv. Foreign currency transactions**

Transactions in currencies other than the Company's functional currency are recorded on initial recognition using the exchange rate at the transaction date. At each Balance Sheet date, foreign currency monetary items are reported at the rates prevailing at the year end. Non-monetary items that are measured in terms of historical cost in foreign currency are not retranslated.

Exchange differences that arise on settlement of monetary items or on reporting of monetary items at each Balance Sheet date at the closing spot rate are recognised in the Statement of Profit and Loss in the period in which they arise.

#### **xvi. Operating Segments**

The Company's main business is financing by way of loans for retail and corporate borrowers in India. The Company's operating segments consist of "Financing Activity", "Investment Activity" and "Others". All other activities of the Company revolve around the main businesses. This in the context of Ind AS 108 – operating segments reporting are considered to constitute reportable segment. The Chief Operating Decision Maker (CODM) of the Company is the Board of Directors. Operating segment disclosures are consistent with the information reviewed by the CODM.

## **TATA CAPITAL FINANCIAL SERVICES LIMITED**

### **Notes forming part of the Standalone Financial Statements (*Continued*)**

An operating segment is a component of the company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the company's other components, and for which discrete financial information is available. Accordingly, all operating segment's operating results of the Company are reviewed regularly by the Board of Directors to make decisions about resources to be allocated to the segments and assess their performance.

The "Financing Activity" segment consists of asset financing, term loans (corporate and retail), channel financing, credit substitutes, investments linked to/arising out of lending business and bill discounting. The "Investment Activity" segment includes corporate investments and "Others" segment primarily includes advisory services, wealth management, distribution of financial products and leasing.

Revenue and expense directly attributable to segments are reported under each operating segment. Expenses not directly identifiable to each of the segments have been allocated to each segment on the basis of associated revenues of each segment. All other expenses which are not attributable or allocable to segments have been disclosed as un-allocable expenses.

Assets and liabilities that are directly attributable to segments are disclosed under each reportable segment. All other assets and liabilities are disclosed as un-allocable.

#### **xvii. Investments in associates**

The Company has elected to measure investment in associate at cost as per Ind AS 27 – Separate Financial Statements, accordingly measurement at fair value through statement of profit and loss account and related disclosure under Ind AS 109 does not apply.

#### **xviii. Earnings per share**

Basic earnings per share has been computed by dividing net income attributable to ordinary equity holders by the weighted average number of shares outstanding during the year. Partly paid up equity share is included as fully paid equivalent according to the fraction paid up.

Diluted earnings per share has been computed using the weighted average number of shares and dilutive potential shares, except where the result would be anti-dilutive

#### **xix. Taxation**

##### **Income Tax**

Income tax expense comprises current and deferred taxes. Income tax expense is recognized in the Statement of Profit and Loss, other comprehensive income or directly in equity when they relate to items that are recognized in the respective line items.

##### **Current Tax**

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The

## **TATA CAPITAL FINANCIAL SERVICES LIMITED**

### **Notes forming part of the Standalone Financial Statements (*Continued*)**

amount of current tax reflects the best estimate of the tax amount expected to be paid or received after considering the uncertainty, if any, related to income taxes. It is measured using tax rates (and tax law) enacted or substantively enacted by the reporting date.

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

#### **Deferred Tax**

Deferred tax assets and liabilities are recognized for the future tax consequences of temporary differences between the carrying values of assets and liabilities and their respective tax bases, and unutilized business loss and depreciation carry-forwards and tax credits. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses, depreciation carry-forwards and unused tax credits could be utilized.

The carrying amount of deferred tax assets are reviewed at each reporting date and are recognised/ reduced to the extent that it is probable/ no longer probable respectively that the related tax benefit will be realised.

Deferred tax assets and liabilities are measured based on the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

#### **xx. Goods and Services Input Tax Credit**

Goods and Services Input tax credit is accounted for in the books in the period in which the supply of goods or service received is accounted and when there is no uncertainty in availing/utilising the credits.

#### **xxi. Provisions, contingent liabilities and contingent assets**

##### **Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of past events, and 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. When the effect of the time value of money is material, the Company determines the level of provision by discounting the expected cash flows at a pre-tax rate reflecting the current rates specific to the liability. The expense relating to any provision is presented in the Statement of Profit and Loss net of any reimbursement.

## **TATA CAPITAL FINANCIAL SERVICES LIMITED**

### **Notes forming part of the Standalone Financial Statements (*Continued*)**

#### **Contingent assets/liabilities**

A possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company or; present obligation that arises from past events where it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability are disclosed as contingent liability and not provided for. Contingent assets are disclosed where an inflow of economic benefits is probable. Contingent assets are not recognised in the financial statements

Provisions, contingent liabilities and contingent assets are reviewed at each Balance Sheet date.

Where the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under such contract, the present obligation under the contract is recognised and measured as a provision

#### **xxii. Commitments**

Commitments are future liabilities for contractual expenditure, classified and disclosed as follows:

- a) estimated amount of contracts remaining to be executed on capital account and not provided for;
- b) uncalled liability on shares and other investments partly paid;
- c) funding related commitment to associate; and
- d) other non-cancellable commitments, if any, to the extent they are considered material and relevant in the opinion of management.
- e) other commitments related to sales/procurements made in the normal course of business are not disclosed to avoid excessive details.
- f) commitments under Loan agreement to disburse Loans
- g) lease agreements entered but not executed

#### **xxiii. Statement of Cash Flows**

Statement of Cash Flows is prepared segregating the cash flows into operating, investing and financing activities. Cash flow from operating activities is reported using indirect method adjusting the net profit for the effects of:

- i. changes during the period in operating receivables and payables transactions of a non-cash nature;
- ii. non-cash items such as depreciation, Impairment, deferred taxes, unrealised foreign currency gains and losses, and undistributed profits of associates and joint ventures; and
- iii. all other items for which the cash effects are investing or financing cash flows.

Cash and cash equivalents (including bank balances) shown in the Statement of Cash Flows

## **TATA CAPITAL FINANCIAL SERVICES LIMITED**

### **Notes forming part of the Standalone Financial Statements (*Continued*)**

exclude items which are not available for general use as on the date of Balance Sheet.

#### **xxiv. Dividend payable (including dividend distribution tax)**

Interim dividend declared to equity shareholders, if any, is recognised as liability in the period in which the said dividend has been declared by the Board of Directors. Final dividend declared, if any, is recognised in the period in which the said dividend has been approved by the Shareholders.

The dividend payable (including dividend distribution tax) is recognised as a liability with a corresponding amount recognised directly in equity

# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

as at March 31, 2020

(Rs. in lakh)

### 3. CASH AND CASH EQUIVALENTS

PARTICULARS	As at March 31, 2020	As at March 31, 2019
(a) Cash on hand	-	59
(b) Balances with banks in current accounts	1,58,215	78,087
(c) Cheques on hand	239	280
<b>Total</b>	<b>1,58,454</b>	<b>78,426</b>

#### Note:

- (i) As at March 31, 2020, the Company had undrawn committed borrowing facilities of Rs. 5,14,300 Lakh ( March 31, 2019 : Rs. 3,08,200 Lakh).

### 4. OTHER BALANCES WITH BANKS

PARTICULARS	As at March 31, 2020	As at March 31, 2019
(a) Balances with banks in current accounts (refer note (i) below)	34	52
(b) Balances with banks in deposit accounts (Refer note below)	38	35
<b>Total</b>	<b>72</b>	<b>87</b>

#### Note:

- (i) Balance with banks in current accounts includes Rs. 34 lakh ( March 31, 2019 : Rs. 52 lakh) towards unclaimed debenture application money and interest accrued thereon.
- (ii) Balance with banks in deposit accounts comprises deposits that have an original maturity exceeding 3 months and less than 12 months at balance sheet date.

### 5. TRADE RECEIVABLES

PARTICULARS	As at March 31, 2020	As at March 31, 2019
(i) Receivables considered good - secured	-	-
(ii) Receivables considered good - unsecured	4,060	2,885
(iii) Receivables which have significant increase in credit risk - unsecured	33	26
(iv) Receivables - credit impaired - unsecured	-	246
	<b>4,093</b>	<b>3,157</b>
Less: Allowance for impairment loss		
(i) significant increase in credit risk	33	26
(ii) credit impaired	-	246
<b>Total</b>	<b>4,060</b>	<b>2,885</b>

Trade receivables include amounts due from the related parties Rs. 190 lakh (March 31, 2019: Rs. 176 lakh)



# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

as at March 31, 2020

(Rs. in lakh)

### 6. Derivative financial instruments

As at March 31, 2020

Derivatives held for hedging and risk management purposes	Notional value - USD (in mn)	Notional value - JPY (in mn)	Notional value	Fair value assets	fair value liabilities
Foreign exchange forward	117	14,656	1,88,509	5,674	801
Interest rate swap	108	-	80,723	-	2,488
Cap	-	14,388	99,462	-	92
<b>Total</b>	<b>225</b>	<b>29,044</b>	<b>3,68,694</b>	<b>5,674</b>	<b>3,381</b>

As at March 31, 2019

Derivatives held for hedging and risk management purposes	Notional value - USD (in mn)	Notional value - JPY (in mn)	Notional value	Fair value assets	fair value liabilities
Foreign exchange forward	-	-	-	-	-
Interest rate swap	-	-	-	-	-
Cap	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

#### 6.1 Disclosure of effects of hedge accounting on financial position and exposure to foreign currency

As at March 31, 2020

PARTICULARS	Notional amount	Carrying amount of hedging instruments assets	Carrying amount of hedging instruments liabilities	Weighted average contract / strike price of the hedging instrument	Change in the fair value in the hedging instrument used as the basis for recognising hedge ineffectiveness profit / (loss)
INR USD - Forward exchange contracts	1,87,495	5,413	-	80.98	5,413
INR JPY - Forward exchange contracts	1,013	260	801	0.82	(541)

As at March 31, 2019

PARTICULARS	Notional amount	Carrying amount of hedging instruments assets	Carrying amount of hedging instruments liabilities	Weighted average contract / strike price of the hedging instrument	Change in the fair value in the hedging instrument used as the basis for recognising hedge ineffectiveness profit / (loss)
INR USD - Forward exchange contracts	-	-	-	-	-
INR JPY - Forward exchange contracts	-	-	-	-	-

## 6 Derivative financial instruments (Continued)

### Hedged item

As at March 31, 2020

PARTICULARS	Change in the value of hedged item used as the basis for recognising hedge ineffectiveness	Cost of hedge reserve as at	Cost of hedging as at	Foreign Currency Monetary Items Translation Reserve
FCY Term Loans	(8,600)	(3,728)	-	-

As at March 31, 2019

PARTICULARS	Change in the value of hedged item used as the basis for recognising hedge ineffectiveness	Cost of hedge reserve as at	Cost of hedging as at	Foreign Currency Monetary Items Translation Reserve
FCY Term Loans	-	-	-	-

### 6.2 The impact of the cashflow hedges in the statement of profit and loss and other comprehensive income

PARTICULARS	Hedging gains or (losses) recognised in other comprehensive income		Hedge ineffectiveness recognised in statement of profit and (loss)	
	For the year ended March 31, 2020	For the year ended March 31, 2019	For the year ended March 31, 2020	For the year ended March 31, 2019
Forward exchange contracts and Currency swaps	(3,728)	-	-	-

### 6.3 Movements in the cost of hedge reserve are as follows:

PARTICULARS	For the year ended March 31, 2020	For the year ended March 31, 2019
Opening Balance	-	-
Effective portion of changes in fair value Interest rate risk	(2,488)	-
Effective portion of changes in fair value Cap	(92)	-
Effective portion of changes in fair value foreign currency risk	4,873	-
Foreign currency translation differences	(8,600)	-
Amortisation of forward premium	5,523	-
Tax on movements on reserves during the year	197	-
<b>Closing Balance</b>	<b>(587)</b>	<b>-</b>

All hedges are 100% effective i.e. there is no ineffectiveness (refer note 36)

### 6.4 Average fixed interest rate:

- Interest rate swap: 2.93%
- Interest rate cap: 0.70%

# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

as at March 31, 2020

(Rs. in lakh)

### 7. LOANS

PARTICULARS	As at March 31, 2020	As at March 31, 2019
<b>LOANS</b>		
<b>(A)</b>		
<b>- Amortised Cost</b>		
(i) Bills purchased and bills discounted	42,008	32,956
(ii) Loans repayable on demand	-	-
(iii) Term loans	41,15,678	41,82,620
(iv) Credit substitutes (refer note 7(a) below)	1,79,530	1,60,381
(v) Finance lease and hire purchase	78,072	51,874
(vi) Factoring	-	-
(vii) Retained portion of assigned loans	2,252	3,420
(viii) Inter - Company Deposits	-	4,125
(ix) Loan to TCL employee welfare trust	6,286	6,286
<b>- At Fair Value through Other Comprehensive Income</b>		
- Term loans	4,234	21,080
<b>- At Fair Value through Profit and Loss</b>		
- Credit substitutes (refer note 7(a) below)	1,000	-
<b>Gross Loans</b>	<b>44,29,060</b>	<b>44,62,742</b>
<b>Less : Impairment loss allowance</b>		
- Stage I & II	75,371	58,412
- Stage III	82,714	92,301
<b>Loans net of impairment loss allowance</b>	<b>42,70,975</b>	<b>43,12,029</b>
Add: Unamortised loan sourcing costs	13,408	12,602
Less : Revenue received in advance	(23,652)	(23,103)
<b>Total (A)</b>	<b>42,60,731</b>	<b>43,01,528</b>
<b>(B)</b>		
(i) Secured by tangible assets	24,89,657	25,07,865
(ii) Secured by intangible assets	-	-
(iii) Covered by bank / government guarantees	-	-
(iv) Unsecured	19,39,403	19,54,877
<b>Gross Loans</b>	<b>44,29,060</b>	<b>44,62,742</b>
<b>Less : Impairment loss allowance</b>		
- at amortised cost		
- Stage I & II	75,371	58,412
- Stage III	82,714	92,301
<b>Loans net of impairment loss allowance</b>	<b>42,70,975</b>	<b>43,12,029</b>
Add: Unamortised loan sourcing costs	13,408	12,602
Less : Revenue received in advance	(23,652)	(23,103)
<b>Total (B)</b>	<b>42,60,731</b>	<b>43,01,528</b>
<b>(C)</b>		
<b>(I) Loans in India</b>		
(i) Public sector	-	2,081
(ii) Others	44,29,060	44,60,661
<b>Gross Loans</b>	<b>44,29,060</b>	<b>44,62,742</b>
<b>Less : Impairment loss allowance</b>		
- at amortised cost		
- Stage I & II	75,371	58,412
- Stage III	82,714	92,301
<b>Loans net of impairment loss allowance</b>	<b>42,70,975</b>	<b>43,12,029</b>
Add: Unamortised loan sourcing costs	13,408	12,602
Less : Revenue received in advance	(23,652)	(23,103)
<b>Total (C) (I)</b>	<b>42,60,731</b>	<b>43,01,528</b>
<b>(II) Loans outside India</b>		
(i) Public sector	-	-
(ii) Others	-	-
<b>Total - Loans outside India</b>	<b>-</b>	<b>-</b>
<b>Total (C) (I + II)</b>	<b>42,60,731</b>	<b>43,01,528</b>

7. a. Investments in bonds, debentures and other financial instruments which, in substance, form a part of the Company's financing activities ("Credit Substitutes") have been classified under Loans . In the past these were classified as a part of Investments. Management believes that the classification results in a better presentation of the substance of these investments and is in alignment with regulatory filings.
7. b. Impairment allowance towards loan designated as FVTOCI amounting to Rs. 20 lakh (as on March 31, 2019 : Rs. 85 lakh)
7. c. Impairment loss allowance includes impairment loss allowance on loans under fair value through profit and loss Rs. 5 lakh (Previous year : Nil)
7. d. Impairment allowance on loan - stage I & II includes impairment allowance on loan commitments Rs. 1,726 lakh (As on March 31, 2019 1,458 lakh)
7. e. Loans given to related parties as on March 31, 2020 Rs. 60,606 lakh (as on March 31, 2019 : Rs. 90,496 lakh).
7. f. The details of Gross investments and unearned finance income in respect of assets given under finance lease are as under:

<b>PARTICULARS</b>	<b>As at March 31, 2020</b>	<b>As at March 31, 2019</b>
<b>Gross Investments:</b>		
- Within one year	27,370	22,414
- Later than one year and not later than five years	52,656	33,889
- Later than five years	1,288	330
<b>Total</b>	<b>81,314</b>	<b>56,633</b>
<b>Unearned Finance Income:</b>		
- Within one year	6,282	4,576
- Later than one year and not later than five years	8,676	4,788
- Later than five years	97	56
<b>Total</b>	<b>15,055</b>	<b>9,420</b>
<b>Present Value of Rentals *:</b>		
- Within one year	21,088	17,838
- Later than one year and not later than five years	43,980	29,101
- Later than five years	1,191	274
<b>Total</b>	<b>66,259</b>	<b>47,213</b>

\* Present Value of Rentals represent the Current Future Outstanding Principal.

# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

as at March 31, 2020

(Rs. in lakh)

### 8. INVESTMENTS

PARTICULARS		As at March 31, 2020	As at March 31, 2019
<b>Investments in India</b>			
(A)	<b>Investments carried at fair value through profit or loss</b>		
	Fully paid equity shares (quoted)	9,042	24,029
	Fully paid equity shares (unquoted)	3,356	3,503
	Investment in preference shares	-	3,500
	Mutual and other funds (quoted)	50	53
	Mutual and other funds (unquoted)	1,547	1,273
	Security receipts	419	125
		<b>14,414</b>	<b>32,483</b>
(B)	<b>Investments carried at cost</b>		
	<b>Associates companies</b>		
	Fully paid equity shares (unquoted)	6,134	6,134
	Less: Diminution in value of investments	1,535	585
	Net Carrying value of investments	<b>4,599</b>	<b>5,549</b>
	<b>Total Investments</b>	<b>19,013</b>	<b>38,032</b>

The market value of quoted investment is equal to the book value.

Note : There are no investments outside India.

# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

as at March 31, 2020

(Rs. in lakh)

### 9. OTHER FINANCIAL ASSETS

PARTICULARS	As at March 31, 2020	As at March 31, 2019
(a) Security deposits	6,747	6,912
(b) Advances recoverable from related parties	506	420
(c) Pass Through Certificate application money (refundable)	-	10,599
(d) Receivable on sale/redemption of investment	162	162
Less : Provision for receivable on sale/redemption of investment	(162)	(162)
Net receivable on sale/redemption of investment	-	-
(e) Income accrued but not due	6,888	6,433
(f) Advances to employees	309	563
(g) Receivable under letter of credit/buyer's credit facility	29,369	14,617
(h) Other receivables	896	1,073
<b>Total</b>	<b>44,715</b>	<b>40,617</b>

# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

as at March 31, 2020

(Rs. in lakh)

### 10. PROPERTY, PLANT AND EQUIPMENT

Particulars	Gross Block					Accumulated depreciation and amortisation					Net Carrying Value	
	Opening balance as at April 1, 2019	Additions/ Adjustments	Deletions	Written off during the year*	Closing balance as at March 31, 2020	Opening balance as at April 1, 2019	Depreciation/ Amortisation for the year	Deletions/ Adjustments	Closing balance as at March 31, 2020		As at March 31, 2020	
<b>TANGIBLE ASSETS</b>												
Buildings #	3,677	-	-	-	3,677	400	200	-	600		3,077	
	3,677	-	-	-	3,677	200	200	-	400		3,277	
Leasehold Improvements	2,253	280	97	-	2,436	993	389	90	1,292		1,144	
	2,054	266	67	-	2,253	545	479	31	993		1,260	
Furniture & Fixtures	767	146	26	-	887	256	177	13	420		467	
	652	134	19	-	767	136	127	7	256		511	
Computer Equipment	3,624	1,003	105	3	4,519	1,446	1,088	106	2,428		2,091	
	2,600	1,026	2	-	3,624	604	843	1	1,446		2,178	
Office Equipment	1,025	288	25	-	1,288	420	282	14	688		600	
	689	364	28	-	1,025	202	229	11	420		605	
Plant & Machinery	240	-	7	-	233	91	40	5	126		107	
	255	-	15	-	240	52	46	7	91		149	
Vehicles	462	223	113	2	570	213	139	97	255		315	
	483	176	197	-	462	167	144	98	213		249	
Right of use asset	-	11,617	46	-	11,571	-	2,839	7	2,832		8,739	
	-	-	-	-	-	-	-	-	-		-	
<b>ASSETS GIVEN UNDER OPERATING LEASE/RENTAL</b>												
Construction Equipment	15,145	2,356	1,818	-	15,683	5,289	6,318	1,294	10,313		5,370	
	12,219	3,296	370	-	15,145	2,642	2,803	156	5,289		9,856	
Vehicles	4,256	331	650	-	3,937	1,801	1,447	396	2,852		1,085	
	2,351	2,294	389	-	4,256	698	1,353	250	1,801		2,455	
Plant & Machinery	65,174	12,839	1,468	55	76,490	16,692	13,907	1,370	29,229		47,261	
	32,711	34,031	1,568	-	65,174	6,415	11,018	741	16,692		48,482	
Computer Equipment	19,827	10,507	3,826	-	26,508	11,041	5,502	3,352	13,191		13,317	
	15,018	6,097	1,288	-	19,827	6,583	5,562	1,104	11,041		8,786	
Furniture & Fixtures	1,166	299	149	6	1,310	572	340	145	767		543	
	957	252	43	-	1,166	296	317	41	572		594	
Office Equipments	3,532	234	899	11	2,856	1,438	758	874	1,322		1,534	
	1,438	2,194	100	-	3,532	785	749	96	1,438		2,094	
Railway Wagons	15,010	-	-	-	15,010	5,331	2,750	-	8,081		6,929	
	14,957	53	-	-	15,010	2,580	2,751	-	5,331		9,679	
Electrical Installation & Equipments	1,847	209	4	1	2,051	535	439	4	970		1,081	
	1,074	773	-	-	1,847	228	307	-	535		1,312	
<b>TANGIBLE ASSETS - TOTAL</b>	<b>1,38,005</b>	<b>40,332</b>	<b>9,233</b>	<b>78</b>	<b>1,69,026</b>	<b>46,518</b>	<b>36,615</b>	<b>7,767</b>	<b>75,366</b>		<b>93,660</b>	
	91,135	50,956	4,086	-	1,38,005	22,133	26,928	2,543	46,518		91,487	

# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

as at March 31, 2020

(Rs. in lakh)

### 10. PROPERTY, PLANT AND EQUIPMENT (Continued)

(Rs. in lakh)

Particulars	Gross Block					Accumulated depreciation and amortisation				Net Carrying Value	
	Opening balance as at April 1, 2019	Additions/ Adjustments	Deletions	Written off during the year*	Closing balance as at March 31, 2020	Opening balance as at April 1, 2019	Depreciation/ Amortisation for the year	Deletions/ Adjustments	Closing balance as at March 31, 2020	As at March 31, 2020	As at March 31, 2020
<b>INTANGIBLE ASSETS</b>											
<b>(other than internally generated)</b>											
Goodwill	-	-	-	-	-	-	-	-	-	-	-
Software	3,129	421	5	-	3,545	950	564	5	1,509	2,036	2,036
	2,770	359	-	-	3,129	455	495	-	950	2,179	2,179
<b>INTANGIBLE ASSETS - TOTAL</b>	<b>3,129</b>	<b>421</b>	<b>5</b>	<b>-</b>	<b>3,545</b>	<b>950</b>	<b>564</b>	<b>5</b>	<b>1,509</b>	<b>2,036</b>	<b>2,036</b>
	2,770	359	-	-	3,129	455	495	-	950	2,179	2,179
<b>Total</b>	<b>1,41,134</b>	<b>40,753</b>	<b>9,238</b>	<b>78</b>	<b>1,72,571</b>	<b>47,468</b>	<b>37,179</b>	<b>7,772</b>	<b>76,875</b>	<b>95,696</b>	<b>95,696</b>
	93,905	51,315	4,086	-	1,41,134	22,588	27,423	2,543	47,468	93,666	93,666

Figures in italics relate to March 31, 2019

# Immovable property having net carrying value amounting to Rs. 23 lakh and assets given under operating lease amounting to Rs. 77,143 lakh is hypothecated against borrowings, refer notes 14.1 and 35(B)(iii).



# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

as at March 31, 2020

(Rs. in lakh)

### 11. OTHER NON-FINANCIAL ASSETS (UNSECURED - CONSIDERED GOOD)

PARTICULARS	As at	As at
	March 31, 2020	March 31, 2019
(a) Capital advances	15,650	22,640
(b) Prepaid expenses	1,227	2,116
(c) Balances with government authorities	11,419	10,163
(d) Non Current Assets held-for-sale	4,433	4,931
Less : Provision for receivable on sale/redemption of investment	4,433	4,931
Net non current asset held-for-sale	-	-
(e) Other advances	341	221
<b>Total</b>	<b>28,637</b>	<b>35,140</b>

# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

as at March 31, 2020

(Rs. in lakh)

### 12. (i) INCOME TAXES

#### CURRENT TAX ASSET (NET)

PARTICULARS	As at March 31, 2020	As at March 31, 2019
Advance tax and tax deducted at source (net of provision for tax Rs. 135,653 lakh (Previous year: Rs. 112,852))	12,703	8,797
<b>Total</b>	<b>12,703</b>	<b>8,797</b>

A The income tax expense consist of the following:

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
<b>Current tax:</b>		
Current tax expense for the year	20,082	23,391
Current tax expense / (benefit) pertaining to prior years	(398)	-
	<b>19,684</b>	<b>23,391</b>
<b>Deferred tax benefit</b>		
Origination and reversal of temporary differences	(3,939)	(1,131)
Change in tax rates	18,144	(609)
	<b>14,205</b>	<b>(1,740)</b>
<b>Total income tax expense recognised in the year</b>	<b>33,889</b>	<b>21,651</b>

The reconciliation of estimated income tax expense at statutory income tax rate income tax expense reported in statement of profit and loss is as follows:

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Profit before income taxes	45,250	65,361
Indian statutory income tax rate	25.168%	34.944%
Expected income tax expense	11,388	22,841
<b>Tax effect of adjustments to reconcile expected income tax expense to reported income tax expense:</b>		
Income exempt from tax	(148)	(270)
Non deductible expenses	4,505	2,696
Tax on income at different rates	-	(3,007)
Change in tax rates	18,144	(609)
<b>Total income tax expense</b>	<b>33,889</b>	<b>21,651</b>

#### Note:

The Company's reconciliation of the effective tax rate is based on its domestic tax rate applicable to respective financial years.

# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

as at March 31, 2020

(Rs. in lakh)

### 12. (i) INCOME TAXES

#### B. Amounts recognised in OCI

(Rs. in lakh)	Before tax	For the year ended March 31, 2020 Tax (expense) benefit	Net of tax	Before tax	For the year ended March 31, 2019 Tax (expense) benefit	Net of tax
<b>Items that will not be reclassified to profit or loss</b>						
Remeasurements of defined benefit liability (asset)	(775)	195	(580)	(548)	191	(357)
<b>Items that are or may be reclassified subsequently to profit or loss</b>						
Fair value gain on Financial Assets carried at FVTOCI	(258)	65	(193)	283	(99)	184
The effective portion of gains and loss on hedging instruments in a cash flow hedge	(784)	197	(587)	-	-	-
	<b>(1,817)</b>	<b>457</b>	<b>(1,360)</b>	<b>(265)</b>	<b>92</b>	<b>(173)</b>

The Government of India, on September 20, 2019, vide the Taxation Laws (Amendment) Ordinance dated September 20, 2019 inserted a new section 115BAA in the Income Tax Act, 1961, which provides an option to the Company for paying income tax at reduced rates as per the provisions / conditions defined in the said section. The Company has a one-time option to opt for a reduced maximum marginal tax rate (MMR) of 25.17% (Base tax - 22%, Surcharge - 10% and Health & education cess - 4%) instead of 34.94% (Base tax - 30%, Surcharge - 12% and Health & education cess - 4%) in the current financial year or in the future financial years. As on March 31, 2020, the Company has elected to exercise the option of lower MMR, accordingly there is charge of Rs. 12,104 lakh in the statement of profit and loss for the year ended March 31, 2020 comprising of charge of Rs. 18,144 lakh on account of re-measurement of opening deferred tax asset (DTA) offset by a gain arising due to reduction in income tax rate of Rs 6,040 lakh.

The Company pays dividend distribution tax (DDT) on the dividends declared as required by section 115-O of the Income Tax Act, 1961. The company has paid DDT of Rs. 1,568 lakh (Previous year : Rs. 2,413 lakh).

# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

as at March 31, 2020

(Rs. in lakh)

### 12. (ii) DEFERRED TAX ASSET

The major components of deferred tax assets and liabilities for the year ended March 31, 2020 are as follows:

Particulars	Opening Balance	Recognised / reversed through profit and loss	Change in Tax Rate	Recognised directly in equity	Recognised / reclassified from other comprehensive income	Closing Balance
<b>Deferred Tax Assets :-</b>						
(a) Impairment loss allowance - Stage III	30,872	(2,469)	(8,636)	-	-	19,767
(b) Impairment loss allowance - Stage I & II	20,406	4,252	(5,709)	-	-	18,949
(d) Employee benefits	444	56	(124)	-	-	376
(e) Deferred income	9,728	(874)	(2,722)	-	-	6,132
(f) Other deferred tax assets	2,744	(248)	(768)	-	-	1,728
(g) Depreciation on property, plant, equipment & intangibles	2,810	2,632	(786)	-	-	4,656
(h) Right to use asset	-	137	-	406	-	543
(i) OCI - cash flow hedge	-	-	-	-	197	197
<b>Deferred Tax Liabilities :-</b>						
(a) Debenture issue expenses	(2,150)	(14)	601	-	-	(1,563)
(b) Investments measured at fair value	(530)	468	-	-	-	(62)
(c) Loans measured at FVTOCI*	-	-	0*	-	65	65
<b>Net Deferred Tax Asset</b>	<b>64,324</b>	<b>3,940</b>	<b>(18,144)</b>	<b>406</b>	<b>262</b>	<b>50,788</b>

\* Amount less than Rs. 50,000.

The major components of deferred tax assets and liabilities for the year ended March 31, 2019 are as follows:

Particulars	Opening Balance	Recognised / reversed through profit and loss	Change in Tax Rate	Recognised directly in equity	Recognised / reclassified from other comprehensive income	Closing Balance
<b>Deferred Tax Assets :-</b>						
(a) Impairment loss allowance - Stage III	35,861	(5,337)	348	-	-	30,872
(b) Impairment loss allowance - Stage I & II	17,151	3,118	167	-	(30)	20,406
(d) Employee benefits	330	111	3	-	-	444
(e) Deferred income	7,515	2,222	73	-	(82)	9,728
(f) Other deferred tax assets	2,150	573	21	-	-	2,744
(g) Depreciation on property, plant, equipment & intangibles	228	2,580	2	-	-	2,810
<b>Deferred Tax Liabilities :-</b>						
(a) Debenture issue expenses	(478)	(1,667)	(5)	-	-	(2,150)
(b) Investments measured at fair value	(60)	(469)	(1)	-	-	(530)
(c) Loans measured at FVTOCI	(13)	-	-	-	13	-
<b>Net Deferred Tax Asset</b>	<b>62,684</b>	<b>1,131</b>	<b>608</b>	<b>-</b>	<b>(99)</b>	<b>64,324</b>

Gross deferred tax assets and liabilities are as follows:

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
<b>Deferred Tax Assets :-</b>		
(a) Impairment loss allowance - Stage III	19,767	30,872
(b) Impairment loss allowance - Stage I & II	18,949	20,406
(d) Employee benefits	376	444
(e) Deferred income	6,132	9,728
(f) Other deferred tax assets	1,728	2,744
(g) Depreciation on property, plant & equipment	4,656	2,810
(h) Right to use asset	543	-
(i) OCI - cash flow hedge	197	-
<b>Deferred Tax Liabilities :-</b>		
(a) Debenture issue expenses	(1,563)	(2,150)
(c) Fair value of investments	(62)	(530)
(d) Loans measured at FVTOCI	65	-
<b>Net Deferred Tax Asset</b>	<b>50,788</b>	<b>64,324</b>

# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

as at March 31, 2020

(Rs. in lakh)

### 13. TRADE PAYABLES

#### (i). Total outstanding dues of creditors other than micro enterprises and small enterprises

PARTICULARS	As at March 31, 2020	As at March 31, 2019
(a) Others		
(i) Accrued expenses	25,727	29,708
(ii) Payable to dealers/vendors/customer	19,768	25,440
(iii) Others	607	762
<b>Total</b>	<b>46,102</b>	<b>55,910</b>

Note - The information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company. The amount of principal and interest outstanding during the year is given below :

#### (ii). Total outstanding dues of micro enterprises and small enterprises

PARTICULARS	As at March 31, 2020	As at March 31, 2019
(a) The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year	50	-
(b) The amount of interest paid by the buyer in terms of section 16, of the Micro Small and Medium Enterprise Development Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year	-	-
(c) 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 Micro Small and Medium Enterprise Development Act, 2006	-	-
(d) The amount of interest accrued and remaining unpaid at the end of each accounting year;	-	-
(e) The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the Micro Small and Medium Enterprise Development Act, 2006	-	-
<b>Total</b>	<b>50</b>	<b>-</b>

# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

as at March 31, 2020

(Rs. in lakh)

### 14. DEBT SECURITIES

PARTICULARS	As at March 31, 2020	As at March 31, 2019
<b>DEBT SECURITIES In India</b>		
<b>At amortised cost</b>		
<b>Secured</b>		
Privately Placed Non-Convertible Debentures (Refer note 14.1 below) [Net of unamortised discount of Rs. 17 lakh (March 31, 2019 : 47 lakh) and premium of Rs. 1,391 lakh (March 31, 2019 : Rs. 307 lakh)]	<b>9,19,751</b>	12,21,527
Public issue of Non-Convertible Debentures (Refer notes 14.2 below)	<b>4,93,423</b>	2,95,827
<b>Unsecured</b>		
(i) Privately Placed Non-Convertible Debentures	<b>33,584</b>	91,795
(ii) Commercial paper (Refer note 14.3 below) [Net of unamortised discount of Rs. 8,237 lakh (March 31, 2019 : Rs. 13,068 lakh)]	<b>3,81,252</b>	6,32,422
<b>DEBT SECURITIES Outside India</b>	-	-
<b>Total</b>	<b>18,28,010</b>	22,41,571

#### Notes

- 14.1. Privately Placed Non-Convertible Debentures are secured by pari passu charge on the specific immovable property, specified receivables arising out of loan, lease, hire purchase transactions and to the extent of shortfall in asset cover by a pari passu charge on the current assets of the Company.
- 14.2. Public issue of Non-Convertible Debentures are secured by a pari passu charge on the specific immovable property, receivables against unsecured loans, bills discounted and trade advances and other current assets of the Company.
- 14.3. Discount on commercial paper varies between 5.64 % to 8.02% (March 31, 2019 : 6.86 % to 9.19%) and are repayable at maturity ranging between 3 and 12 months from the date of respective commercial paper.
- 14.4. Debt securities are not issued to related parties.

# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

as at March 31, 2020

(Rs. in lakh)

### 14.5. Particulars of Privately Placed Secured Non-Convertible Debentures ("NCDs") outstanding as on March 31, 2020

Description of NCDs	Issue Date	Redemption Date	As at March 31, 2020*		As at March 31, 2019*	
			Number of NCDs	Rs in lakh	Number of NCDs	Rs in lakh
TCFSL NCD 'L' FY 2019-20	06-Mar-20	06-Mar-30	10,000	1,00,000	-	-
TCFSL NCD 'H' FY 2019-20	06-Nov-19	06-Nov-29	1,000	10,000	-	-
TCFSL NCD 'F' FY 2019-20 Option - I	20-Jun-19	20-Jun-29	2,730	27,300	-	-
TCFSL NCD 'F' FY 2019-20 Op-I Reissuance 1	19-Jul-19	20-Jun-29	1,000	10,000	-	-
TCFSL NCD "H" FY 2018-19 - Option II	19-Dec-18	19-Dec-28	1,120	11,200	1,120	11,200
TCFSL NCD "H" FY 2018-19 - Option II - 1 Reissuance on Premium	03-Jan-19	19-Dec-28	230	2,300	230	2,300
TCFSL NCD "E" FY 2019-20 Option - I	04-Jun-19	15-Jan-25	300	3,000	-	-
TCFSL NCD "E" FY 2019-20 Option - I Reissuance 1	26-Feb-20	15-Jan-25	350	3,500	-	-
TCFSL NCD AF FY 2014-15-Option-I	08-Dec-14	08-Dec-24	600	6,000	600	6,000
TCFSL NCD AF FY 2014-15-Option-I	08-Dec-14	08-Dec-24	150	1,500	150	1,500
TCFSL NCD AA FY 2014-15	20-Nov-14	20-Nov-24	950	9,500	950	9,500
TCFSL NCD "F" FY 2019-20 Option - II	20-Jun-19	20-Jun-24	885	8,850	-	-
TCFSL NCD 'F' FY 2019-20 Op-II Reissuance 1	10-Jul-19	20-Jun-24	1,000	10,000	-	-
TCFSL NCD "D" FY 2019-20	27-May-19	27-May-24	2,180	21,800	-	-
TCFSL NCD "H" FY 2018-19 - Option I	19-Dec-18	19-Dec-23	1,940	19,400	1,940	19,400
TCFSL NCD "H" FY 2018-19 - Option I - 1 Reissuance on Premium	03-Jan-19	19-Dec-23	975	9,750	975	9,750
TCFSL NCD "H" FY 2018-19 - Option I - 2 Reissuance on Premium	15-Feb-19	19-Dec-23	300	3,000	300	3,000
TCFSL NCD "H" FY 2018-19 - Option II - 1 Reissuance on Premium	15-Feb-19	19-Dec-23	550	5,500	550	5,500
TCFSL NCD "P" FY 2017-18	22-Jan-18	20-Jan-23	480	4,800	480	4,800
TCFSL NCD "P" FY 2017-18 Reissuance no 1	12-Feb-20	20-Jan-23	1,250	12,500	-	-
TCFSL Market Link NCD Tranche "B" FY 2018-19	20-Mar-19	05-Dec-22	2,500	25,000	2,500	25,000
TCFSL Market Linked Tranche 'B' 2018-19 Reissuance 1	20-Sep-19	05-Dec-22	50	500	-	-
TCFSL NCD "AH" FY 2012-13	05-Sep-12	05-Sep-22	500	5,000	500	5,000
TCFSL NCD "B" FY 2019-20	14-May-19	06-Jul-22	210	2,100	-	-
TCFSL NCD "T" FY 2018-19	03-Jan-19	10-Jun-22	400	4,000	400	4,000
TCFSL NCD 'T' FY 2018-19 Reissuance no 1	27-Sep-19	10-Jun-22	100	1,000	-	-
TCFSL NCD 'T' FY 2019-20	10-Dec-19	10-Jun-22	250	2,500	-	-
TCFSL NCD 'J' FY 2019-20	30-Jan-20	29-Apr-22	2,000	20,000	-	-
TCFSL NCD "A" FY 2019-20	25-Apr-19	25-Apr-22	500	5,000	-	-
TCFSL Market Linked Tranche 'A' 2018-19 Tranch-III	27-Feb-19	14-Apr-22	137	1,370	137	1,370
TCFSL Market Linked Tranche 'A' 2018-19 Tranch-III Reissuance 1	12-Mar-19	14-Apr-22	159	1,590	159	1,590
TCFSL Market Linked Tranche 'A' 2018-19 Tranch-III Reissuance 2	26-Apr-19	14-Apr-22	100	1,000	-	-
TCFSL Market Linked Tranche 'A' 2018-19 Tranch-III Reissuance 3	07-Jun-19	14-Apr-22	175	1,750	-	-
TCFSL Market Linked Tranche 'A' 2018-19 Tranch-III Reissuance 4	05-Feb-20	14-Apr-22	200	2,000	-	-
TCFSL NCD "D" FY 2018-19	22-Oct-18	08-Apr-22	1,120	11,200	1,120	11,200
TCFSL NCD "D" FY 2018-19 Further issue Annual Compounding Prem	23-Jan-19	08-Apr-22	485	4,850	485	4,850
TCFSL NCD "AL" FY 2016-17	31-Mar-17	31-Mar-22	400	4,000	400	4,000
TCFSL NCD "N" FY 2018-19 - Option II	27-Mar-19	25-Mar-22	2,825	28,250	2,825	28,250
TCFSL NCD "T" FY 2017-18	20-Jul-17	28-Feb-22	750	7,500	750	7,500
TCFSL NCD "M" FY 2018-19	21-Feb-19	21-Feb-22	500	5,000	500	5,000
TCFSL NCD "K" FY 2017-18	16-Aug-17	14-Jan-22	750	7,500	750	7,500
TCFSL NCD "AG" FY 2016-17	28-Dec-16	28-Dec-21	2,720	27,200	2,720	27,200
TCFSL NCD "E" FY 2018-19	26-Oct-18	26-Oct-21	3,262	32,620	3,262	32,620
TCFSL NCD 'G' FY 2019-20	27-Sep-19	13-Sep-21	500	5,000	-	-
TCFSL Market Link NCD "A" FY 2019-20	02-Aug-19	02-Aug-21	344	3,440	-	-
TCFSL NCD "E" FY 2019-20 Option - II	04-Jun-19	04-Jun-21	1,080	10,800	-	-
TCFSL NCD "G" FY 2016-17	30-May-16	28-May-21	500	5,000	500	5,000
TCFSL Market Linked Tranche 'A' 2018-19 Tranch-II	27-Feb-19	14-Apr-21	1,175	11,750	1,175	11,750
TCFSL Market Linked Tranche 'A' 2018-19 Tranch-II Reissuance 1	12-Mar-19	14-Apr-21	385	3,850	385	3,850
TCFSL Market Linked Tranche 'A' 2018-19 Tranch-II Reissuance 2	29-Mar-19	14-Apr-21	260	2,600	260	2,600
TCFSL Market Linked Tranche 'A' 2018-19 Tranch-II Reissuance 3	26-Apr-19	14-Apr-21	60	600	-	-
TCFSL Market Linked Tranche 'A' 2018-19 Tranch-II Reissuance 4	07-Jun-19	14-Apr-21	425	4,250	-	-
TCFSL Market Linked Tranche 'A' 2018-19 Tranch-II Reissuance 5	28-Jun-19	14-Apr-21	100	1,000	-	-
TCFSL Market Linked Tranche 'A' 2018-19 Tranch-II Reissuance 6	13-Sep-19	14-Apr-21	465	4,650	-	-
TCFSL NCD "N" FY 2018-19 - Option I	27-Mar-19	26-Mar-21	5,250	52,500	5,250	52,500

# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

as at March 31, 2020

(Rs. in lakh)

### 14.5. Particulars of Privately Placed Secured Non-Convertible Debentures ("NCDs") outstanding as on March 31, 2019 (Continued)

Description of NCDs	Issue Date	Redemption Date	As at March 31, 2020*		As at March 31, 2019*	
			Number of NCDs	Rs in lakh	Number of NCDs	Rs in lakh
TCFSL NCD "N" FY 2018-19 - Option I Reissuance 1 on Premium	04-Jun-19	26-Mar-21	1,500	15,000	-	-
TCFSL NCD "AB" FY 2015-16	21-Mar-16	19-Mar-21	100	1,000	100	1,000
TCFSL NCD "K" FY 2019-20	18-Feb-20	17-Mar-21	1,000	10,000	-	-
TCFSL NCD "AA" FY 2015-16	16-Mar-16	16-Mar-21	70	700	70	700
TCFSL NCD "O" FY 2017-18	12-Jan-18	22-Jan-21	750	7,500	750	7,500
TCFSL NCD "J" FY 2018-19	10-Jan-19	11-Jan-21	250	2,500	250	2,500
TCFSL NCD "X" FY 2015-16	16-Dec-15	16-Dec-20	100	1,000	100	1,000
TCFSL NCD "C" FY 2019-20	21-May-19	25-Aug-20	500	5,000	-	-
TCFSL Market Linked Tranche 'A' 2018-19 Tranch-I	27-Feb-19	14-Aug-20	1,448	14,480	1,448	14,480
TCFSL Market Linked Tranche 'A' 2018-19 Tranch-I Reissuance 1	12-Mar-19	14-Aug-20	102	1,020	102	1,020
TCFSL Market Linked Tranche 'A' 2018-19 Tranch-I Reissuance 2	28-Mar-19	14-Aug-20	340	3,400	340	3,400
TCFSL Market Linked Tranche 'A' 2018-19 Tranch-I Reissuance 3	04-Apr-19	14-Aug-20	100	1,000	-	-
TCFSL Market Linked Tranche 'A' 2018-19 Tranch-I Reissuance 4	30-Apr-19	14-Aug-20	491	4,910	-	-
TCFSL Market Linked Tranche 'A' 2018-19 Tranch-I Reissuance 5	15-May-19	14-Aug-20	250	2,500	-	-
TCFSL Market Linked Tranche 'A' 2018-19 Tranch-I Reissuance 6	28-May-19	14-Aug-20	525	5,250	-	-
TCFSL NCD "E" FY 2017-18	06-Jul-17	06-Aug-20	500	5,000	500	5,000
TCFSL NCD "K" FY 2018-19 - Option I	16-Jan-19	15-Jul-20	3,760	37,600	3,760	37,600
TCFSL NCD "G" FY 2017-18	12-Jul-17	10-Jul-20	250	2,500	250	2,500
TCFSL NCD "G" FY 2017-18 Reissuance on Discount	10-Apr-19	10-Jul-20	1,000	10,000	-	-
TCFSL NCD "U" FY 2016-17	26-Aug-16	01-Jul-20	150	1,500	150	1,500
TCFSL NCD "L" FY 2018-19	29-Jan-19	29-Jun-20	3,500	35,000	3,500	35,000
TCFSL NCD "G" FY 2018-19	30-Nov-18	26-Jun-20	1,300	13,000	1,300	13,000
TCFSL NCD "G" FY 2018-19 Further issue - I on Par Premium	10-Jan-19	26-Jun-20	300	3,047	300	3,047
TCFSL NCD "G" FY 2018-19 Further issue - II on Par Premium	23-Jan-19	26-Jun-20	1,490	15,185	1,490	15,185
TCFSL NCD "D" FY 2017-18	09-Jun-17	09-Jun-20	10,150	1,01,500	10,150	1,01,500
TCFSL NCD "E" FY 2015-16	05-May-15	05-May-20	3,300	33,000	3,300	33,000
TCFSL NCD "F" FY 2018-19	26-Nov-18	20-Mar-20	-	-	750	7,500
TCFSL NCD "K" FY 2018-19 Op-II	16-Jan-19	20-Mar-20	-	-	4,000	40,000
TCFSL NCD "AJ" FY 2016-17	01-Mar-17	28-Feb-20	-	-	250	2,500
TCFSL NCD "Q" FY 2017-18	24-Jan-18	24-Jan-20	-	-	7,000	70,000
TCFSL NCD "C" FY 2018-19	19-Jul-18	20-Jan-20	-	-	3,950	39,500
TCFSL NCD "C" FY 2018-19 Further Issuance Discount	06-Dec-18	20-Jan-20	-	-	2,300	23,000
TCFSL NCD "B" FY 2018-19	29-Jun-18	27-Dec-19	-	-	1,850	18,500
TCFSL NCD "B" FY 2018-19 Further Issuance Discount	05-Jul-18	27-Dec-19	-	-	1,800	18,000
TCFSL NCD "T" FY 2016-17 Op-II	10-Jun-16	23-Dec-19	-	-	130	1,300
TCFSL NCD "AE" FY 2016-17	16-Nov-16	16-Dec-19	-	-	750	7,500
TCFSL NCD "AD" FY 2016-17	10-Nov-16	10-Dec-19	-	-	230	2,300
TCFSL NCD "AC" FY 2016-17	27-Oct-16	25-Oct-19	-	-	350	3,500
TCFSL NCD "L" FY 2017-18	29-Sep-17	27-Sep-19	-	-	2,000	20,000
TCFSL NCD "A" FY 2018-19	19-Jun-18	19-Sep-19	-	-	5,400	54,000
TCFSL NCD "V" FY 2016-17 Op-II	31-Aug-16	30-Aug-19	-	-	250	2,500
TCFSL NCD "T" FY 2016-17	25-Aug-16	23-Aug-19	-	-	250	2,500
TCFSL NCD "J" FY 2017-18	07-Aug-17	07-Aug-19	-	-	5,500	55,000
TCFSL NCD "J" FY 2017-18 Further Issuance Premium	01-Sep-17	07-Aug-19	-	-	2,478	24,780
TCFSL NCD "P" FY 2016-17	29-Jul-16	29-Jul-19	-	-	100	1,000
TCFSL NCD "O" FY 2016-17	19-Jul-16	19-Jul-19	-	-	250	2,500
TCFSL NCD "H" FY 2017-18	18-Jul-17	18-Jul-19	-	-	5,000	50,000
TCFSL NCD "N" FY 2016-17	12-Jul-16	12-Jul-19	-	-	2,000	20,000
TCFSL NCD "F" FY 2017-18	10-Jul-17	10-Jul-19	-	-	1,000	10,000
TCFSL NCD "C" FY 2014-15 Op-II	09-Jul-14	09-Jul-19	-	-	350	3,500
TCFSL NCD "I" FY 2016-17 Op-I	10-Jun-16	24-Jun-19	-	-	250	2,500
TCFSL NCD "B" FY 2017-18	30-May-17	30-May-19	-	-	2,250	22,500
TCFSL NCD "N" FY 2017-18	29-Nov-17	29-May-19	-	-	500	5,000
TCFSL NCD "F" FY 2016-17	24-May-16	24-May-19	-	-	250	2,500
TCFSL NCD "Z" FY 2015-16	05-Feb-16	03-May-19	-	-	1,000	10,000
TCFSL NCD "D" FY 2016-17	20-Apr-16	19-Apr-19	-	-	100	1,000
TCFSL NCD "AC" FY 2015-16	31-Mar-16	18-Apr-19	-	-	213	2,130
TCFSL NCD "A" FY 2017-18	10-Apr-17	10-Apr-19	-	-	10,250	1,02,500
TCFSL NCD "B" FY 2016-17	07-Apr-16	08-Apr-19	-	-	200	2,000
<b>Total (A)</b>				<b>9,18,862</b>		<b>12,22,172</b>
Add : Unamortised premium				1,392		307
<b>Total (B)</b>				<b>1,392</b>		<b>307</b>
Less : Unamortised borrowing cost				(486)		(906)
Less : Unamortised discount				(17)		(46)
<b>Total (C)</b>				<b>(503)</b>		<b>(952)</b>
<b>TOTAL (A+B+C)</b>				<b>9,19,751</b>		<b>12,21,527</b>

\*Coupon rate of "NCDs" outstanding as on March 31, 2020 varies from 6.60% to 9.85% ( March 31, 2019 : 7.50% to 9.85%)

Note: Information about the company's exposure to interest rate risk, and liquidity risk is included in note 31B and 31C



# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

as at March 31, 2020

(Rs. in lakh)

### 14.6. Particulars of Public issue of Secured Non-Convertible Debentures outstanding as on March 31, 2020

Description of NCD	Issue Date	Redemption Date	Number of NCDs	Rs in lakh
SERIES III TRANCHE II – CATEGORY I & II.	26-Aug-19	26-Aug-27	92,48,14,000	9,248
SERIES III TRANCHE II – CATEGORY III & IV.	26-Aug-19	26-Aug-27	6,00,39,35,000	60,039
SERIES II TRANCHE II – CATEGORY I & II.	26-Aug-19	26-Aug-24	97,71,40,000	9,771
SERIES II TRANCHE II – CATEGORY III & IV.	26-Aug-19	26-Aug-24	3,40,91,75,000	34,092
TCFSL NCD Series II (2019)	27-Sep-18	27-Sep-23	7,68,789	7,688
TCFSL NCD Series II (2019)	27-Sep-18	27-Sep-23	1,45,70,710	1,45,707
SERIES I TRANCHE II – CATEGORY I & II.	26-Aug-19	26-Aug-22	96,61,34,000	9,661
SERIES I TRANCHE II – CATEGORY III & IV.	26-Aug-19	26-Aug-22	7,52,25,82,000	75,226
TCFSL NCD Series I (2019)	27-Sep-18	27-Sep-21	5,02,863	5,029
TCFSL NCD Series I (2019)	27-Sep-18	27-Sep-21	1,41,77,673	1,41,777
				<b>4,98,238</b>
Less: Unamortised borrowing cost				<b>(4,815)</b>
<b>Total</b>				<b>4,93,423</b>

Note : Coupon rate of above outstanding as on March 31, 2020 varies from 8.35% to 8.90%

### 14.7. Particulars of Public issue of Secured Non-Convertible Debentures outstanding as on March 31, 2019

Description of NCD	Issue Date	Redemption Date	Number of NCDs	Rs in lakh
TCFSL NCD Series II (2019)	27-Sep-18	27-Sep-23	7,68,789	7,688
TCFSL NCD Series II (2019)	27-Sep-18	27-Sep-23	1,45,70,710	1,45,707
TCFSL NCD Series I (2019)	27-Sep-18	27-Sep-21	5,02,863	5,029
TCFSL NCD Series I (2019)	27-Sep-18	27-Sep-21	1,41,77,673	1,41,777
				<b>3,00,201</b>
Less: Unamortised borrowing cost				<b>(4,374)</b>
<b>Total</b>				<b>2,95,827</b>

Note : Coupon rate of above outstanding as on March 31, 2020 varies from 8.70% to 8.90%

# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

as at March 31, 2020

(Rs. in lakh)

### 14.8. Particulars of Privately Placed unsecured non-convertible debentures ("NCDs") outstanding as on March 31, 2020

Description of NCD	Issue Date	Redemption Date	Number of NCDs	Rs in lakh
TCFSL Unsecured NCD Partly paid "A" FY 2019-20	23-Mar-20	23-Mar-35	1,000	10,000
TCFSL Unsecured NCD Partly paid "A" FY 2018-19	19-Mar-19	17-Mar-34	2,360	23,600
<b>TOTAL</b>				<b>33,600</b>
<b>Less: Unamortised borrowing cost</b>				<b>(16)</b>
<b>Total</b>				<b>33,584</b>

Note : Coupon rate of above outstanding as on March 31, 2020 varies from 7.85% to 8.93%

### 14.9. Particulars of Privately Placed unsecured non-convertible debentures ("NCDs") outstanding as on March 31, 2019

Description of NCD	Issue Date	Redemption Date	Number of NCDs	Rs in lakh
TCFSL Unsecured NCD Partly paid "A" FY 2018-19	19-Mar-19	17-Mar-34	118	11,800
TCFSL Unsecured NCD A FY 2017-18	27-Jun-17	27-Jun-19	8,000	80,000
<b>TOTAL</b>				<b>91,800</b>
<b>Less: Unamortised borrowing cost</b>				<b>(5)</b>
<b>Total</b>				<b>91,795</b>

Note : Coupon rate of above outstanding as on March 31, 2019 varies from 7.90% to 8.93%

# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

as at March 31, 2020

(Rs. in lakh)

### 15. BORROWINGS (OTHER THAN DEBT SECURITIES)

PARTICULARS	As at March 31, 2020	As at March 31, 2019
At amortised cost		
(a) Term loans		
Secured - In India		
From Banks (Refer note 15.1 below)	9,12,064	4,79,963
From Others (Refer note 15.1 below)	50,000	-
Secured - Outside India		
From Banks	1,78,678	-
Unsecured - In India		
From Banks (Refer note 5.4 below)	61,667	2,44,942
(b) Loans repayable on demand		
Secured		
From Banks		
(i) Working capital demand loan (Refer note 15.1 below)	4,09,000	3,05,000
(ii) Bank Overdraft (Refer note 15.1 below)	22,968	1,98,019
Unsecured		
From Banks		
(i) Working capital demand loan (Refer note 15.2 below)	2,200	35,000
(c) Loan from related parties (unsecured)		
(i) Compulsorily Convertible Cumulative Preference shares : Nil shares (March 31, 2019 : 1,889,000,000 shares) of Rs.10 each fully paid up)	-	1,88,900
(ii) Inter corporate deposits from related parties (Refer notes 15.2 below)	58,350	10,726
<b>Total</b>	<b>16,94,927</b>	<b>14,62,550</b>

#### Note:

15.1. Loans and advances from banks and others are secured by pari passu charge on the receivables of the Company through Security Trustee.

#### 15.2. Terms of repayment of borrowings and rate of interest:

As per terms of agreements loan from banks aggregating Rs. 1,154,508 lakh (Previous Year: Rs. 724,942 lakh) are repayable at maturity ranging between 12 and 49 months from the date of respective loan. Rate of interest payable on term loans varies between 7.15 % to 9.25% (March 31, 2019 : 8.10 % to 9.40%).

As per terms of agreements loan from Financial Institution aggregating Rs. 50,000 lakh (Previous Year: Rs. Nil lakh) are repayable at maturity ranging between 12 and 26 months from the date of respective loan. Rate of interest payable on term loans varies between 8.60 % to 8.60%.

Rate of interest payable on WCDL varies between 7.25 % to 8.85% (March 31, 2019 : 8.45 % to 9.05%).

Rate of interest payable on Inter-corporate deposits varies between 8.39 % to 8.39% March 31, 2019 : 8.45 % to 8.84%).

15.3. The CCCPS holders had an option to convert all or any part of the holding into equity shares at any time prior to the completion of 9 years based on the fair value to be determined by an independent valuer closer to the conversion date. In the year in which CCCPS are converted to equity shares, the dividend on such CCCPS, if declared by the Board, shall be paid on pro-rata basis. The Company had converted CCCPS aggregating Rs. 65,600 lakh (Face value Rs. 10 each aggregating Rs. 7,801 lakh) and Rs. 188,900 lakh (Face value Rs. 10 each aggregating Rs. 22,464 lakh) on February 1, 2019 and September 30, 2019 respectively into equity shares. The Board had not declared dividend on the CCCPS prior to conversion to equity shares.

During the previous year ended March 31, 2019, the Company had issued 1,025,000,000, 8.50% Compulsorily Convertible Cumulative Preference Shares ("CCCPS") of face value Rs. 10/- each aggregating Rs. 1,025 crore, which were mandatorily convertible into equity shares after the completion of 9 years from the date of allotment. The CCCPS holders had a right to receive dividend, prior to the equity shareholders. The dividend proposed by the Board of Directors on the CCCPS was subject to the approval of the shareholders at an Annual General Meeting, except in case of interim dividend. In the event of liquidation, the Preference Shareholders carried a preferential right over the holder of equity shares for payment of dividend and for payment of capital, in proportion to their shareholding.

15.4. The CCCPS holders may, at any time prior to the aforesaid period of conversion, make such request to convert all or any part of its holding into Equity Shares.

a) During the year ended March 31, 2020, the Company had declared and paid on June 26, 2019, an interim dividend for financial year 2019-20 on Compulsorily Convertible Cumulative Preference Shares aggregating to Rs. 2,739 lakh and dividend distribution tax thereon of Rs. 563 lakh.

b) During the previous year ended March 31, 2019, the Company had declared and paid on March 26, 2019, an interim dividend for financial year 2018-19 on Compulsorily Convertible Cumulative Preference Shares aggregating to Rs. 11,673 lakh and dividend distribution tax thereon of Rs. 2,399 lakh.

15.5. The Company has not defaulted in the repayment of debt securities, borrowings (other than debt securities), subordinated liabilities and interest thereon for the year ended March 31, 2020 and March 31, 2019.

# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

as at March 31, 2020

(Rs. in lakh)

### 16. SUBORDINATED LIABILITIES

PARTICULARS	As at March 31, 2020	As at March 31, 2019
At amortised cost		
Unsecured		
Debentures		
Non-Convertible Subordinated Debentures [Net of unamortised discount of Rs. 10 lakh (March 31, 2019 : Rs. 357 lakh) and premium of Rs. 110 lakh (March 31, 2019 : Nil)]	2,04,389	2,38,374
Non-Convertible Perpetual Debentures	91,443	91,386
<b>Total</b>	<b>2,95,832</b>	<b>3,29,760</b>

#### Note:

1. Non-convertible perpetual debentures includes debentures subscribed by related parties Rs. 12,500 lakh ( Previous year : 12,500 lakh)
2. All the subordinated liabilities have been borrowed in India.

# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

as at March 31, 2020

(Rs. in lakh)

### 16.1. Particulars of Subordinated unsecured non-convertible debentures ("NCDs") outstanding as on March 31, 2020

Description of NCDs	Issue Date	Redemption Date	As at March 31, 2020*		As at March 31, 2019*	
			Number of NCDs	Rs in lakh	Number of NCDs	Rs in lakh
TCFSL Tier-II Bond "B" FY 2019-20	13-Nov-19	13-Nov-29	1,000	10,000	-	-
TCFSL Tier-II Bond "B" FY 2019-20 Premium Reissuance 1	03-Jan-20	13-Nov-29	700	7,000	-	-
SERIES IV TRANCHE II – CATEGORY I & II.	26-Aug-19	26-Aug-29	46,500	465	-	-
SERIES IV TRANCHE II – CATEGORY III & IV.	26-Aug-19	26-Aug-29	17,26,973	17,270	-	-
TCFSL Tier-II Bond "A" FY 2019-20	16-Apr-19	16-Apr-29	200	2,000	-	-
TCFSL Tier II NCD "A" FY 2019-20 Discount Reissuance 1	13-Jun-19	16-Apr-29	650	6,500	-	-
TCFSL Tier II NCD "A" FY 2019-20 Premium Reissuance 2	26-Jun-19	16-Apr-29	1,000	10,000	-	-
TCFSL Tier II NCD "A" FY 2019-20 Premium Reissuance 3	29-Jul-19	16-Apr-29	295	2,950	-	-
TCFSL Tier-II Bond "A" FY 2018-19	28-Dec-18	28-Dec-28	2,000	20,000	2,000	20,000
TCFSL NCD Series III (2019)	27-Sep-18	27-Sep-28	2,95,490	2,955	2,95,490	2,955
TCFSL NCD Series III (2019)	27-Sep-18	27-Sep-28	34,18,488	34,185	34,18,488	34,185
TCFSL Tier-II Bond "B" FY 2016-17	26-Oct-16	26-Oct-26	150	1,500	150	1,500
TCFSL Tier-II Bond "A" FY 2016-17	11-Aug-16	11-Aug-26	2,000	20,000	2,000	20,000
TCFSL Tier II Bond "B" FY 2015-16	30-Mar-16	30-Mar-26	2,000	20,000	2,000	20,000
TCFSL Tier II Bond "A" FY 2015-16	22-Jul-15	22-Jul-25	900	9,000	900	9,000
TCFSL Tier II Bond "D" FY 2014-15	31-Mar-15	31-Mar-25	2,000	20,000	2,000	20,000
TCFSL Tier II Bond "C" FY 2014-15	30-Jan-15	30-Jan-25	750	7,500	750	7,500
TCFSL Tier II Bond "B" FY 2014-15	07-Jan-15	07-Jan-25	350	3,500	350	3,500
TCFSL Tier II Bond "A" FY 2014-15	26-Sep-14	26-Sep-24	1,000	10,000	1,000	10,000
TCL Tier II Bond "H" FY 2009-10	24-Dec-09	24-Dec-19	-	-	1,000	5,000
TCL Tier II Bond "G" FY 2009-10	18-Dec-09	18-Dec-19	-	-	3,000	15,000
TCL Tier II Bond "E" FY 2009-10	15-Dec-09	15-Dec-19	-	-	5,725	28,625
TCL Tier II Bond "F" FY 2009-10	30-Nov-09	30-Nov-19	-	-	1,135	5,318
TCL Tier II Bond "D" FY 2009-10	28-Oct-09	28-Oct-19	-	-	1,479	7,395
TCL Tier II Bond "C" FY 2009-10	28-Oct-09	28-Oct-19	-	-	1,580	7,900
TCL Tier II Bond "B" FY 2009-10	09-Sep-09	09-Sep-19	-	-	1,704	17,040
TCL Tier II Bond "A" FY 2009-10	04-Aug-09	04-Aug-19	-	-	391	3,910
<b>Total (A)</b>				<b>2,04,825</b>		<b>2,38,828</b>
Add : Unamortised premium				<b>110</b>		-
<b>Total (B)</b>				<b>110</b>		-
Less: Unamortised borrowing cost				<b>(536)</b>		<b>(454)</b>
Less : Unamortised discount				<b>(10)</b>		-
<b>Total (C)</b>				<b>(546)</b>		<b>(454)</b>
<b>TOTAL (A+B+C)</b>				<b>2,04,389</b>		<b>2,38,374</b>

\*Net of unamortised discount as on March 31, 2020 Rs. Nil lakh (March 31, 2019 : Rs 357 lakh)

\*Note : Coupon rate of above outstanding as on March 31, 2020 varies from 8.45% to 10.15% (March 31, 2019: 8.45% to 10.50%)

# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

as at March 31, 2020

(Rs. in lakh)

### 16.2. Particulars of Perpetual unsecured non-convertible debentures ("NCDs") outstanding as on March 31, 2020

Description of NCDs	Issue Date	Redemption Date	As at March 31, 2020*		As at March 31, 2019*	
			Number of NCDs	Rs in lakh	Number of NCDs	Rs in lakh
TCFSL Perpetual 'D' FY 2017-18	26-Mar-18	26-Mar-28	1,000	10,000	1,000	10,000
TCFSL Perpetual 'D' FY 2017-18	26-Mar-18	26-Mar-28	250	2,500	250	2,500
TCFSL Perpetual 'C' FY 2017-18	11-Sep-17	11-Sep-27	930	9,300	930	9,300
TCFSL Perpetual 'B' FY 2017-18	14-Jul-17	14-Jul-27	500	5,000	500	5,000
TCFSL Perpetual 'A' FY 2017-18	21-Jun-17	21-Jun-27	500	5,000	500	5,000
TCFSL Perpetual 'C' FY 2016-17	08-Mar-17	08-Mar-27	400	4,000	400	4,000
TCFSL Perpetual 'B' FY 2016-17	13-Jan-17	13-Jan-27	100	1,000	100	1,000
TCFSL Perpetual 'A' FY 2016-17	30-Jun-16	30-Jun-26	500	5,000	500	5,000
TCFSL Perpetual E FY 2015-16	23-Mar-16	23-Mar-26	1,000	10,000	1,000	10,000
TCFSL Perpetual D FY 2015-16	09-Feb-16	09-Feb-26	1,000	10,000	1,000	10,000
TCFSL Perpetual C FY 2015-16	02-Feb-16	02-Feb-26	500	5,000	500	5,000
TCFSL Perpetual B FY 2015-16	06-Jan-16	06-Jan-26	500	5,000	500	5,000
TCFSL Perpetual A FY 2015-16	16-Jul-15	16-Jul-25	1,000	10,000	1,000	10,000
TCFSL Perpetual A FY 2013-14	27-Mar-14	27-Mar-24	1,871	9,355	1,871	9,355
TCL Perpetual D FY 2011-12	07-Nov-11	07-Nov-21	5	25	5	25
TCL Perpetual C FY 2011-12	28-Sep-11	28-Sep-21	10	50	10	50
TCL Perpetual B FY 2011-12	08-Aug-11	08-Aug-21	61	305	61	305
TCL Perpetual A FY 2011-12	05-May-11	05-May-21	20	100	20	100
TCL Perpetual B FY 2010-11	14-Jan-11	14-Jan-21	18	90	18	90
TCL Perpetual A FY 2010-11	15-Nov-10	15-Nov-20	15	75	15	75
<b>Total (A)</b>				<b>91,800</b>		<b>91,800</b>
<b>Less: Unamortised borrowing cost</b>				<b>(357)</b>		<b>(414)</b>
				<b>91,443</b>		<b>91,386</b>

\*Note : Coupon rate of above outstanding as on March 31, 2020 varies from 8.61% to 11.25% (March 31, 2019: 8.61% to 11.25%)

Description of NCDs	As at March 31, 2020*	As at March 31, 2019*
Funds Raised through Perpetual Debt Instruments	-	-
Amount outstanding at the end of year	91,800	91,800
Percentage of amount of Perpetual Debt Instruments of the amount of Tier I Capital	14.65%	16.00%
Financial year in which interest on Perpetual Debt Instruments is not paid on account of 'Lock-In Clause'.	NA	NA

# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

as at March 31, 2020

(Rs. in lakh)

### 17. OTHER FINANCIAL LIABILITIES

PARTICULARS	As at March 31, 2020	As at March 31, 2019
(a) Security deposit	43,711	38,512
(b) Payable for capital expenditure	2,905	2,613
(c) Advances from customers	1,282	2,197
(d) Interest accrued but not due on borrowings	83,167	80,871
(e) Accrued employee benefit expense	4,467	8,410
(f) Unclaimed matured debentures and accrued interest thereon	34	52
(g) Payable under letter of credit/buyer's credit facility	29,369	14,617
(h) Amounts payable - assigned loans	1,134	1,443
(i) Lease payable	9,427	-
(j) Other Payables	262	-
<b>Total</b>	<b>1,75,758</b>	<b>1,48,715</b>

### 18. CURRENT TAX LIABILITIES (NET)

PARTICULARS	As at March 31, 2020	As at March 31, 2019
Provision for tax (net of advance tax Rs. 12,143 Lakh (Previous year : Rs. 10,089 Lakh)	7,744	13,110
<b>Total</b>	<b>7,744</b>	<b>13,110</b>

# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

as at March 31, 2020

(Rs. in lakh)

### 19. PROVISIONS

PARTICULARS	As at	As at
	March 31, 2020	March 31, 2019
(a) Provision for gratuity	329	55
(b) Provision for compensated absences	1,492	1,271
(c) Provision for long-term service award	94	81
(d) Sundry liabilities account (interest capitalisation)	-	122
<b>Total</b>	<b>1,915</b>	<b>1,529</b>



## Tata Capital Financial Services Limited

### Notes forming part of the Standalone Financial Statements (Continued)

as at March 31, 2020

(Rs. in lakh)

#### 20. OTHER NON-FINANCIAL LIABILITIES

PARTICULARS	As at	As at
	March 31, 2020	March 31, 2019
(a) Statutory dues	3,898	3,730
(b) Revenue received in advance	897	1,599
(c) Others	853	835
<b>Total</b>	<b>5,648</b>	<b>6,164</b>

# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

as at March 31, 2020

(Rs. in lakh)

### 21. SHARE CAPITAL

PARTICULARS	As at March 31, 2020	As at March 31, 2019
<b>AUTHORISED</b>		
2,500,000,000 (March 31, 2019: 2,500,000,000 shares) Equity shares of Rs.10 each	2,50,000	2,50,000
3,000,000,000 (March 31, 2019: 3,000,000,000 shares) Preference shares of Rs.10 each	3,00,000	3,00,000
	5,50,000	5,50,000
<b>ISSUED, SUBSCRIBED &amp; PAID UP</b>		
1,629,931,981 (March 31, 2019: 1,375,561,658 shares ) Equity shares of Rs.10 each fully paid up	1,62,993	1,37,556
<b>Total</b>	<b>1,62,993</b>	<b>1,37,556</b>

#### 21. (a). Reconciliation of number of equity shares outstanding

Particulars	No. of shares	Rs. in lakh
<b>Equity Shares</b>		
Opening balance as on April 01, 2018	1,29,75,50,000	1,29,755
Conversion of Compulsorily Convertible Cumulative Preference share	7,80,11,658	7,801
Closing Balance as on March 31, 2019	1,37,55,61,658	1,37,556
Conversion of Compulsorily Convertible Cumulative Preference share	22,46,40,272	22,464
Additions during the year	2,97,30,051	2,973
<b>Closing Balance as on March 31, 2020</b>	<b>1,62,99,31,981</b>	<b>1,62,993</b>

#### 21. (b). Rights, preferences and restrictions attached to shares

Equity Shares : The Company has one class of equity shares having a face value of Rs.10 per share. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors, if any, is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding. Tata Sons Limited is the ultimate holding company.

#### 21. (c). Investment by Tata Capital Limited (Holding company). The entire share capital is held by Tata Capital Limited and its nominees.

Name of company	Particulars of issue	No. of shares	Rs. in lakh
Tata Capital Limited (Holding Company)			
Equity Shares	Opening Balance as on April 1, 2018	1,29,75,50,000	1,29,755
	Add: Conversion of Compulsorily Convertible Cumulative Preference share	7,80,11,658	7,801
	Closing Balance as on March 31, 2019	1,37,55,61,658	1,37,556
	Add: Conversion of Compulsorily Convertible Cumulative Preference share	22,46,40,272	22,464
	Add: Additions during the year	2,97,30,051	2,973
	<b>Closing Balance as on March 31, 2020</b>	<b>1,62,99,31,981</b>	<b>1,62,993</b>

21. (d). There are no shares in the preceding 5 years allotted as fully paid up without payment being received in cash / bonus shares / bought back.

21. (e). There are no shares reserved for issue under options and contracts/commitments for the sale of shares or disinvestment.

# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

as at March 31, 2020

(Rs. in lakh)

### 22. OTHER EQUITY

PARTICULARS	As at March 31, 2020	As at March 31, 2019
(a) Securities Premium Account	3,34,897	1,46,648
(b) Debenture Redemption Reserve	30,000	30,000
(c) Special Reserve Account	51,073	46,982
(d) Surplus in Statement of Profit and Loss Profit for the year	42,473	42,303
(e) Other Comprehensive Income		
(i) Fair value gain on Financial Assets carried at FVTOCI	25	218
(ii) The effective portion of gains and loss on hedging instruments in a cost of hedge	(587)	-
(iii) Remeasurement of defined employee benefit plans	(889)	(309)
(f) Share options outstanding account	495	536
(g) General Reserve	856	429
<b>Total</b>	<b>4,58,343</b>	<b>2,66,807</b>

During the year ended March 31, 2020, the Company has declared and paid, an interim dividend for financial year 2019-20 on Equity Shares aggregating to Rs. 4,890 lakh and dividend distribution tax thereon of Rs. 1,005 lakh.

#### Nature and Purpose of Reserves

As part of the qualitative disclosure, Company is required to present disclosures as required by Para 79 of Ind AS 1- i.e. Nature and purpose of each reserve.

Sr. No.	Particulars	Nature and purpose of Reserves
1	Securities Premium Account	Premium received upon issuance of equity shares
2	Debenture Redemption Reserve	As per section 71(4) of the Companies Act 2013, created out of the profits of the Company available for payment of dividend and credited to such account, shall not be utilised except for redemption of debentures
3	Special Reserve Account/Statutory Reserve	As prescribed by section 45-IC of the Reserve Bank of India Act, 1934. No appropriation of any sum from the reserve fund shall be made by the Company except for the purpose as may be specified by RBI from time to time.
4	Surplus in profit and loss account	Created out of accretion of profits.
5	General Reserve	Created upon completion of the vesting period of employees stock option or upon forfeiture of options granted
6	Share Options Outstanding Account	Created upon grant of options to employees.
7	Other Comprehensive Income	Created on account of items measured through other comprehensive income

# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 23. INTEREST INCOME

PARTICULARS	For the year ended March 31, 2020	For the year ended March 31, 2019
<b>On Financial Assets measured at Amortised Cost</b>		
(a) Interest on loans and credit substitutes	5,45,340	4,80,387
(b) Interest income on deposits with banks	365	316
<b>On Financial Assets measured at fair value through OCI</b>		
- Interest on loans and credit substitutes	1,370	393
<b>On Financial Assets measured at fair value through profit and loss</b>		
- Interest on loans and credit substitutes *	-	-
<b>Total</b>	<b>5,47,075</b>	<b>4,81,096</b>

\* Amount less than Rs. 50,000.

### 24. DIVIDEND INCOME

PARTICULARS	For the year ended March 31, 2020	For the year ended March 31, 2019
Dividend income	590	503
<b>Total</b>	<b>590</b>	<b>503</b>

### 25. RENTAL INCOME

PARTICULARS	For the year ended March 31, 2020	For the year ended March 31, 2019
Rental Income	38,606	34,200
Branch co-sharing income	1,273	1,298
<b>Total</b>	<b>39,879</b>	<b>35,498</b>

### 26. FEES AND COMMISSION INCOME

PARTICULARS	For the year ended March 31, 2020	For the year ended March 31, 2019
(a) Foreclosure charges	6,006	5,065
(b) Fees on value added services and products	1,003	684
(c) Advisory Fees	1,394	972
(d) Others (valuation charges, PDD charges etc)	2,353	1,854
<b>Total</b>	<b>10,756</b>	<b>8,575</b>

# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 27. NET GAIN / (LOSS) ON FAIR VALUE CHANGES

PARTICULARS	For the year ended March 31, 2020	For the year ended March 31, 2019
(A) Net Gain / (loss) on financial instruments at fair value through profit or loss		
(i) On trading portfolio	-	-
- Investments	-	-
- Derivatives	-	-
- Others	-	-
(ii) On financial instruments designated at fair value through profit or loss	-	-
(B) Others		
- On equity securities	(15,208)	9,224
- On other financial securities	5,815	7,590
- On derivative contracts	-	-
(C) Total Net gain/(loss) on fair value changes	<b>(9,393)</b>	<b>16,814</b>
(D) Fair value changes :		
-Realised	<b>5,369</b>	9,087
-Unrealised	<b>(14,762)</b>	7,727
Total Net gain/(loss) on fair value changes	<b>(9,393)</b>	<b>16,814</b>

### 28. OTHER INCOME

PARTICULARS	For the year ended March 31, 2020	For the year ended March 31, 2019
(a) Branch advertisement income	<b>1,020</b>	832
(b) Income from distribution of financial products	<b>5,491</b>	3,790
(c) Net gain on derecognition of property, plant and equipment	<b>671</b>	198
(d) Interest on Income Tax Refund	-	1
(d) Miscellaneous Income	<b>713</b>	776
<b>Total</b>	<b>7,895</b>	<b>5,597</b>

# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 29. FINANCE COSTS

PARTICULARS	For the year ended March 31, 2020	For the year ended March 31, 2019
<b>At amortised cost</b>		
(a) Interest on borrowings	1,22,282	1,01,271
(b) Interest on debt securities	1,30,908	1,13,610
(c) Interest on subordinated liabilities	30,707	28,075
(d) Interest on lease liabilities	906	-
(e) Other interest expense	802	1,182
(f) Dividend on compulsorily convertible cumulative preference shares (including dividend distribution tax thereon)	3,255	14,194
(g) Discounting Charges		
(i) On commercial paper	36,456	53,675
(ii) On debentures	357	494
<b>Total</b>	<b>3,25,673</b>	<b>3,12,501</b>

### 30. EMPLOYEE BENEFIT EXPENSES

PARTICULARS	For the year ended March 31, 2020	For the year ended March 31, 2019
(a) Salaries, wages and bonus	41,217	41,275
(b) Contribution to provident and other fund	1,766	1,413
(c) Staff welfare expenses	1,167	2,128
(d) Expenses related to post-employment defined benefit plans	491	528
(e) Share based payments to employees	386	148
<b>Total</b>	<b>45,027</b>	<b>45,492</b>

The Supreme Court of India in its judgement in the case of THE REGIONAL PROVIDENT FUND COMMISSIONER (II) WEST BENGAL v/s VIVEKANANDA VIDYAMANDIR AND OTHERS on February 28, 2019 had clarified that any emolument paid universally, necessarily and ordinarily to all employees across the board was to be considered as basic wage and accordingly needs to be considered for calculation of Provident Fund contribution. The Company had made an estimate of the liability and had made a provision Rs 630 lakh as at March 31, 2019. The Company would record any further effect in its financial statements, in the period in which it receives additional clarity on the said subject.

# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 31. Impairment of financial instruments

PARTICULARS	For the year ended March 31, 2020		For the year ended March 31, 2019	
	On financial instruments measured at Amortised Cost		On financial instruments measured at Amortised Cost	
<b>(I) Loans and credit substitutes</b>				
(a) Impairment loss allowance on loans (Stage III)	69,745		37,354	
Less : Delinquency Support	(50)	69,695	(763)	36,591
(b) Write off - Loans and credit substitutes	79,333		51,408	
Less : Provision reversal on write off	(79,333)	-	(51,408)	-
(c) Impairment loss allowance on loans (Stage I & II)				
- at amortised cost	16,875		8,839	
- at FVTOCI	20	16,895	84	8,923
(d) Provision against Restructured Advances		-		(325)
		86,590		45,189
<b>(II) Trade receivables</b>		(239)		(36)
<b>Total</b>		86,351		45,153

# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 32. OTHER OPERATING EXPENSES

PARTICULARS	For the year ended March 31, 2020	For the year ended March 31, 2019
(a) Advertisements and publicity	2,985	4,029
(b) Brand Equity and Business Promotion	1,600	1,503
(c) Corporate social responsibility cost	945	1,016
(d) Donations	-	1,470
(e) Equipment hire charges	171	219
(f) Information technology expenses	10,933	11,738
(g) Insurance charges	1,085	916
(h) Incentive / commission/ brokerage	375	225
(i) Legal and professional fees	3,714	3,806
(j) Loan processing fees	2,200	2,059
(k) Printing and stationery	712	993
(l) Provision against assets held for sale	(746)	1,446
(m) Power and fuel	835	975
(n) Repairs and maintenance	297	319
(o) Rent	666	4,489
(p) Rates and taxes	134	146
(q) Stamp charges	566	705
(r) Service providers' charges	26,141	23,327
(s) Training and recruitment	522	678
(t) Communication cost	438	704
(u) Travelling and conveyance	2,823	2,898
(v) Directors fees,allowances and expenses	130	120
(w) Other expenses [Refer note 32(a) below]	(154)	152
<b>Total</b>	<b>56,372</b>	<b>63,933</b>

#### (a) Auditors' Remuneration (excluding taxes):

PARTICULARS	For the year ended March 31, 2020	For the year ended March 31, 2019
Audit Fees	95	88
Tax Audit Fees	4	4
Other Services (includes out of pocket expenses) *	38	3
	<b>137</b>	<b>95</b>

(Auditors' remuneration is included in Other expenses)

\* Other Services include fees for certifications

#### (b) Expenditure in Foreign Currency

PARTICULARS	For the year ended March 31, 2020	For the year ended March 31, 2019
Legal and professional fees	1,627	29
Commission paid	43	38
Information Technology Expenses	1,013	204
Training and recruitment	-	49
Other expenses	48	2
	<b>2,731</b>	<b>322</b>

#### (c) Corporate social responsibility expenses

(i) Gross amount required to be spent by the company during the year was Rs. 945 lakh (Year ended March, 31, 2019 : 1,016 lakh)

(ii) Amount spent during the year on:

PARTICULARS	Paid	Yet to be paid	Total
Construction/acquisition of any asset	-	-	-
On purposes other than above	945	-	945



# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 32. Employee benefit expenses

#### A. Defined contribution plans

The Company makes Provident Fund and Superannuation Fund contributions to defined contribution plans for qualifying employees. Under the Schemes, the Company is required to contribute a specified percentage of the payroll costs to fund the benefits. The contributions as specified under the law are paid to provident fund set up as Trust by the Company. The Company is generally liable for annual contributions and any deficiency in interest cost compared to interest computed based on the rate of interest declared by the Central Government under the Employee Provident Fund Scheme, 1952 is recognized as an expense in the year in which it is determined.

The Company has recognised a charge of Rs. 1,691 Lakh (FY 2018-19 Rs.1,339 Lakh) towards provident fund and family pension fund contribution and Rs.75 Lakh (FY 2018-19 Rs. 80 Lakh) towards contribution to superannuation fund in the Statement of Profit and Loss during the current year. The contributions payable to these plans by the Company are at rates specified in the rules of the schemes.

#### B. Defined benefit plan

The Company offers its employees defined benefit plans in the form of a gratuity scheme (a lump-sum amount). Benefits under the defined benefit plans are typically based on years of service and the employee's compensation (generally immediately before retirement). The gratuity scheme covers substantially all regular employees. Commitments are actuarially determined at year-end. These commitments are valued at the present value of the expected future payments, with consideration for calculated future salary increases, using a discount rate corresponding to the interest rate estimated by the actuary having regard to the interest rate on Government bonds with a remaining term that is almost equivalent to the average balance working period of employees. Actuarial valuation is done based on "Projected Unit Credit" method. Gains and losses of changed actuarial assumptions are recorded in the Other Comprehensive Income. The Company provides gratuity for employees in India as per payment of Gratuity Act, 1972. The gratuity scheme for employees is as under:

Eligibility	Continuous service for 5 years (not applicable in case of death or disability while in service)
Benefit payable upon	Retirement, Withdrawal, Death/Disability
Benefit payable	For service less than 10 years: 15/26 X Salary X Service For service greater than 10 years: Salary X Service Last drawn monthly basic salary + Dearness Allowance
Salary definition	Number of years of service rounded to the nearest integer
Service definition	60
Normal retirement age	

There are no statutory minimum funding requirements for gratuity plans mandated in India. However, a Company can fund the benefits by way of a separate irrevocable Trust to take advantage of tax exemptions and also to ensure security of benefits.

The Tata Capital Limited Gratuity Scheme is funded by way of a separate irrevocable Trust and the Company is expected to make regular contributions to the Trust. The fund is managed internally by the Company and the assets are invested as per the pattern prescribed under Rule 67 of IT Rules. The asset allocation of the Trust is set by Trustees from time to time, taking into account the membership profile, the liquidity requirements of the plan and risk appetite of the plan sponsor as per the investment norms. Each year asset-liability matching study is performed in which the consequences of the strategic investment policies are analysed in terms of risk and return profiles. Investment and Contribution policies are integrated within this study.

Through its defined benefit plans, the Company is exposed to a number of risks, the most significant of which are detailed below:

1. Market risk : Market risk is a collective term for risks that are related to the changes and fluctuations of the financial markets. One actuarial assumption that has a material effect is the discount rate. The discount rate reflects the time value of money. An increase in discount rate leads to decrease in defined benefit obligation of the plan benefits and vice versa. This assumption depends on the yields on the government bonds and hence the valuation of liability is exposed to fluctuations in the yields as at the valuation date.
2. Salary Inflation risk : Higher than expected increases in salary will increase the defined benefit obligation
3. Demographic risk : This is the risk of variability of results due to unsystematic nature of decrements that include mortality, withdrawal, disability and retirement. The effect of these decrements on the defined benefit obligation is not straight forward and depends upon the combination of salary increase, discount rate and vesting criteria.
4. Investment risk : For funded plans that rely on insurers for managing the assets, the value of assets certified by the insurer may not be the fair value of instruments backing the liability. In such cases, the present value of the assets is independent of the future discount rate. This can result in wide fluctuations in the net liability or the funded status if there are significant changes in the discount rate during the inter-valuation period.
5. Legislative risk : Legislative risk is the risk of increase in the plan liabilities or reduction in the plan assets due to change in the legislation/regulation. The government may amend the Payment of Gratuity Act, 1972, thus requiring the companies to pay higher benefits to the employees. This will directly affect the present value of the defined benefit obligation and the same will have to be recognized immediately in the year when any such amendment is effective.
6. Interest rate risk: The defined benefit obligation calculated uses a discount rate based on government bonds. If bond yields fall, the defined benefit obligation will tend to increase.

#### Movement in net defined benefit (asset) liability

The Company offers the following long term employee benefit schemes to its employees:

- i. Gratuity
- ii. Leave Liability

The following table sets out the funded / unfunded status of the defined benefit schemes and the amount recognised in the financial statements:

#### Movement in net defined benefit (asset) liability

##### a) Reconciliation of balances of Defined Benefit Obligations.

Particulars	Year ended March 31, 2020		Year ended March 31, 2019	
	Total Funded	Total Unfunded	Total Funded	Total Unfunded
Defined Obligations at the beginning of the year	3,815	-	3,326	-
Current service cost	547	-	533	-
Interest cost	252	-	236	-
Amalgamations / Acquisitions	(11)	-	(277)	-
a. Due to change in financial assumptions	284	-	478	-
b. Due to change in experience adjustments	225	-	86	-
c. Due to experience adjustments	-	-	(43)	-
Others (please specify below)	-	-	-	-
Benefits paid directly by the Company	(624)	-	(524)	-
		-		-
Defined Obligations at the end of the year	4,488	-	3,815	-

# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 32. Employee benefit expenses

#### b) Reconciliation of balances of Fair Value of Plan Assets

Particulars	Year ended March 31, 2020		Year ended March 31, 2019	
	Total Funded	Total Unfunded	Total Funded	Total Unfunded
<b>As on 31 March 2019</b>				
Fair Value at the beginning of the year	3,760	-	3,375	-
Expected return on plan assets	(266)	-	(27)	-
Employer contributions	391	-	414	-
Amalgamations / Acquisitions	(11)	-	(278)	-
Others (please specify below)	-	-	-	-
Interest Income on Plan Assets	285	-	276	-
<b>Fair Value of Plan Assets at the end of the year</b>	<b>4,159</b>	<b>-</b>	<b>3,760</b>	<b>-</b>

#### c) Funded status

Particulars	Year ended March 31, 2020		Year ended March 31, 2019	
	Total Funded	Total Unfunded	Total Funded	Total Unfunded
<b>As on 31 March 2019</b>				
Deficit of plan assets over obligations				
Surplus of plan assets over obligations	(329)		(55)	
Unrecognised asset due to asset ceiling				
<b>Total</b>	<b>(329)</b>	<b>-</b>	<b>(55)</b>	<b>-</b>

#### d) Categories of plan assets

Particulars	Year ended March 31, 2020		Year ended March 31, 2019	
	Total Funded	Total Unfunded	Total Funded	Total Unfunded
Corporate bonds	893	-	1,619	-
Equity shares	240	-	393	-
Government securities	959	-	1,713	-
Insurer managed funds	2,063	-	-	-
Cash	4	-	34	-
<b>Total</b>	<b>4,159</b>	<b>-</b>	<b>3,760</b>	<b>-</b>

#### e) Amount recognised in Balance sheet

	Year ended March 31, 2020		Year ended March 31, 2019	
	Total Funded	Total Unfunded	Total Funded	Total Unfunded
Present value of the defined benefit obligation	4,488.00	-	3,815	-
Fair value of plan assets	4,159.00	-	3,760	-
Unrecognised asset due to asset ceiling	-	-	-	-
Unrecognised past service costs	-	-	-	-
<b>Net asset / (liability) recognised in the Balance Sheet</b>	<b>(329)</b>	<b>-</b>	<b>(55)</b>	<b>-</b>

#### f) Amount recognised in Statement of Profit and Loss

	Year ended March 31, 2020		Year ended March 31, 2019	
	Total Funded	Total Unfunded	Total Funded	Total Unfunded
Current Service Cost	547	-	533	-
Past Service cost	-	-	-	-
Interest Cost (net)	(33)	-	(40)	-
Curtailment cost / (credit)	-	-	-	-
Settlement cost / (credit)	-	-	-	-
Received from intra-group companies on transfer of employees				
Expected return on plan assets				
Actuarial loss/(gain) recognised during the year				
Others (please specify)				
<b>Expenses for the year</b>	<b>514</b>	<b>-</b>	<b>493</b>	<b>-</b>

#### g) Amount recognised in OCI

	Year ended March 31, 2020		Year ended March 31, 2019	
	Total Funded	Total Unfunded	Total Funded	Total Unfunded
a. Due to change in financial assumptions	284		478	-
b. Due to change in experience adjustments	225		86	-
c. Due to experience adjustments	-		(43)	-
d. (Return) on plan assets (excl. interest income)	266		27	-
e. Change in Asset Ceiling				
<b>Total remeasurements in OCI</b>	<b>775</b>		<b>548</b>	<b>-</b>
<b>Total defined benefit cost recognized in P&amp;L and OCI</b>	<b>1,289</b>		<b>1,041</b>	<b>-</b>

# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 32. Employee benefit expenses

#### h) Expected cash flows for the following year

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Expected total benefit payments	6,624	6,061
Year 1	451	417
Year 2	438	507
Year 3	501	434
Year 4	617	582
Year 5	674	603
Next 5 years	3,942	3,516

#### i) Major Actuarial Assumptions

Particulars	As at March 31, 2020	As at March 31, 2019
Discount Rate (%)	6.30%	7.20%
Salary Escalation/ Inflation (%)	Non CRE: 8.25%, CRE & J Grade:6%	Non CRE: 8.25%, CRE & J Grade:6%
Expected Return on Plan assets (%)	6.30%	7.20%
Attrition		
Mortality Table	Indian assured lives Mortality (2006-08) (modified) Ult.	Indian assured lives Mortality (2006-08) (modified) Ult.
Medical cost inflation		
Disability	CRE and J Grade : 40%; Non CRE :Less than 5years 25% and more than 5 years 10%	CRE and J Grade : 40%; Non CRE :Less than 5years 25% and more than 5 years 10%
Withdrawal (rate of employee turnover)		
Retirement Age	60 years	60 years
Weighted Average Duration		
Guaranteed rate of return		
Estimate of amount of contribution in the immediate next year	451	417

The estimates for future salary increases, considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors. The expected return on plan assets is based on market expectation, at the beginning of the period, for returns over the entire life of the related obligation.

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

#### i) 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.

	March 31, 2020		March 31, 2019	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	(314)	357	(248)	281
Future salary growth (1% movement)	347	(312)	276	(249)
Others (Withdrawal rate 5% movement)	(293)	444	(177)	252

#### i) Provision for leave encashment

	March 31, 2020		March 31, 2019	
	Non current	Current	Non current	Current
Liability for compensated absences	1,112	342	901	325

Experience adjustments	Defined benefit obligation	Plan assets	Surplus/ (deficit)	Experience adjustments on plan liabilities	Experience adjustments on plan assets
<b>Funded</b>					
2019-20	4,488	4,159	(329)	(225)	(266)
2018-19	3,815	3,760	(55)	(86)	(27)
<b>Unfunded</b>					
2019-20	-	-	-	-	-
2018-19	-	-	-	-	-

# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 34 Fair values of financial instruments

See accounting policy in Note 2(iii).

#### A. Valuation models

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

- a) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at measurement date
- b) Level 2 inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- c) Level 3 inputs are unobservable inputs for the valuation of assets or liabilities that the Company can access at measurement date. This category includes all instruments for which the valuation technique includes inputs that are not observable and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments. Valuation techniques include net present value and discounted cash flow models, income approach, comparison with similar instruments for which observable market prices exist, option pricing models and other valuation models. Assumptions and inputs used in valuation techniques include risk-free returns, benchmark interest rates and credit spreads used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

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

The Company uses widely recognised valuation models to determine the fair value of financial instruments, such as forward rate agreement, that use only observable market data and require little management judgement and estimation. Observable prices or model inputs are usually available in the market for listed equity securities. The availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determining fair values.

For more complex instruments, the Company uses proprietary valuation models, which are usually developed from recognised valuation models. Some or all of the significant inputs into these models may not be observable in the market, and may be derived from market prices or rates or estimated based on assumptions. Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in the determination of fair value. Management judgement and estimation are usually required for the selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of the probability of counterparty default and prepayments, determination of expected volatilities and correlations and selection of appropriate discount rates.

Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that the Company believes that a third party market participant would take them into account in pricing a transaction. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Company and the counterparty where appropriate. Model inputs and values are calibrated against historical data, where possible, against current or recent observed transactions in different instruments. This calibration process is inherently subjective and it yields ranges of possible inputs and estimates of fair value, and management uses judgement to select the most appropriate point in the range.

Discounting of the cash flows of financial asset/ financial liability for computing the fair value of such instrument: the future contractual cash flows of instrument over the remaining contractual life of the instrument are discounted using comparable rate of lending/borrowing as applicable to financial asset/ financial liability in the month of reporting for a similar class of instruments. For shorter tenure financial assets such as channel finance, the remaining tenure is assumed to be six months.

Derivatives held for risk management :

The Company enters into structured derivatives to mitigate the currency exchange risk. Some of these instruments are valued using models with significant unobservable inputs, principally expected long-term volatilities and expected correlations between different underlyings

# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 34 Fair values of financial instruments (Continued)

See accounting policy in Note 2(iii).

#### B. Valuation framework

The Company has established a policy for the measurement of fair values addressing the requirement to independently verify the results of all significant fair value measurements. Specific controls include:

- 1) verification of observable pricing basis actual market transactions;
- 2) re-performance of model valuations;
- 3) a review and approval process for new models and changes to models
- 4) annual calibration and back-testing of models against observed market transactions;
- 5) analysis and investigation of significant annual valuation movements; and
- 6) review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of Level 3 instruments compared with the previous year.

When third party information, such as valuation agency report is used to measure fair value, the Company assesses the documents and evidence used to support the conclusion that the valuations meet the requirements of Ind AS. This includes:

- 1) understanding how the fair value has been arrived at, the extent to which it represents actual market transactions and whether it represents a quoted price in an active market for an identical instrument;
- 2) when prices for similar instruments are used to measure fair value, how these prices have been adjusted to reflect the characteristics of the instrument subject to measurement; and
- 3) if a number of quotes for the same financial instrument have been obtained, then how fair value has been determined using those quotes.

## Tata Capital Financial Services Limited

### Notes forming part of the Standalone Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

#### 34. Fair values of financial instruments

##### C. Financial assets and liabilities

The carrying value of financial instruments by categories as at March 31, 2020 is as follows:

Particulars	Fair value through Profit or Loss	Fair Value through Other Comprehensive Income	Amortised cost	Total Carrying Value
<b>Financial Assets:</b>				
Cash and cash equivalents	-	-	1,58,454	1,58,454
Bank balances other than (a) above	-	-	72	72
Trade receivables	-	-	4,060	4,060
Loans including credit substitutes	1,000	4,234	42,55,497	42,60,731
Investments (Other than in Associate)	14,414	-	4,599	19,013
Other financial assets	-	-	44,715	44,715
Derivative financial assets	-	5,674	-	5,674
<b>Total</b>	<b>15,414</b>	<b>9,908</b>	<b>44,67,397</b>	<b>44,92,719</b>
<b>Financial Liabilities:</b>				
Trade and other payables	-	-	46,152	46,152
Borrowings *	-	-	38,18,769	38,18,769
Other financial liabilities	-	-	1,75,758	1,75,758
Derivative financial liabilities	-	3,381	-	3,381
<b>Total</b>	<b>-</b>	<b>3,381</b>	<b>40,40,679</b>	<b>40,44,060</b>

\* Borrowings includes Debt Securities, Subordinated liabilities and Borrowings (Other than debt securities).

The carrying value of financial instruments by categories as at March 31, 2019 is as follows:

Particulars	Fair value through Profit or Loss	Fair Value through Other Comprehensive Income	Amortised cost	Total Carrying Value
<b>Financial Assets:</b>				
Cash and cash equivalents	-	-	78,426	78,426
Other balances with banks	-	-	87	87
Trade receivables	-	-	2,885	2,885
Loans including credit substitutes	-	21,080	42,80,448	43,01,528
Investments (Other than in Associate)	32,483	-	5,549	38,032
Other financial assets	-	-	40,617	40,617
<b>Total</b>	<b>32,483</b>	<b>21,080</b>	<b>44,08,012</b>	<b>44,61,575</b>
<b>Financial Liabilities:</b>				
Trade and other payables	-	-	55,910	55,910
Borrowings *	-	-	40,33,881	40,33,881
Other financial liabilities	-	-	1,48,715	1,48,715
<b>Total</b>	<b>-</b>	<b>-</b>	<b>42,38,506</b>	<b>42,38,506</b>

\* Borrowings includes Debt Securities, Subordinated liabilities and Borrowings (Other than debt securities).

# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 34. Fair values of financial instruments (Continued)

#### C. Financial assets and liabilities (Continued)

The following table summarises financial assets and liabilities measured at fair value on a recurring basis :

As at March 31, 2020	Level 1	Level 2	Level 3	Total
<b>Financial Assets:</b>				
Mutual fund units	-	1,597	-	1,597
Equity Shares	9,042	-	3,356	12,398
Security Receipts	-	419	-	419
Loans including credit substitutes *	-	1,000	4,234	5,234
Derivative Financial Assets	-	5,674	-	5,674
<b>Total</b>	<b>9,042</b>	<b>8,690</b>	<b>7,590</b>	<b>25,322</b>
<b>Financial Liabilities:</b>				
Derivative Financial Liabilities	-	3,381	-	3,381
<b>Total</b>	<b>-</b>	<b>3,381</b>	<b>-</b>	<b>3,381</b>

\* Loans including credit substitutes under level 2 includes investment in compulsorily convertible debentures.

As at March 31, 2019	Level 1	Level 2	Level 3	Total
<b>Financial Assets:</b>				
Mutual fund units	53	1,273	-	1,326
Equity Shares	24,029	-	3,503	27,532
Preference shares	-	-	3,500	3,500
Security Receipts	-	125	-	125
Loans	-	-	21,080	21,080
Derivative Financial Assets	-	-	-	-
<b>Total</b>	<b>24,082</b>	<b>1,398</b>	<b>28,083</b>	<b>53,563</b>
<b>Financial Liabilities:</b>				
Derivative Financial Liabilities	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The following table summarises disclosure of fair value of financial assets and liabilities measured at amortised cost:

Measured at Level 3	As at March 31, 2020 Carrying Value	Fair value	As at March 31, 2019 Carrying Value	Fair value
<b>Financial Assets at amortised cost:</b>				
Loans including credit substitutes	42,55,497	42,67,121	42,80,448	42,96,788
<b>Total</b>	<b>42,55,497</b>	<b>42,67,121</b>	<b>42,80,448</b>	<b>42,96,788</b>
<b>Financial Liabilities at amortised cost:</b>				
Borrowings (includes debt securities and subordinated liabilities)	38,18,769	37,84,557	40,33,881	40,40,642
<b>Total</b>	<b>38,18,769</b>	<b>37,84,557</b>	<b>40,33,881</b>	<b>40,40,642</b>

The Company has not disclosed fair values for cash and cash equivalents, other balances with bank, trade and other receivables, other financial assets, trade and other payables, and other financial liabilities because their carrying amounts are a reasonable approximation of fair value.

Investment in associates:

The Company has elected to measure Investment in associates at cost and accordingly the requirement of disclosure of fair value of the instrument under Ind AS 107 does not apply.

#### Fair value of the Financial instruments measured at amortised cost

The fair value of loans given is based on observable market transactions, to the extent available. Wherever the observable market transactions are not available, fair value is estimated using valuation models, such as discounted cash flow techniques. Input into the valuation techniques includes interest rates, prepayment rates, primary origination or secondary market spreads. Input into the models may include information obtained from other market participants, which includes observed primary and secondary transactions.

To improve the accuracy of the valuation estimate for retail and smaller commercial loans, homogeneous loans are grouped into portfolios with similar characteristics such as product.

The fair value of borrowings is estimated using discounted cash flow techniques, applying the rates that are offered for borrowings of similar maturities and terms.

In the absence of any significant movement in interest rates on account of COVID-19, there are no significant impact estimated on account of the change in the fair values of the financial instruments.

# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 34. Fair values of financial instruments (Continued)

- D. The following table summarises valuation techniques used to determine fair value, fair value measurements using significant unobservable inputs ( level 3) and valuation inputs and relationship to fair value

Financial instruments	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	As at March 31, 2020	As at March 31, 2019				
Equity Shares - unquoted**	3,356	3,503	Level 3	valuation is based on a) Net asset value as per valuation report and b) Latest financial statements of the investee company and estimated earnings up to the reporting date	Forecast of annual revenue is based on the earnings for the latest reported financial year	The estimated fair value would increase (decrease) if the annual revenue growth were higher (lower)
Preference shares	-	3,500	Level 3	Dividend accrued, as per the sanction letter.	Forecast of revenue is based on dividend receivable as per coupon rate mentioned in sanction letter	The estimated fair value would increase (decrease) if accrued dividend increases (decrease)
Loans - FVTOCI	4,234	21,080	Level 3	Discounted contractual cash flows.	Discounting rate of 10% (previous year : 10%) and future cash flows.	Higher the discounting rate lower the fair value of loans
<b>Financial instruments at FVTPL/FVTOCI (B)</b>	<b>7,590</b>	<b>28,083</b>				

\*\*Fair value of the unquoted equity investment received upon settlement of loan is computed based on the net asset value (NAV) as per the latest financial statements. Absent information available, the assets are carried at nil value.



# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 34. Fair values of financial instruments

See accounting policy in Note 2(iii).

#### E Level 3 fair value measurements

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy.

i	Particulars	FVTOCI	FVTPL	Total
		Loans	Invetsments	
	<b>As at April 1, 2019</b>	21,080	7,003	28,083
	Total gains or losses:			-
	in profit or loss	-	(147)	(147)
	in OCI	(19)	-	(19)
	Purchases	223	-	223
	Settlements	(17,050)	(3,500)	(20,550)
	Transfers into Level 3	-	-	-
	Transfers out of Level 3	-	-	-
	<b>As at March 31, 2020</b>	<b>4,234</b>	<b>3,356</b>	<b>7,590</b>

Total gains or losses for the year in the above table are presented in the statement of profit or loss and OCI as follows.

ii	Particulars	FVTOCI	FVTPL	Total
		Loans	Invetsments	
	<b>For the year ended March 31, 2020</b>			
	Total gains and losses recognised in profit or loss:			
	Fair value changes :			
	-Realised	-	-	-
	-Unrealised	-	(147)	(147)
	Recognised in FVTOCI	(19)	-	(19)
	Total Net gain/(loss) on fair value changes	(19)	(147)	(166)
	Dividend Income	-	-	-
	Interest Income	-	-	-
	Total	-	-	-

iii	Particulars	FVTOCI	FVTPL	Total
		Loans	Invetsments	
	<b>As at April 1, 2018</b>	3,273	3,723	6,996
	Total gains or losses:			-
	in profit or loss	-	156	156
	in OCI	(23)	3,500	3,477
	Purchases/transfer*	21,065	(376)	20,689
	Settlements	(3,235)	-	(3,235)
	Transfers into Level 3	-	-	-
	Transfers out of Level 3	-	-	-
	<b>As at March 31, 2019</b>	<b>21,080</b>	<b>7,003</b>	<b>28,083</b>

# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 34. Fair values of financial instruments (Continued)

Total gains or losses for the year in the above table are presented in the statement of profit or loss and OCI as follows.

iv	<u>Particulars</u>	<u>FVTOCI</u>	<u>FVTPL</u>	<u>Total</u>
	<u>For the year ended March 31, 2019</u>	<u>Loans</u>	<u>Invetsments</u>	
	Total gains and losses			
	recognised in profit or loss:			
	Net Gain / (loss) on financial instruments at fair value through profit or loss			
	Fair value changes :			
	-Realised	-	1,077	1,077
	-Unrealised	-	(80)	(80)
	Recognised in FVTOCI	(23)	-	(23)
	Total Net gain/(loss) on fair value changes	(23)	997	974
	Dividend Income	-	-	-
	Interest Income	-	-	-
	Total	-	-	-

# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 35. Financial risk review

This note presents information about the Company's exposure to financial risks and its management of capital.

For information on the financial risk management framework, see Note 36

- A. Credit risk
  - i. Credit quality analysis
  - ii. Collateral held and other credit enhancements
  - iii. Amounts arising from ECL
  - iv. Concentration of Credit Risk
- B. Liquidity risk
  - i. Exposure to liquidity risk
  - ii. Maturity analysis for financial liabilities and financial assets
  - iii. Financial assets available to support future funding
  - iv. Financial assets pledged as collateral
- C. Market risk
  - i. Exposure to interest rate risk – Non-trading portfolios
  - ii. Exposure to currency risks – Non-trading portfolios
- D. Capital management
  - i. Regulatory capital
  - ii. Capital allocation

#### A. Credit risk

For the definition of credit risk and information on how credit risk is mitigated by the Company, see Note 36.

#### i. Credit quality analysis

The following table sets out information about the credit quality of financial assets measured at amortised cost. The amounts in the table represent gross carrying amounts for financial assets. For loan commitments, the amounts in the table represent the amounts committed.

Explanation of the terms: 12-month ECL, lifetime ECL and credit-impaired are included in Note 2ix.

# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 35. Financial risk review (Continued)

#### A. Credit risk

##### Loans by Division

#### 1) Credit quality analysis continued

##### Loans exposure by Financing division

(Rs. in lakh)		
PARTICULARS	As at March 31, 2020	As at March 31, 2019
<b>Loans by Division</b>		
(i) Commercial and SME finance	24,94,910	25,87,450
(ii) Consumer finance & advisory business and rural finance	19,26,383	18,64,137
(iii) Others	7,767	11,155
<b>Total - Gross</b>	<b>44,29,060</b>	<b>44,62,742</b>
Less : Impairment loss allowance	1,58,104	1,50,796
<b>Total- Net Loans</b>	<b>42,70,956</b>	<b>43,11,946</b>

Notes:

1. Gross carrying amount does not include loan commitments Rs. 290,258 lakh (As on March 31, 2019: Rs. 346,180 lakh). The EAD considered for loan commitments is after applying credit conversion factor (CCF) as per RBI norms.

2. The above includes impairment allowance towards loan designated as FVTOCI amounting to Rs. 20 lakh (as on March 31, 2019 : Rs. 85 lakh)

3. Impairment loss allowance includes impairment loss allowance on loans under fair value through profit and loss Rs. 5 lakh (Previous year : Nil)

#### 2) Days past due based method implemented by Company for credit quality analysis of Loans

The table below shows the credit quality and the maximum exposure to credit risk based on the days past due and year-end stage classification of Loans. The amounts presented are gross of impairment allowances.

Outstanding Gross Loans	As at March 31, 2020				March 31, 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Days past due</b>								
Zero overdue	40,72,153	12,410	1,106	40,85,669	39,53,418	47	354	39,53,819
1-29 days	1,38,475	5,007	249	1,43,731	2,82,453	10,179	299	2,92,931
30-59 days	-	66,092	328	66,420	-	59,733	401	60,134
60-89 days	-	29,132	664	29,796	-	47,644	955	48,599
90 or more days	-	-	1,03,444	1,03,444	-	-	1,07,259	1,07,259
<b>Total</b>	<b>42,10,628</b>	<b>1,12,641</b>	<b>1,05,791</b>	<b>44,29,060</b>	<b>42,35,871</b>	<b>1,17,603</b>	<b>1,09,268</b>	<b>44,62,742</b>

Note: Gross carrying amount does not include loan commitments Rs. 290,258 (As on March 31, 2019: Rs. 346,180 lakh) which are categorised as Stage I asset under zero overdue.

3) Impairment allowance on Loans	As at March 31, 2020				March 31, 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Days past due</b>								
Zero overdue	43,569	2,063	827	46,459	28,198	2	275	28,475
1-29 days	5,868	1,501	148	7,517	6,329	2,475	189	8,993
30-59 days	-	13,248	188	13,436	-	10,100	321	10,421
60-89 days	-	9,141	356	9,497	-	11,391	533	11,924
90 or more days	-	-	81,195	81,195	-	-	90,983	90,983
<b>Total</b>	<b>49,437</b>	<b>25,953</b>	<b>82,714</b>	<b>1,58,104</b>	<b>34,527</b>	<b>23,968</b>	<b>92,301</b>	<b>1,50,796</b>

Notes:

1. Includes impairment allowance on loan commitments Rs. 1,726 lakh (As on March 31, 2019 1,458 lakh)

2. The above includes impairment allowance towards loan designated as FVTOCI amounting to Rs. 20 lakh (as on March 31, 2019 : Rs. 85 lakh)

3. Impairment loss allowance includes impairment loss allowance on loans under fair value through profit and loss Rs. 5 lakh (Previous year : Nil)

# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 35. Financial risk review (Continued)

#### A. Credit risk

##### Loans by Division

#### i. Credit quality analysis continued

As at March 31, 2020		Asset group	Days past due	Estimated gross carrying amount at default	Expected credit loss rates	Expected credit losses	Carrying amount net of impairment provision
Loss allowance measured at 12 month expected credit losses	Financial assets for which credit risk has not increased significantly since initial recognition	Loans, Credit Substitutes, Finance Leases	0	40,72,153	1.07%	43,569	40,28,584
			1-29	1,38,475	4.24%	5,868	1,32,607
			Total	42,10,628	1.17%	49,437	41,61,191
Loss allowance measured at life-time expected credit losses	Financial assets for which credit risk has increased significantly and not credit-impaired	Loans, Credit Substitutes, Finance Leases	0	12,410	16.62%	2,063	10,347
			1-29	5,007	29.98%	1,501	3,506.00
			30-59	66,092	20.04%	13,248	52,844
			60-89	29,132	31.38%	9,141	19,991
			Total	1,12,641	23.04%	25,953	86,688
	Financial assets for which credit risk has increased significantly and credit-impaired	Loans, Credit Substitutes, Finance Leases	0	1,106	74.77%	827	279
			1-29	249	59.44%	148	101
			30-59	328	57.32%	188	140
			60-89	664	53.61%	356	308
			90 days and above	1,03,444	78.49%	81,195	22,249
			Total	1,05,791	78.19%	82,714	23,077
			Total	44,29,060	3.57%	1,58,104	42,70,956

March 31, 2019		Asset group	Days past due	Estimated gross carrying amount at default	Expected credit loss rates	Expected credit losses	Carrying amount net of impairment provision
Loss allowance measured at 12 month expected credit losses	Financial assets for which credit risk has not increased significantly since initial recognition	Loans, Credit	0	39,53,418	0.71%	28,198	39,25,220
		Substitutes, Finance	1-29	2,82,453	2.24%	6,329	2,76,124
		Leases	Total	42,35,871	0.82%	34,527	42,01,344
	Financial assets for which credit risk has increased significantly and not credit-impaired		0	47	4.26%	2	45
		Loans, Credit	1-29	10,179	24.31%	2,475	7,704
			Substitutes, Finance	30-59	59,733	16.91%	10,100
Leases			60-89	47,644	23.91%	11,391	36,253
		Total	1,17,603	20.38%	23,968	93,635	
Loss allowance measured at life-time expected credit losses	Financial assets for which credit risk has increased significantly and credit-impaired	Loans, Credit	0	354	77.68%	275	79
		Substitutes, Finance	1-29	299	63.21%	189	110
		Leases	30-59	401	80.05%	321	80
			60-89	955	55.81%	533	422
			90 days and above	1,07,259	84.83%	90,983	16,276
			Total	1,09,268	84.47%	92,301	16,967
			Total	44,62,742	3.38%	1,50,796	43,11,946

Note 1 : Gross carrying amount does not include loan commitments Rs. 290,258 lakh (As on March 31, 2019: Rs. 346,180 lakh).

Note 2 : Includes impairment allowance on loan commitments Rs. 1,726 lakh (As on March 31, 2019 1,458 lakh)

# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued) for the year ended March 31, 2020

(Rs. in lakh)

### 35. Financial risk review (Continued)

#### A. Credit risk

4) PARTICULARS	As at March 31, 2020	As at March 31, 2019
<b>LOANS</b>		
- Amortised Cost	44,23,826	44,41,662
- At Fair Value through Other Comprehensive Income	4,234	21,080
- At Fair Value through Other Profit and Loss	1,000	-
<b>Total - Gross Loans</b>	<b>44,29,060</b>	<b>44,62,742</b>
Less: Un-amortized loan sourcing cost and revenue received in advance	(10,244)	(10,501)
<b>Total - Carrying Value of Loans</b>	<b>44,18,816</b>	<b>44,52,241</b>
<b>Less : Impairment Allowance</b>	<b>(1,58,104)</b>	<b>(1,50,796)</b>
<b>Total - Net Loans</b>	<b>42,60,712</b>	<b>43,01,445</b>

#### 5) Trade receivables

PARTICULARS	As at March 31, 2020			As at March 31, 2019		
Category of Trade receivables	Gross	Impairment allowance	Net	Gross	Impairment allowance	Net
Stage 1: Considered good	4,060	-	4,060	2,885	-	2,885
Stage 2: Significant increase in credit risk	33	33	-	26	26	-
Stage 3: Credit impaired	-	-	-	246	246	-
<b>Net Carrying value of trade receivables</b>	<b>4,093</b>	<b>33</b>	<b>4,060</b>	<b>3,157</b>	<b>272</b>	<b>2,885</b>

# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 35. Financial risk review (Continued)

#### A. Credit risk

##### i. Credit quality analysis (Continued)

#### Derivative Financial Instruments

The Company enters into derivatives contract for risk management purposes and has elected to apply hedge accounting requirements. The table below shows the fair values of derivative financial instruments recorded as assets or liabilities together with their notional amounts. The notional amounts indicate the value of transactions outstanding at the year end and are not indicative of either the market risk or credit risk.

Derivatives held for Risk management purposes	As at March 31, 2020			As at March 31, 2019		
	Notional Amounts	Fair Value - Assets	Fair Value - Liabilities	Notional Amounts	Fair Value - Assets	Fair Value - Liabilities
Foreign Exchange Forward contracts	1,88,509	5,674	801	-	-	-
Interest rate swap	1,80,185	-	2,580	-	-	-
<b>Total</b>	<b>3,68,694</b>	<b>5,674</b>	<b>3,381</b>	<b>-</b>	<b>-</b>	<b>-</b>

#### Derivatives held for risk management purposes, not designated as hedging instruments:

The Company is exposed to foreign currency risk related to external commercial borrowings and the primary risk of change in the floating interest rate and payment in foreign currency towards principal and interest at future date is managed by entering into a interest rate swap and foreign exchange forward rate purchase agreement respectively.

The Corporation's risk management strategy and how it is applied to manage risk is explained in Note 36.

The Interest rate swap and foreign exchange forward currency agreements are entered to fully hedge the risk on account of change in interest rate and foreign exchange fluctuations on account of the external commercial borrowings.

# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 35. Financial risk review (Continued)

#### A. Credit risk

##### ii Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty.

The main types of collateral obtained are as follows:

For corporate and small business lending, first charge over real estate properties, plant and machineries, inventory and trade receivables, equity and debt securities, floating charge over the corporate assets are obtained. For Construction equipment finance, the asset is hypothecated to the Company.

For retail lending, mortgages over residential properties is obtained. For vehicle and tractor loans, the respective movable asset is hypothecated to the Company.

The table represents categories of collaterals available against the loan exposures:

Particulars	Categories of collaterals available	As at	As at
		March 31, 2020	March 31, 2019
<b>Financial Loans</b>			
Bills purchased and bills discounted	Charge on Trade receivables and inventories	42,008	32,956
Term loans	A) Charges over:	41,19,912	42,03,700
	i) real estate properties (including residential and commercial),		
	ii) Property and equipment,		
	iii) inventory and trade receivables,		
	iv) marketable securities (equity and debt securities)		
Credit substitutes	B) hypothecation of underlying asset financed such as construction and earth moving equipment, vehicles and tractors	1,80,530	1,60,381
Finance lease and hire purchase	C) floating charge on corporate assets as mentioned in point A		
	Hypothecation of the underlying asset financed, primarily includes plant and equipment	78,072	51,874
Retained portion of assigned loans	mortgages over residential properties	2,252	3,420
<b>Total</b>		<b>44,22,774</b>	<b>44,52,331</b>

#### Assets obtained by taking possession of collateral

The Companies collection policy is to pursue timely realisation of the collateral in an orderly manner. The Company upon a customer account becoming delinquent, undertakes the process to physically repossess properties or other assets with the help of external agents to recover funds, to settle outstanding debt. Any surplus funds if any received are returned to the customers/obligors. As a result of this practice, the residential properties, vehicles, construction equipments and tractors under legal repossession processes are not recorded on the balance sheet and not treated as non-current assets held for sale. Asset in the form of real estate property, plant and machinery, equity shares and debt securities received upon final settlement of the loan is recorded as non-current assets held for sale

Management monitors the market value of collateral as per the Credit monitoring process and will request additional collateral in accordance with the underlying agreement as applicable.

As on March 31, 2020, the Company has given loan against shares / equity oriented mutual funds / debt securities amounting to Rs. 219,415 Lakh (previous year : 260,684 lakh). The customer has the obligation to maintain Loan to Value (LTV) of 50% as per RBI norms for shares and equity oriented mutual funds at any point in time, failing which the Company has right to make good the shortfall within 7 working days.

As on March 31, 2020, the Company is in possession of non current assets held for sale (NCAHS) carrying value Nil lakh (gross carrying value Rs. 4,433 lakh (Previous year : Rs. 4,931 lakh) and provision towards the same Rs. 4,433 lakh (Previous year : 4,931 lakh)) (Previous year : Nil lakh).

The Company has written-off loans of Rs. 79,333 lakh in financial year ended March 31, 2020 (Previous year : Rs. 51,408 lakh). The Company retains its contractual right against the obligor and may pursue all remedies to recover these dues.



# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 35. Financial risk review (Continued)

#### A. Credit risk (Continued)

##### ii Collateral and other credit enhancements (Continued)

The table represents categories of collaterals available against the Stage 3 assets, basis valuation available with the Company:

Particulars	Categories of collaterals available	As at March 31, 2020	As at March 31, 2019
<b>Financial</b>			
<b>Loans</b>			
Bills purchased and bills discounted	Charge on Trade receivables and inventories	-	-
Term loans	A) Charges over:	5,320	3,401
	i) real estate properties (including residential and commercial),		
	ii) Property and equipment,		
	iii) inventory and trade receivables,		
Credit substitutes	iv) marketable securities (equity and debt securities)	-	-
	B) hypothecation of underlying asset financed such as construction and earth		
	moving equipment, vehicles and tractors		
	C) floating charge on corporate assets as mentioned in point A		
<b>Total</b>		<b>5,320</b>	<b>3,401</b>

Note: Fresh valuation is obtained for stage 3 assets upon becoming overdue for more than 15 months for CSFD division.

# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 35. Financial risk review (Continued)

#### A. Credit risk

iii Amounts arising from ECL

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

a) Particulars	For the period ended March 31, 2020				For the period ended March 31, 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount opening balance	42,35,871	1,17,603	1,09,268	44,62,742	34,32,216	1,44,080	1,22,368	36,98,664
New assets originated or purchased	20,64,103	-	-	20,64,103	23,32,773	-	-	23,32,773
Assets derecognised or repaid (excluding write offs)	(19,47,623)	(45,467)	(17,363)	(20,10,453)	(14,33,575)	(51,715)	(28,956)	(15,14,246)
Transfers to Stage 1	20,373	(19,375)	(998)	-	46,318	(44,001)	(2,317)	-
Transfers to Stage 2	(87,077)	88,227	(1,150)	-	(92,034)	93,772	(1,738)	-
Transfers to Stage 3	(64,467)	(19,573)	84,040	-	(44,876)	(21,557)	66,433	-
Amounts written off	(10,552)	(8,774)	(68,006)	(87,332)	(4,951)	(2,976)	(46,522)	(54,449)
Gross carrying amount closing balance	<b>42,10,628</b>	<b>1,12,641</b>	<b>1,05,791</b>	<b>44,29,060</b>	<b>42,35,871</b>	<b>1,17,603</b>	<b>1,09,268</b>	<b>44,62,742</b>

Note : Gross carrying amount does not include loan commitments Rs. 290,258 lakh (As on March 31, 2019: Rs. 346,180 lakh).

b) Particulars	For the period ended March 31, 2020				For the period ended March 31, 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
ECL allowance - opening balance	34,527	23,969	92,301	1,50,797	30,296	19,276	1,06,679	1,56,251
New assets originated or purchased	1,11,772	-	-	1,11,772	89,516	-	-	89,516
Assets derecognised or repaid (excluding write offs)	(15,949)	(10,243)	(10,607)	(36,799)	(12,873)	(9,460)	(25,898)	(48,231)
Transfers to Stage 1	325	(296)	(29)	-	355	(303)	(52)	-
Transfers to Stage 2	(28,899)	29,170	(271)	-	(30,156)	30,573	(417)	-
Transfers to Stage 3	(51,949)	(13,708)	65,657	-	(42,355)	(15,063)	57,418	-
Amounts written off	(390)	(2,939)	(64,337)	(67,666)	(256)	(1,055)	(45,429)	(46,740)
ECL allowance - closing balance	<b>49,437</b>	<b>25,953</b>	<b>82,714</b>	<b>1,58,104</b>	<b>34,527</b>	<b>23,968</b>	<b>92,301</b>	<b>1,50,796</b>

Note : Includes impairment allowance on loan commitments Rs. 1,726 lakh (As on March 31, 2019 1,458 lakh)

Bank balances of the company are with highly rated banks. Hence, the Company doesn't expect any ECL on cash and cash equivalents and other bank balances.

The increase in the ECL impairment allowance is on account of increase in credit risk and deterioration in economic conditions. For detailed note on impact of COVID 19 on ECL impairment allowance, refer note no 36.

# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 35. Financial risk review (Continued)

#### A. Credit risk

##### iii Amounts arising from ECL

##### Modified financial assets

The Company renegotiates loans given to customers in financial difficulties (referred to as forbearance activities, restructuring or rescheduling) to maximise collection opportunities and minimise the risk of default. Under the Companies forbearance policy, loan forbearance is granted on a selective basis if the customer is currently in default on its debt or if there is a high risk of default, there is evidence that the customer made all reasonable efforts to pay under the original contractual terms and the customer is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy. The Risk Management Committee regularly reviews reports on forbearance activities.

Upon renegotiation, such accounts are classified as stage 3. Such accounts are upgraded to stage 1 only upon observation of satisfactory repayments of one year from the date of such down-gradation and accordingly loss allowance is measured using 12 month PD.

##### Exposure to modified financial assets

PARTICULARS	(Rs. in lakh)	
	As at March 31, 2020	As at March 31, 2019
Loan exposure to modified financial assets		
(i) Gross carrying amount	3,421	5,359
(ii) Impairment allowance	1,827	2,430
(iii) Net carrying amount	1,594	2,929

### **35. Financial risk review(continued)**

#### **A. Credit risk**

##### **iii Amounts arising from ECL**

Impairment allowance on financial asset is covered in note 2 (xi)

#### **Inputs, assumptions and estimation techniques used for estimating ECL**

##### **1) Inputs:**

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience, expert credit assessment and including forward looking information.

The Company allocates each exposure to a credit risk grade based on days past due, which is a quantitative factor that indicates the risk of default. Additional qualitative factors are applied such as fraudulent customer, reschedulement of loans and discontinued portfolios are also considered as qualitative factor.

These factors are applied uniformly for each lending product. Upon review the committee may conclude that the account qualifies for classification as stage 2 since there is increase in credit risk. The determination of the credit risk is for each product, considering the unique risk and rewards associated with it. The Company has observed varied level of risk across various buckets within each stage and a significant increase in risk in stage 2, based on assessment of qualitative parameters such as decline in net-worth, downgrade in internal ratings and external ratings for Corporate and SME Finance Division.

The objective of the ECL assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing the remaining lifetime probability of default (PD) as at the reporting date; with the remaining

lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure and adjusted for changes on account of prepayments.

In assessing the impairment of loan assets under expected credit loss (ECL) Model, the loans have been segmented into three stages based on the risk profiles. The three stages reflect the general pattern of credit deterioration of a financial instrument.

Refer note 2(xi) in Significant accounting policies for definition of Stages of Asset

## **2) Assumptions:**

The Company has applied following assumptions for determination of ECL.

- 1) "Loss given default" (LGD) is an estimate of loss from a transaction given that a default occurs.
- 2) "Probability of default" (PD) is defined as the probability of whether the borrowers will default on their obligations in the future. For assets which are in Stage 1, a 12-month PD is required. For Stage 2 assets a lifetime PD is required while Stage 3 assets are considered to have a 100% PD.
- 3) "Exposure at default" (EAD) represents the expected exposure in the event of a default and is the gross carrying amount in case of the financial assets held by the Company including loan commitments.
- 4) Definition of default: A default on a financial asset is when the counterparty fails to make the contractual payments within 90 days of when they fall due. Accordingly, the financial assets shall be classified as Stage 3, if on the reporting date, it has been 90 days past due. Further if the customer has requested forbearance in repayment terms, such restructured, rescheduled or renegotiated accounts are also classified as Stage 3. Non-payment on another obligation of the same customer is also considered as a stage 3.

5) Forward looking information

The Company incorporates forward looking information into both assessments of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on the consideration of a variety of external actual and forecast information, the Company forms a 'base case' view of the future direction of relevant economic variables such as real GDP, domestic credit growth, money market interest rate etc. as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. The base case represents a most likely outcome while the other scenarios represent more optimistic and more pessimistic outcomes. More weight is applied to pessimistic outcome consistently as a matter of prudence than optimistic outcome.

6) Assessment of significant increase in credit risk

The credit risk on a financial asset of the Company are assumed to have increased significantly since initial recognition when contractual payments are more than 30 days past due. Additionally, accounts identified and reviewed by the Executive committee for labelling as breaching pre-defined critical credit risk parameters will also be classified as stage 2. Accordingly, the financial assets shall be classified as Stage 2, based on the quantitative as well as qualitative factors.

**3. Estimation techniques:**

The Company has applied the following estimation technique for ECL model:

- 1) The Company has used historic default rates for calculating the 12-month PD and Lifetime PDs

- 2) Loss given default is calculated after considering outstanding at the time of default and adjusting for actual recoveries basis time value of money, absent availability of internal data we have used information to the extent available from Basel norms.

**i) Credit risk monitoring techniques**

Exposures are subject to ongoing monitoring, which may indicate that a significant increase in credit risk has occurred on an exposure. The monitoring typically involves use of the following data for Corporate and Retail exposures:

- ii) Overdue status
- iii) Restructuring, reschedulement of loans and requests for granting of forbearance
- iv) Fraudulent customer
- v) Marked as high risk by the Risk Management Committee
- vi) Techniques for determining PD
- vii) Information published in the Basel IRB (Basel internal rating based approach refers to set of credit measurement techniques proposed by the Basel Committee on Bank Supervision (BCBS) for determining capital adequacy of the bank) norms is also used

Days past due are a primary input for the determination of the PD for exposures. The Company collects performance and default information about its credit risk exposures analysed by product. For some portfolios, information published in Basel IRB norms is also used.

The Company employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time. Such statistical models are selected considering the availability of information related to the probability of default for each product.

This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors. Key macro-economic indicators includes but is not limited to;

- a) Private consumption
- b) contribution to real GDP growth/Real GDP
- c) Housing Price Index
- d) Lending interest rate
- e) Average real wages
- f) Real agriculture
- g) Recorded unemployment
- h) Consumer prices
- i) Growth of real capital stock
- j) Manufacturing
- k) Net direct investment flows
- l) Industry
- m) Services
- n) Public debt
- o) Producer prices
- p) Labour productivity
- q) Domestic credit



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

Based on advice from the external risk management experts, the Company considered variety of external actual and forecast information to formulate a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. Such forecasts are adjusted to estimate the PDs.

Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analysing historical data over the past 5 years.

A maximum of a 12-month PD or actual contractual tenure is considered for financial assets for which credit risk has not significantly increased. The Company measures ECL for stage 2 and stage 3 assets considering the risk of default over the maximum contractual period over which it is exposed to credit risk.

The loans are segmented into homogenous product categories to determine the historical PD/LGD as per similar risk profiles, this segmentation is subject to regular review

For portfolios in respect of which the Company has limited historical data, external benchmark information is used to supplement the internally available data.

viii) Techniques for determining LGD:

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

asset. LGD estimates are calculated on a discounted cash flow basis using the internal rate of return as the discounting factor. Company has observed challenges in the resolution of defaulted accounts with ageing more than two years and accordingly a higher LGD estimate is applied assuming nil recoveries towards such accounts.

ix) Techniques for computation of EAD

- a) EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For lending commitments, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on credit conversion factor prescribed by RBI for various loan commitments. For financial assets in stage 2, EAD is determined by estimating the possible exposure in future using linear amortisation techniques.
- b) For undrawn loan commitments, the ECL is the difference between the present value of the difference between the contractual cash flows that are due to the Company if the holder of the commitment draws down the loan and the cash flows that the Company expects to receive if the loan is drawn down. Outstanding exposure for utilised limit as well as un-utilised limit post applying the credit conversion factor as prescribed under RBI guidelines, absent availability of information of past history of conversion of un-utilised limits into utilised limits is considered as exposure at default for non-fund based facilities.

**4. Impact of COVID 19 on ECL impairment allowance:**

The current COVID -19 impact on economic growth of the country is difficult to predict and the extent of negative impact will mainly depend on the future developments in containment of COVID-19 and responses of businesses, which is highly uncertain. Existing expected credit loss (ECL) model of the Company was primarily based on

historical experiences of the economic conditions, customer behaviour and related factors. The increased uncertainty about potential future economic scenarios and their impact on credit losses has necessitated a consideration of additional scenarios while measuring ECLs.

Impact on certain type of borrowers like self-employed borrower segment and micro, small and medium enterprise (MSME) would be more than the salaried segment due to impact on working capital cycle caused by closure of business during the lockdown. In case of retails loans and construction equipment finance, the Company calculates ECL on a collective basis. The portfolio is segmented based on nature of products, past forward flow rates and days past due (DPD) status. Further, the Company has segmented the portfolio, in to various products for arriving at the potential impact on probability of default.

For Corporate loans, the Company has carried out an individual borrower wise assessment to quantify the COVID-19 impact. Financial assets were analysed based on scenario analysis to arrive at the potential impact of COVID impact. Scenarios analysis was done basis the scoring of the customer on credit risk parameters like secured/unsecured, industry, DPD, LTV and tenure of loan during the COVID 19 lockdown.

To estimate the potential impact of COVID-19, various scenarios were built on the basis of likely duration of the COVID-19 impact. Based on the portfolio segmentation, forward flow into various buckets were estimated for each of the scenarios. ECL rates of each product have been applied to the forward flows as estimated, to arrive at estimated provision under each scenario. Further, by assigning probabilities to various scenarios, overall impact assessment was quantified. The extent to which COVID-19 pandemic will impact current estimates of ECL is

uncertain at this point in time. The Company has based on historical data and best available internal and external forward-looking information, built probable scenarios of impact, and quantified an additional loan loss provision of Rs. 18,000 lakh (includes stage 1 and stage 2 provisioning of Rs. 13,619 lakh and 4,381 lakh respectively), in order to capture any potential impact of COVID-19 on impairment allowances.

The underlying forecasts and assumptions applied in the determination of ECL provision are subject to uncertainties which are often outside of the Company's control and accordingly, actual results may differ from these estimates.

# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 35. Financial risk review (Continued)

#### A. Credit risk

##### Loans by Division

#### iv) Concentration of Credit Risk

The table below shows the credit quality based on credit concentration and the maximum exposure to credit risk based on the days past due and year-end stage classification of Loans. The amounts presented are gross of impairment allowances.

STAGE	March 31, 2020				March 31, 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>SBU</b>								
Consumer Finance & Advisory Business	18,10,122	61,942	54,319	19,26,383	17,15,155	82,360	66,622	18,64,137
Corporate & SME Finance Division	23,94,219	50,700	49,991	24,94,910	25,11,033	35,243	41,175	25,87,451
Others	6,286	-	1,481	7,767	9,684	-	1,470	11,154
<b>Total</b>	<b>42,10,627</b>	<b>1,12,642</b>	<b>1,05,791</b>	<b>44,29,060</b>	<b>42,35,872</b>	<b>1,17,603</b>	<b>1,09,267</b>	<b>44,62,742</b>

Note : Gross carrying amount does not include loan commitments Rs. 290,258 (As on March 31, 2019: Rs. 346,180 lakh).

STAGE	March 31, 2020				March 31, 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>SBU</b>								
Consumer Finance & Advisory Business	27,124	19,352	41,696	88,172	20,217	19,937	56,182	96,336
Corporate & SME Finance Division	22,287	6,602	39,537	68,426	14,147	4,031	36,119	54,297
Others	25	-	1,481	1,506	163	-	-	163
<b>Total</b>	<b>49,436</b>	<b>25,954</b>	<b>82,714</b>	<b>1,58,104</b>	<b>34,527</b>	<b>23,968</b>	<b>92,301</b>	<b>1,50,796</b>

Note : Includes impairment allowance on loan commitments Rs. 1,726 lakh (As on March 31, 2019 1,458 lakh)

# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 35. Financial risk review (Continued)

#### B. Liquidity risk

##### ii. Maturity analysis for financial liabilities and financial assets

The amounts in the table above have been compiled as follows.

Type of financial instrument	Basis on which amounts are compiled
Non-derivative financial liabilities and financial assets	Undiscounted cash flows, which include estimated interest payments.
Loans disbursed to customers and unrecognised loan commitments	Earliest possible contractual maturity.
Derivative financial liabilities and financial assets held for risk management purposes	The Derivative liability amount represents the Mark to market (MTM) gain.

The Companies expected cash flows on some financial assets and financial liabilities vary significantly from the contractual cash flows. The principal differences are as follows:

Unrecognised loan commitments are not all expected to be drawn down immediately; and retail loans (includes personal loan, business loan, consumer durable loan, auto loan, home equity) have an original contractual maturity of between 12 and 144 months but an average expected maturity of 16 months because customers take advantage of early repayment options. Similarly Corporate loans have an original contractual maturity of between 12 and 60 months respectively for Channel finance and Commercial finance term loans respectively, but an average expected maturity of 7 months and 24 months respectively.

As part of the management of liquidity risk arising from financial liabilities, the Company holds liquid assets comprising cash and cash equivalents to meet liquidity requirements. In addition, the Company maintains agreed lines of credit with other banks to maintain the liquidity requirements.

The Company has a policy of recognizing cash flows from performing assets on the basis of their contracted maturities. However due to the advent of Covid 19 and measures announced by RBI, the Company has adopted a conservative approach for bucketing the inflows by suitably deferring the expected inflows on performing loans.

The Company is in the business of giving loans for different categories of customers i.e. retail and wholesale and the tenor of such loans vary across categories. Each of such categories exhibits varying degrees of prepayment which is factored in the inflows except for the year ended March 31, 2020 as stated in the above note.

The Company has set tolerance limits in the light of the Company's business objectives, strategic direction and overall risk appetite. The tolerance limits reflects balance between profitability and managing liquidity risk and considers Company's current financial condition and funding capacity. The Company maintains liquidity buffer of unencumbered highly liquid assets (if required) to insure against liquidity stress events.

# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 35. Financial risk review (Continued)

#### B. Liquidity risk

ii. Maturity analysis for financial liabilities and financial assets

The following tables set out the remaining contractual maturities of the Companies financial liabilities and financial assets:

As at March 31, 2020	Note	Carrying amount	Gross nominal inflow/ (outflow)	Less than 1 month	1-3 months	3 months -1 year	1-5 years	More than 5 years	upto 1 Year	more than 1 Year
<b>Financial liability by type</b>										
<b>Non-derivative liabilities</b>										
Trade payables		46,152	46,152	4,615	23,076	18,461	-	-	46,152	-
Debt securities issued	14	18,28,010	18,28,010	50,000	3,94,900	3,21,112	7,96,421	2,65,577	7,66,012	10,61,998
Borrowings (Other than debt securities)	15	16,94,927	16,94,927	1,04,700	3,64,583	4,41,698	7,83,946	-	9,10,981	7,83,946
Subordinated liabilities	16	2,95,832	2,95,832	-	-	165	50,835	2,44,832	165	2,95,667
Other financial liabilities		1,75,758	1,75,758	11,786	58,929	61,333	43,710	-	1,32,048	43,710
<b>Derivative liabilities</b>		3,381	3,550	66	-	890	2,594	-	956	2,594
<b>Total</b>		<b>40,44,060</b>	<b>40,44,229</b>	<b>1,71,167</b>	<b>8,41,488</b>	<b>8,43,659</b>	<b>16,77,506</b>	<b>5,10,409</b>	<b>18,56,314</b>	<b>21,87,915</b>
Market Borrowings		22,32,192	22,32,192	50,000	4,49,900	3,44,627	8,77,256	5,10,409	8,44,527	13,87,665
Bank borrowings		15,86,577	15,86,577	1,04,700	3,09,583	4,18,306	7,53,988	-	8,32,589	7,53,988
<b>Total Borrowings excluding CCCPS</b>		<b>38,18,769</b>	<b>38,18,769</b>	<b>1,54,700</b>	<b>7,59,483</b>	<b>7,62,933</b>	<b>16,31,244</b>	<b>5,10,409</b>	<b>16,77,116</b>	<b>21,41,653</b>
<b>Financial asset by type</b>										
<b>Non-derivative assets</b>										
Cash and cash equivalents	4	1,58,454	1,58,454	1,42,605	-	15,849	-	-	1,58,454	-
Bank balances	5	72	72	72	-	-	-	-	72	-
Receivables	6	4,060	4,060	-	-	4,060	-	-	4,060	-
Loans	7	42,60,731	42,60,731	78,477	2,43,308	13,48,756	19,99,311	5,90,879	16,70,541	25,90,190
Investments	8	19,013	19,013	-	50	-	1,547	17,416	50	18,963
Other Financial Assets	9	44,715	44,715	-	7,566	30,402	6,747	-	37,968	6,747
<b>Derivative assets</b>		5,674	6,540	21	17	104	6,398	-	142	6,398
<b>Total</b>		<b>44,92,719</b>	<b>44,93,585</b>	<b>2,21,175</b>	<b>2,50,941</b>	<b>13,99,171</b>	<b>20,14,003</b>	<b>6,08,295</b>	<b>18,71,287</b>	<b>26,22,298</b>

# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 35. Financial risk review (Continued)

#### B. Liquidity risk

ii. Maturity analysis for financial liabilities and financial assets

The following tables set out the remaining contractual maturities of the Companies financial liabilities and financial assets:

As at March 31, 2019	Note	Carrying amount	Gross nominal inflow/ (outflow)	Less than 1 month	1-3 months	3 months –1 year	1-5 years	More than 5 years	upto 1 Year	more than 1 Year
<b>Financial liability by type</b>										
<b>Non-derivative liabilities</b>										
Trade payables		55,910	55,910	-	55,910	-	-	-	55,910	-
Debt securities issued	14	22,41,571	22,41,571	2,07,153	5,48,148	5,81,315	8,79,628	25,327	13,36,616	9,04,955
Borrowings (Other than debt securities)	15	14,62,550	14,62,550	2,60,906	3,19,500	2,18,244	4,75,000	1,88,900	7,98,650	6,63,900
Subordinated liabilities	16	3,29,760	3,29,760	-	-	90,545	9,643	2,29,572	90,545	2,39,215
Other financial liabilities		1,48,715	1,48,715	2,918	10,606	95,293	39,898	-	1,08,817	39,898
<b>Derivative liabilities</b>										
		-	-	-	-	-	-	-	-	-
<b>Total</b>		<b>42,38,506</b>	<b>42,38,506</b>	<b>4,70,977</b>	<b>9,34,164</b>	<b>9,85,397</b>	<b>14,04,169</b>	<b>4,43,799</b>	<b>23,90,538</b>	<b>18,47,968</b>
Market Borrowings		25,82,057	25,82,057	2,12,879	5,53,148	6,71,860	8,89,271	2,54,899	14,37,887	11,44,170
Bank borrowings		12,62,924	12,62,924	2,54,982	3,14,500	2,18,442	4,75,000	-	7,87,924	4,75,000
<b>Total Borrowings excluding CCCPS</b>		<b>38,44,981</b>	<b>38,44,981</b>	<b>4,67,861</b>	<b>8,67,648</b>	<b>8,90,302</b>	<b>13,64,271</b>	<b>2,54,899</b>	<b>22,25,811</b>	<b>16,19,170</b>
<b>Financial asset by type</b>										
<b>Non-derivative assets</b>										
Cash and cash equivalents	4	78,426	78,426	78,426	-	-	-	-	78,426	-
Bank balances	5	87	87	87	-	-	-	-	87	-
Receivables	6	2,885	2,885	2,885	-	-	-	-	2,885	-
Loans	7	43,01,528	43,01,528	2,90,974	8,52,930	10,53,399	15,49,542	5,54,683	21,97,303	21,04,225
Investments	8	38,032	38,032	-	-	1,379	36,653	-	1,379	36,653
Other Financial Assets	9	40,617	40,617	-	-	33,705	6,912	-	33,705	6,912
<b>Derivative assets</b>										
		-	-	-	-	-	-	-	-	-
<b>Total</b>		<b>44,61,575</b>	<b>44,61,575</b>	<b>3,72,372</b>	<b>8,52,930</b>	<b>10,88,483</b>	<b>15,93,107</b>	<b>5,54,683</b>	<b>23,13,785</b>	<b>21,47,790</b>



# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 35. Financial risk review (Continued)

#### B. Liquidity risk

iii. Financial assets available to support future funding

The Company has assets which are not pledged as securities. Details of assets pledged/not pledged as securities are as follows:

ASSETS	As at March 31, 2020			As at March 31, 2019		
	Pledged	Not Pledged	Total	Pledged	Not Pledged	Total
<b>Financial assets</b>						
Cash and cash equivalents	-	1,58,454	1,58,454	-	78,426	78,426
Bank Balance other than (a) above	-	72	72	-	87	87
Derivatives financial instruments	-	5,674	5,674	-	-	-
Trade Receivables	-	4,060	4,060	-	2,885	2,885
Loans	42,54,445	6,286	42,60,731	42,95,242	6,286	43,01,528
Investments	-	19,013	19,013	-	38,032	38,032
Other financial assets	-	44,715	44,715	-	40,617	40,617
<b>Non-financial Assets</b>						
Current tax asset	-	12,703	12,703	-	8,797	8,797
Deferred tax Assets (Net)	-	50,788	50,788	-	64,324	64,324
Investment property	-	-	-	-	-	-
Property, Plant and Equipment	77,142	16,518	93,660	83,283	8,204	91,487
Capital work-in-progress	-	52	52	-	62	62
Intangible assets under development	-	108	108	-	108	108
Other Intangible assets	-	2,036	2,036	-	2,179	2,179
Other non-financial assets	-	28,637	28,637	-	35,140	35,140
<b>Total Assets</b>	<b>43,31,587</b>	<b>3,49,116</b>	<b>46,80,703</b>	<b>43,78,525</b>	<b>2,85,147</b>	<b>46,63,672</b>

iv. Financial assets pledged as collateral

The total financial assets recognised in the statement of financial position that had been pledged as collateral for liabilities at March 31, 2020 and March 31, 2019 is shown in the preceding table.

# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 35. Financial risk review (Continued)

#### C. Market risk

##### i Exposure to interest rate risk – Non-trading portfolios (Continued)

Company carries out earning adjusted rate (EAR) model analysis for loans and borrowings, to assess the impact on the earnings upon change in the interest rates.

Below table illustrates impact on earnings on account of 100 bps change on in interest rate on the loans and borrowings due for repayment / rate reset in one year.

**As on March 31, 2020**

Particulars	Less than 1 Year	@ 100bps change increase	@ 100bps change decrease
Loans given	31,91,186	24,981	(24,981)
Borrowings	23,09,472	(15,933)	15,933
<b>Net Gap ( Asset - liability)</b>	<b>8,81,714</b>	<b>9,048</b>	<b>(9,048)</b>

**As on March 31, 2019**

Particulars	Less than 1 Year	@ 100bps change increase	@ 100bps change decrease
Loans given	32,85,034	16,425	(16,425)
Borrowings	26,56,273	(13,281)	13,281
<b>Net Gap ( Asset - liability)</b>	<b>6,28,761</b>	<b>3,144</b>	<b>(3,144)</b>

The following table sets forth, for the periods indicated, the break-up of borrowings into variable rate and fixed rate.

Particulars	As at March 31, 2020	As at March 31, 2019
Variable rate borrowings	40%	31%
Fixed rate borrowings	60%	69%
<b>Total borrowings</b>	<b>100%</b>	<b>100%</b>

##### ii Exposure to currency risks – Non-trading portfolios

There are no exposure to foreign currency risks in the non trading portfolio as on March 31, 2020, since Company has entered into derivative contract to fully hedge the risk.

# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 35. Financial risk review (Continued)

#### D. Disclosure pursuant to Ind AS 7 “Statement of Cash Flows”

##### Changes in Liabilities arising from financing activities

particulars	April 1, 2019	Cash Flows	Exchange Difference	Others	March 31, 2020
Debt Securities	22,41,571	(4,11,883)	-	(1,678)	18,28,010
Borrowings (Other than debt securities)	14,62,550	4,14,652	8,600	(1,90,875)	16,94,927
Subordinated liabilities	3,29,760	(34,253)	-	325	2,95,832
<b>Total</b>	<b>40,33,881</b>	<b>(31,484)</b>	<b>8,600</b>	<b>(1,92,228)</b>	<b>38,18,769</b>

Other column includes the effect of amortisation of borrowing cost, amortisation of premium/discount on CPs/NCDs and conversion of CCCPS to equity shares.

particulars	April 1, 2018	Cash Flows	Exchange Difference	Others	March 31, 2019
Debt Securities	18,73,503	3,69,821	-	(1,753)	22,41,571
Borrowings (Other than debt securities)	11,38,897	3,89,419	-	(65,766)	14,62,550
Subordinated liabilities	2,72,040	57,140	-	580	3,29,760
<b>Total</b>	<b>32,84,440</b>	<b>8,16,380</b>	<b>-</b>	<b>66,939</b>	<b>40,33,881</b>

Other column includes the effect of amortisation of borrowing cost, amortisation of premium/discount on CPs/NCDs and conversion of CCCPS to equity shares.

# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 35. Financial risk review (Continued)

E. Capital management

i Regulatory capital

The Reserve Bank of India (RBI) sets and monitors capital adequacy requirements for the Company from time to time.

The Companies regulatory capital consists of the sum of the following elements.

Tier I Capital includes:

- 1) Ordinary share capital,
- 2) Securities premium reserve,
- 3) Retained earnings,
- 4) Cumulative compulsorily convertible preference Shares (CCCPS),
- 5) Debenture redemption reserve
- 6) Perpetual debt
- 7) Special reserve
- 8) Retained earnings
- 9) General reserve

Tier I Capital does not include unrealised fair value gain/loss booked for financial instruments measured at fair value through profit and loss.

Following items are deducted from Tier I

- a) Intangibles
- b) Deferred revenue expenditure for raising borrowings
- c) Deferred tax assets
- d) Prepaid expenses and unamortised direct sourcing cost

Tier II capital includes

- 1) subordinated debt
- 2) impairment allowance provisioning for stage 1 financial assets to the extent the same does not exceed 1.25% of Risk weighted assets,
- 3) perpetual debt to the extent not eligible for Tier I.

# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 35. Financial risk review (Continued)

#### E. Capital management

##### i Regulatory capital

The Company's capital management strategy is to effectively determine, raise and deploy capital so as to create value for its shareholders. The same is done through a mix of either equity and/or convertible and/or combination of short term /long term debt as may be appropriate.

The Board of Directors (BOD) has authorised the Asset and Liability Management Committee (ALCO) to review the Capital requirement. Treasury team closely monitors the Tier I and Tier II capital requirement of the Company and reports to ALCO. The Company endeavour to maintain a balance between ensuring high level of return on capital employed and securing strong capital base.

The Company is subject to the capital adequacy requirements of the Reserve Bank of India (RBI). Under RBI's capital adequacy guidelines, the Company is required to maintain a capital adequacy ratio consisting of Tier I and Tier II Capital. The total of Tier II Capital at any point of time, shall not exceed 100 percent of Tier I Capital.

The minimum capital ratio as prescribed by RBI guidelines and applicable to the Company, consisting of Tier I and Tier II capital, shall not be less than 15 percent of its aggregate risk weighted assets on-balance sheet and of risk adjusted value of off-balance sheet.

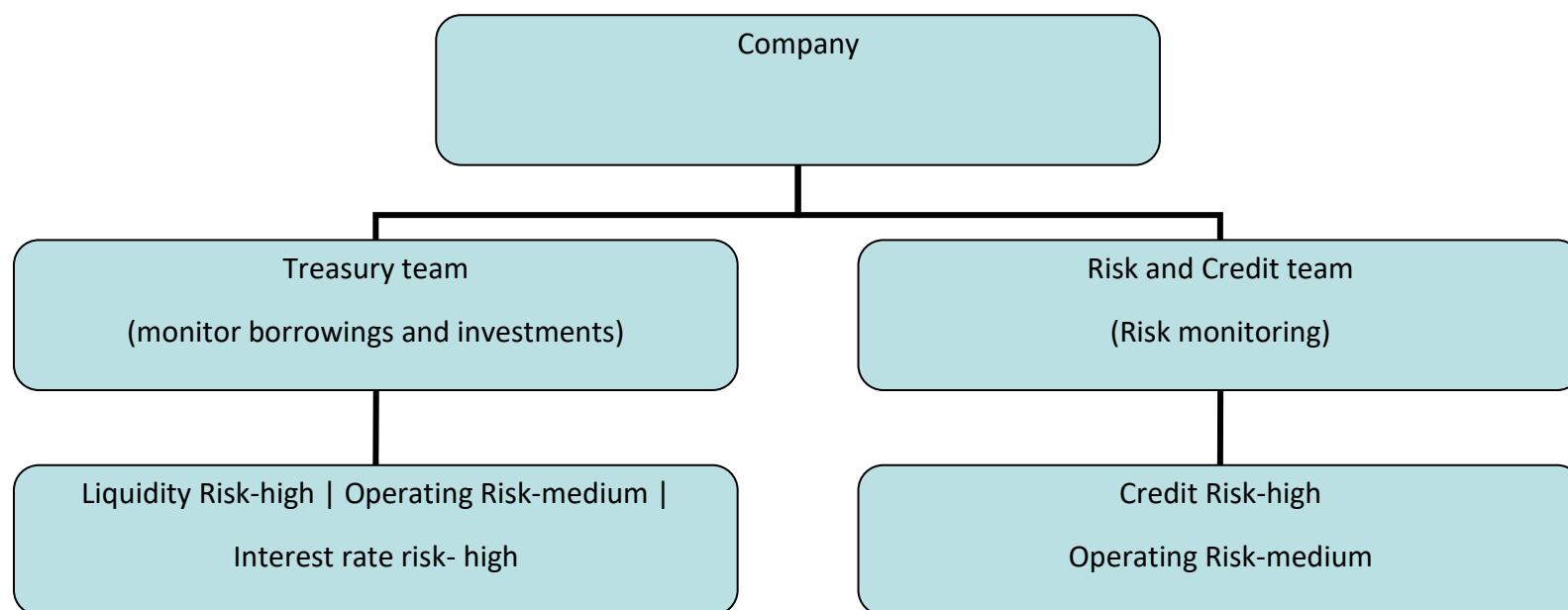
Particulars	As at March 31, 2020	As at March 31, 2019
<b>Tier I capital</b>		
Ordinary share capital	1,62,993	1,37,556
Securities premium reserve	3,34,897	1,46,648
Retained earnings	41,584	36,198
Cummulative compulsorily convertible preference Shares (CCCPs),	-	1,88,900
Debenture redemption reserve	30,000	30,000
Perpetual debt	86,040	74,573
Special reserve	51,073	46,982
General reserve	856	429
Less		
-Deferred Revenue Expenditure (includes contingent liabilities on tax matters Rs. 5,000 lakh (Previous year : Nil)	28,029	21,079
-Goodwill & Software	2,144	2,287
-Deferred Tax Asset	50,788	64,324
<b>Tier I Capital</b>	<b>6,26,482</b>	<b>5,73,596</b>
Subordinate Debt	1,96,625	1,48,640
Impairment loss allowance - stage I	49,436	58,412
Perpetual debt	5,760	17,227
<b>Tier II Capital</b>	<b>2,51,821</b>	<b>2,24,279</b>
<b>Tier I + Tier II Capital</b>	<b>8,78,303</b>	<b>7,97,875</b>

### 36. Financial risk management

#### A. Introduction and overview;

Financial instruments of the Company has to credit risk, liquidity risk, market risks and operational risk.

1. The following chart provides a link between the Company's business units and the principal risks that they are exposed to:



2. Company's Risk Management framework for measuring and managing risk:

#### i. Risk management framework:

The Company's Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

The Board of Directors has constituted following committees and defined their role for monitoring the risk management policies of the Company.

- a) Asset and Liability Committee (ALCO): Review of the Asset and Liability position, liquidity risk and market risk of the Company.
- b) Risk Management Committee: Review of the credit risk, operational risk and fraud risk management of the Company. Operational risk management committee(ORMC) reviews operational risk as per the Operational risk management framework. Fraud risk management committee (FRMC) reviews matters of frauds committed by employee, customer and vendors.
- c) Investment Committee (IC)and Credit Committee(CC): Review of the investment and credit proposal of the Company and oversight of credit risk. A separate Managing Credit Committee(MCC) reports to the Credit Committee, is responsible for managing the credit risk of the Company.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The risk management policies and systems are reviewed regularly to reflect changes in the market conditions and the activities of the Company. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. The Risk Management Committee oversees how the management monitors compliance with the risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Sources of risk which the Company is exposed to and how the same is managed is illustrated in the table below:

<b>Risk</b>	<b>Exposure arising from</b>	<b>Measurement</b>	<b>Management</b>
Credit risk	Financial asset measured at amortised cost. Trade receivable and derivative financial instrument.	Review of ageing analysis and credit rating of the customer. Annual review of the Customer account as per the Credit monitoring policy of the company.	Granularity of portfolio, product, ticket size, collateral and customer segment.
Liquidity risk	Borrowings and other liabilities	Rolling cash flow forecasts	Availability of committed bank lines and borrowing facilities
Market risk – foreign exchange	Payable in foreign currency for purchase of Assets given on operating lease  Recognised financial assets and liabilities not denominated in Indian rupee (INR)	Cash flow forecasting and sensitivity analysis	Forward foreign exchange contracts.
Market risk – interest rate	Long-term borrowings at variable rates	Sensitivity analysis for rate sensitive assets and liabilities	Managing the borrowing mix between market and bank borrowing.
Market risk – security prices	Investments in equity securities	Sensitivity analysis	Portfolio diversification



The Company's Credit risk and market risk management for lending business is carried out by the Credit and Risk management team and the liquidity and market risk management for the sources of funds is carried out by a treasury department as per the policies approved by the board of directors. Treasury identifies, evaluates and mitigates financial risks in close co-operation with the Company's operating units. ALCO provides written principles for overall risk management, as well as policies covering specific areas, such as interest rate risk, use of derivative financial instruments and investment of excess liquidity.

3) The Risk management approach of the Company for handling the various type of risks are as follows:

A) Credit risk;

i) means the risk of loss that may occur from the failure of any party to abide by the terms and conditions of any contract, principally the failure to make required payments of amounts due to us. In its lending operations, the Company is principally exposed to credit risk.

ii. Management of Credit risk:

The credit risk is governed by the credit policy approved by the Investment and Credit Committee. The credit policy outlines the type of products that can be offered, customer categories, the targeted customer profile, credit approval process and limits and credit monitoring.

The Company measures, monitors and manages credit risk at an individual borrower level and at the group exposure level for corporate borrowers. The credit risk for retail borrowers is being managed at portfolio level. The Company has a structured and standardized credit approval process, which includes a well-established procedure of comprehensive credit appraisal. The Credit monitoring team verifies adherence to the terms of the credit approval prior to the commitment and disbursement of credit facilities and monitors deferral of the security perfection. The Risk Management Policy addresses the recognition, measurement, monitoring and reporting of the Credit risk.

The Company has additionally taken the following measures for risk management;

1) single party and group borrower limit.

- 2) limit on secured and unsecured exposure for Commercial and SME finance division and at Company level.
- 3) establishment of a separate credit monitoring team to enhance focus on monitoring of borrowers and to facilitate proactive action wherever required.
- 4) enhanced monitoring of retail product portfolios through periodic reviews.

For risk management reporting purposes, the Company considers and consolidates all elements of credit risk exposure – e.g. individual obligor default risk, customer type industry risk, market risk, geography risk and sector risk.

iii Governance framework of the company:

The role of the Managing Credit Committee encompasses the following activities:

- a) formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, setting and adherence to internal and regulatory threshold limits and compliance with regulatory and statutory requirements;
- b) establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to business unit credit officers. Investment Committee (IC) and Credit Committee (CC) approves loan and investment proposal above threshold limit as per the credit policy. Review and assessment of credit risk is done by the Credit Team. Risk team lays down policies for risk management;
- c) Renewal and review of the facility is subject to the same review process;
- d) Limiting concentration of exposure to counterparty, geography and industry for loans and advances;
- e) Developing and maintaining the Company's risk grading to categorise exposures according to the degree of risk of default. The current risk grading framework of the company for Commercial and SME finance division (CSFD) is based on the 12 grades of internal rating reflecting varying degrees of risk of default.

The responsibility for setting risk grades lies with the final approving executive or committee, as appropriate. Risk grades are subject to regular reviews by Risk Management Committee;

f) Developing and maintaining the Company's processes for measuring ECL for CSFD and CFAB division for managing the following requirements:

- 1) initial approval, regular validation and back-testing of the models used;
- 2) incorporation of forward-looking information;
- 3) Reviewing compliance of business units with agreed exposure limits to products, state and sector;
- 4) Regular reports on the credit quality of product portfolio are provided to Credit Committee, which may require appropriate corrective action to be taken;
- 5) These include reports containing inputs, estimates and techniques of ECL allowances; and
- 6) Providing advice, guidance and specialist skills to business units to promote best practice throughout the Company in the management of credit risk.
- 7) Assess criteria of staging of the assets under qualitative parameters.

Each business unit is required to implement Company's credit policies and procedures, with credit approval authorities delegated from the Credit Committee. Each business unit has a Chief Credit Risk Officer who reports on all credit-related matters to Credit Committee and Chief Risk officer. Each business unit is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to approval of Credit Committee. Regular audits of business units and credit processes are undertaken by Internal Audit.

iv. Credit Risk assessment methodology:

a) Credit management for Corporate Portfolio:

The Company has an established credit analysis procedure leading to appropriate identification of credit risk. Appropriate appraisals have been established for various types of products and businesses. The methodology involves critical assessment of quantitative and qualitative parameters subject to review and approval of Credit Committee.

The Company carries out a detailed analysis of funding requirements, including normal capital expenses, long-term working capital requirements and temporary imbalances in liquidity. A significant portion of Corporate Finance loans are secured by a lien over appropriate assets of the borrower.

Evaluation of Borrower risk is based on the following assessment:

- 1) the risks and prospects associated with the industry in which the borrower is operating (industry risk);
- 2) the financial position of the borrower by analysing the quality of its financial statements, its past financial performance, its financial flexibility in terms of ability to raise capital and its cash flow adequacy (financial risk);
- 3) the borrower's relative market position and operating efficiency (business risk);
- 4) the quality of management by analysing their track record, payment record and financial conservatism (management risk); and
- 5) the risks with respect to specific projects, both pre-implementation, such as construction risk and funding risk, as well as post-implementation risks such as industry, business, financial and management risks related to the project. (project risk).

v. Risk management and portfolio review:

The Company ensure effective monitoring of credit facilities through a risk-based asset review framework under which the frequency of asset review is higher for cases with higher outstanding balances. The credit monitoring team verifies adherence to the terms of the credit approval prior to the commitment and disbursement of credit facilities. The credit monitoring team/operations team monitors compliance with the terms and conditions for credit facilities prior to disbursement. It also reviews the completeness of documentation, creation of security and insurance policies for assets financed. The Managing Credit Committee (MCC), apart from approving proposals, regularly reviews the credit quality of the portfolio and various sub-portfolios. A summary of the reviews carried out by the MCC is submitted to the Credit Committee for its information.

vi. Credit management for Retail portfolio:

The Company ensures effective monitoring of credit facilities through a risk-based asset review framework under which the frequency of asset review is higher for cases with higher outstanding balances. The credit team verifies adherence to the terms of the credit approval prior to the disbursement of credit facility. It also reviews the completeness of documentation, creation of security and insurance policies for assets financed. The credit team approves the proposals while the risk team regularly reviews the credit quality of the portfolio and various sub-portfolios. A summary of the reviews carried out by the risk team is submitted to the Risk management committee.

vii. The Company is taking following additional measures post COVID-19 to ensure the ongoing effectiveness of risk management, maintaining a strong, diversified and resilient portfolio and ensuring that areas of growth are well controlled and sustainable:

1. Engagement with the customers through dedicated relationship manager and collection team for regularisation of standard accounts
2. Policy intervention by way of identifying positive and negative sectors and geographies for future funding need of the customers
3. Realigning the product suite by way of differentiated product mix offering to different segments of borrowers
4. Diversification of geographical concentration risk by way of varied maximum ticket size based on target geography
5. Enhanced field monitoring for partly disbursed cases
6. For large Corporate loans, stringent escrow management, field monitoring and engagement with promoters. Selection of new borrower is being done after assessing the impact of COVID-19 on the borrower and project.
7. Continuous monitoring of both operational and under construction projects to identify risks at an early stage, to aid timely action.
8. Assessment of cashflow of the borrowers under the current scenario.

9. Strengthening of the collection infrastructure
10. Cautious selection of new construction projects after careful assessment of impact of COVID-19 on the borrower and project.
11. Regular assessment of the credit profile of off-takers and their payment track record to various developers. Gradual reduction in portfolio with relatively weaker off-takers.
12. Strengthening of credit assessment terms for newer sanctions.
13. Opportunistic acquisition of credit-worthy transactions from secondary markets.
14. Long term Credit lines from foreign and Indian Institutions.
15. Digitization of key processes enabling better and real time portfolio monitoring.

B) Market risk;

Risk due to change in market prices – e.g. interest rates, equity prices, foreign exchange rates and credit spreads, but not relating to changes in the obligor's/issuer's credit standing and will affect the Company's income or the value of its holdings of financial instruments. The objective of the Company's market risk management is to manage and control market risk exposures within acceptable parameters to ensure the solvency while optimising the return on risk.

The market risk in respect of changes in value in financial assets arising from changes in market credit spreads applied to loans are monitored by the market risk officer.

ALCO sets up limits for each type of risk in aggregate and various products in the portfolio, with market liquidity being a primary factor in determining the level of limits. The market risk officer is responsible for the development of detailed market risk management policies & periodic review along with day to day implementation.

Exposure to Market Risk:

Interest rate risk:

Core business of the Company is borrowing and lending as permitted by the Reserve Bank of India, exposing us to interest rate risk.

Interest rate risk is measured through earnings at risk from an earning perspective. The Company monitors the change in economic value of equity arising out of 100 bps change in the interest rate. Further, an interest rate sensitivity gap report is prepared by classifying all rate sensitive assets and rate sensitive liabilities into various time period categories according to earliest of contracted/behavioural maturities or anticipated re-pricing date. The difference in the amount of rate sensitive assets and rate sensitive liabilities maturing or being re-priced in any time period category, gives an indication of the extent of exposure to the risk of potential changes in the margins on new or re-priced assets and liabilities. The Company monitor interest rate risk through above measures on a monthly basis. The interest rate risk limits are approved by the ALCO.

The extent to which COVID-19 pandemic will impact current estimates of interest rates is uncertain at this point in time. On a best estimate basis, the company is not anticipating any significant interest rate risk due to COVID-19 outbreak. The following assessment are being conducted on regular basis to monitor the interest rate risk.

- a. The impact of 100 bps change in interest rate on Net interest Income up to 1 year time frame.
- b. The impact of 200 bps movement in interest rate on economic value of equity.

#### Currency Risk

The foreign currency loan in form of external commercial borrowing (ECB) raised by the Company are fully hedged towards the risk of fluctuation in:

1. floating interest rate and
2. foreign currency exchange rate

and its impact on the repayment of the interest and principal.

The Company has to manage various risks associated with the external commercial borrowings. These risks include Foreign exchange risk and interest rate risk.

The hedging policy as approved by the Asset liability Committee (ALCO) prescribes the hedging of the entire risk associated with change in the interest rates and fluctuation of foreign exchange rates. The Company manages its interest rate and currency risk in accordance with the guidelines prescribed therein. As a part of Asset Liability Management, the Company has entered into interest rate swaps wherein it has converted its fixed rate rupee liabilities into floating rate linked to various benchmarks. The currency risk on the borrowings is managed through forward exchange contract.

The Company's hedging policy only allows for effective hedging relationships to be considered as hedges as per the relevant Ind AS. Hedge effectiveness is determined at the inception of the hedge relationship and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. The Company enters into hedge relationships where the critical terms of the hedging instrument match with the terms of the hedged item, and so a qualitative and quantitative assessment of effectiveness is performed. All hedges entered into by the Company are cash flow hedges

Risk management for External commercial borrowings:

Liquidity risk and Interest rate risks arising out of maturity mismatch of assets and liabilities are managed through regular monitoring of maturity profiles. The currency risk on the borrowings is actively managed mainly through a combination of principal only swaps, forward contracts, option contracts and dollar denominated assets. Counter party risk is reviewed periodically in terms of exposure to various counter parties.

There is no change in the contractual terms of the hedged item and hedging instrument pursuant to the COVID-19 outbreak.



### Equity price risk

The Company has carried investment in equity at fair value through the statement of profit and loss account and does not expect any incremental impact due to COVID-19 outbreak.

### C. Liquidity risk;

A risk that the Company will encounter difficulty in meeting its day to day financial obligations is known as liquidity risk.

Management of liquidity risk is done as follows;

- i. ALCO sets the strategy for managing liquidity risk commensurate with the business objectives;
- ii. ALCO has delegated the responsibility of managing overall liquidity risk and interest rate risk management to Treasury.
- iii. Treasury department manages the liquidity position on a day-to-day basis and reviews daily reports covering the liquidity position of the Company. Treasury team ensures the regulatory compliance to the liquidity risk related limits approved in the ALM policy by ALCO.
- iv. The Company's approach to managing liquidity is to ensure sufficient liquidity to meet its liabilities when they are due without incurring unacceptable losses or risking damage to the Company's reputation.

The key elements of the Company's liquidity risk management strategy are as follows:

1) Maintaining a diversified funding through market and bank borrowings resources such as debentures, commercial papers, subordinated debt, perpetual debt, Intercompany deposits(ICD's), overdraft and bank term loans. Unused bank lines constitute the main liquidity back up to meet the contingency funding plan. Additionally, based on Market scenario, the company also maintains a portfolio of highly liquid mutual fund units.

- 2) Under the ALM guidelines, the dynamic liquidity statement and structural liquidity statement are being prepared on monthly basis to monitor the maturity gaps in the Assets and Liabilities cash flows. We monitor the behavioural characteristics of the Company's financial assets and financial liabilities while preparing the structural liquidity statement.
- 3) The company carries out stress testing of cash flows on periodic basis and shares the results with ALCO to gauge the adequacy of liquidity.

A long-drawn nation-wide lockdown necessitated by the outbreak of COVID-19 pandemic, has impacted treasury operations and increased liquidity risk across the economy.

In order to address this risk and to seamlessly carry out treasury activities, the Company immediately activated its Business Continuity Plan (BCP) and took following key actions amongst other administrative actions as on March 31, 2020 and up to the date of the adoption of the financial statements:

- a) . It has honoured all its debt obligations on time.
- b) The Company assessed its structural liquidity for the period ended March 31, 2020 after taking in to account the moratorium extended to its borrower under the RBI relief packages. Based on this assessment no negative impact on liquidity has been observed - and the cash flow mismatches have remained within the stipulated regulatory limits. The Company is tracking collections closely and calibrating disbursements to match with collections.
- c) The Company enhanced liquidity on hand by drawing upon bank lines and has accessed fresh funding lines from banks during Q1 FY20-21.
- d) d) The Company also accessed money markets and raised medium to long term funding from the capital markets and financial institutions under the various schemes promulgated by the RBI.
- e) Owing to the above measures, the Company has not seen a rise in its liquidity risk.

D. Operational Risk;

The risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, systems, and from external factors other than credit, compliance, reputation, market and liquidity risks.

The Company has a Board approved Operational Risk Management (ORM) framework. Ongoing monitoring of key risk indicators (“KRI”) is done and corrective actions are implemented on KRI exceptions. ORMC meets periodically to review the operational risk profile of the organisation.

Risks associated with frauds are mitigated through a Fraud Risk Management (FRM) framework. FRMC reviews matters relating to fraud risk, including corrective and remedial actions as regards people and processes.

Tata Capital has adopted “Framework for Improving Critical Infrastructure Cyber Security” published by the National Institute of Standards & Technology (NIST) and comply with regulatory guidelines. Various measures are adopted to effectively protect against phishing, social media threats and rogue mobile.

In order to address the risk associated with COVID 19 and to seamlessly carry out normal operations, the Company immediately activated its Business Continuity Plan (BCP).

The Company ensured seamless accessibility of critical systems through virtual private network (VPN), thereby minimizing the risk of security/data breaches and cyberattacks..

# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 37. Operating segments -Basis for segmentation

See accounting policy in Note 2(xvi)

In accordance with Ind AS 108 on Segment Reporting, the Company has identified three business segments i.e. Financing Activity, Investment Activity and Others, and one Geographical Segment viz. India, as secondary segment. These divisions offer different products and services, and are managed separately based on the Company's management.

Reportable segments	Operations
Financing activity	Loans for retail and corporate borrowers. Products offered include asset financing, term loans (corporate and retail), channel financing, credit substitutes, investments linked to/arising out of lending business, bill and invoice discounting
Investment activity	Corporate investments
Others	advisory services, wealth management, distribution of financial products and leasing

The Board of Directors review the performance of each division on a quarterly basis

a. Operating segment disclosures are consistent with the information reviewed by the chief operating decision maker (CODM). The basis of measurement of segment information is consistent with the basis of preparation of financial statements. The reconciling items are limited to items that are not allocated to reportable segments, as opposed to a difference in the basis of preparation of the information.

b. When two or more operating segments are aggregated into a single operating segment, the judgements made in applying the aggregation criteria are disclosed by the company. This includes a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics.

# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 37. Operating segments - Information about reportable segments

Information related to each reportable segment is set out below. Segment profit before tax, as included in internal management reports reviewed by the Board of Director's, is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate within the same type of business. Inter-segment pricing is determined on an arm's length basis.

(Rs. in lakh)		
Particulars	For the Year Ended March 31, 2020	For the Year Ended March 31, 2019
<b>Segment Revenue</b>		
a) Financing Activity	5,58,985	4,89,767
b) Investment Activity	590	29,097
c) Others	46,620	40,998
<b>Total</b>	<b>6,06,195</b>	<b>5,59,862</b>
Less : Inter Segment Revenue	-	-
Add : Interest on Income Tax Refund	-	1
<b>Total Income</b>	<b>6,06,195</b>	<b>5,59,863</b>
<b>Segment Results</b>		
a) Financing Activity	63,656	67,199
b) Investment Activity	(9,753)	20,424
c) Others	7,639	4,946
<b>Total</b>	<b>61,542</b>	<b>92,569</b>
Less : Unallocated Corporate Expenses	16,292	27,208
<b>Profit before taxation</b>	<b>45,250</b>	<b>65,361</b>
Less : Provision for taxation	33,889	21,651
<b>Profit after taxation</b>	<b>11,361</b>	<b>43,710</b>

Particulars	As at March 31, 2020	As at March 31, 2019
<b>Segment Assets</b>		
a) Financing Activity	44,68,707	44,10,059
b) Investment Activity	19,225	38,043
c) Others	1,06,028	1,23,079
d) Unallocated	86,743	92,491
<b>Total</b>	<b>46,80,703</b>	<b>46,63,672</b>
<b>Segment Liabilities</b>		
a) Financing Activity	39,42,563	41,03,992
b) Investment Activity	-	-
c) Others	97,280	1,23,613
d) Unallocated	19,524	31,704
<b>Total</b>	<b>40,59,367</b>	<b>42,59,309</b>

Particulars	For the Year Ended March 31, 2020	For the Year Ended March 31, 2019
<b>Capital Expenditure (Including Capital Work-In-Progress)</b>		
a) Financing Activity	-	-
b) Investment Activity	-	-
c) Others	19,749	53,438
d) Unallocated	2,095	2,325
<b>Total</b>	<b>21,844</b>	<b>55,763</b>
<b>Depreciation and Amortisation</b>		
a) Financing Activity	3,405	606
b) Investment Activity	-	-
c) Others	31,461	24,859
d) Unallocated	2,313	1,958
<b>Total</b>	<b>37,179</b>	<b>27,423</b>

# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 38. Maturity analysis of assets and liabilities

The table below set out carrying amount of assets and liabilities according to when they are expected to be recovered or settled. With regard to loans and advances to customers, the Company uses the same basis of expected repayment behaviour as used for estimating the EIR. Issued debt reflect the contractual coupon amortisations.

ASSETS	As at March 31, 2020			As at March 31, 2019		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
<b>Financial assets</b>	<b>18,71,284</b>	<b>26,21,435</b>	<b>44,92,719</b>	<b>23,13,785</b>	<b>21,47,790</b>	<b>44,61,575</b>
Cash and cash equivalents	1,58,454	-	1,58,454	78,426	-	78,426
Bank Balance other than (a) above	72	-	72	87	-	87
Trade Receivables	4,060	-	4,060	2,885	-	2,885
Loans	16,70,541	25,90,190	42,60,731	21,97,303	21,04,225	43,01,528
Investments	50	18,963	19,013	1,379	36,653	38,032
Other financial assets	37,968	6,747	44,715	33,705	6,912	40,617
Derivative assets	139	5,535	5,674	-	-	-
<b>Non-financial Assets</b>	<b>14,616</b>	<b>1,73,368</b>	<b>1,87,984</b>	<b>28,897</b>	<b>1,73,200</b>	<b>2,02,097</b>
Current tax asset	-	12,703	12,703	-	8,797	8,797
Deferred tax Assets (Net)	-	50,788	50,788	-	64,324	64,324
Property, Plant and Equipment	13,048	80,612	93,660	-	91,487	91,487
Capital work-in-progress	-	52	52	-	62	62
Intangible assets under development	-	108	108	-	108	108
Other Intangible assets	-	2,036	2,036	-	2,179	2,179
Other non-financial assets	1,568	27,069	28,637	28,897	6,243	35,140
<b>Total Assets</b>	<b>18,85,900</b>	<b>27,94,803</b>	<b>46,80,703</b>	<b>23,42,682</b>	<b>23,20,990</b>	<b>46,63,672</b>
<b>LIABILITIES</b>						
<b>Financial Liabilities</b>	<b>18,55,358</b>	<b>21,88,702</b>	<b>40,44,060</b>	<b>23,90,538</b>	<b>18,47,968</b>	<b>42,38,506</b>
Trade Payables	46,152	-	46,152	55,910	-	55,910
Debt Securities	7,66,012	10,61,998	18,28,010	13,36,616	9,04,955	22,41,571
Borrowings (Other than debt securities)	9,10,981	7,83,946	16,94,927	7,98,650	6,63,900	14,62,550
Deposits	-	-	-	-	-	-
Subordinated liabilities	165	2,95,667	2,95,832	90,545	2,39,215	3,29,760
Other financial liabilities	1,32,048	43,710	1,75,758	1,08,817	39,898	1,48,715
Derivative financial instruments	0	3,381	3,381	-	-	-
<b>Non-Financial Liabilities</b>	<b>9,659</b>	<b>5,648</b>	<b>15,307</b>	<b>14,639</b>	<b>6,164</b>	<b>20,803</b>
Current tax liability	7,744	-	7,744	13,110	-	13,110
Provisions	1915	-	1,915	1,529	-	1,529
Other non-financial liabilities	-	5,648	5,648	-	6,164	6,164
<b>Liability and disposal groups held for sale</b>						
<b>Total liabilities</b>	<b>18,65,017</b>	<b>21,94,350</b>	<b>40,59,367</b>	<b>24,05,177</b>	<b>18,54,132</b>	<b>42,59,309</b>
<b>Net</b>	<b>20,883</b>	<b>6,00,453</b>	<b>6,21,336</b>	<b>62,495</b>	<b>4,66,858</b>	<b>4,04,363</b>

# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 39. Impact of transition to Ind AS 116:

As a lessee the Company classified property leases as operating leases under Ind AS 116. These include office premises taken on lease. The leases typically run for a period of one to nine years. Leases include conditions such as non-cancellable period, notice period before terminating the lease or escalation of rent upon completion of part tenure of the lease in line with inflation in prices.

At transition, for leases classified as operating leases under Ind AS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rates at the date of initial application. Right-of-use assets is measured at their carrying amount as if Ind AS 116 had been applied since the commencement date, discounted using the lessee's borrowing rate at the initiation of lease.

The Company used the following practical expedients when applying Ind AS 116 to leases previously classified as operating leases under Ind AS 17.

- (1) Excluded initial direct costs from measuring the right-of-use asset at the date of initial application
- (2) Used hindsight when determining the lease term if the contract contains option to extend or terminate the lease.

#### Impacts on transition

On transition to Ind AS 116, the Company recognised additional right-of-use assets and additional lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below:

Amount in lakh	As on April 1, 2019
Right-of-use assets presented in property, plant and equipment	9,238
Lease liability	10,850
Retained earnings	1,611
Less: Tax	406
Net retained earning	1,205

Information about leases for which the Company is a lessee is presented below.

#### (I). Right-of-use assets

Right-of-use assets relate to building that are presented separately within property and equipment (refer note 10)

Particulars	Amount
Balance at 1 April, 2019	10,688
Additions during the year	929
Deletion during the year	(39)
Depreciation charge for the year	(2,839)
<b>Balance at 31 March, 2020</b>	<b>8,739</b>

**(II). Movement of Lease liabilities**

Particulars	Amount
Balance at 1 April,2019	10,850
Additions during the year	927
Deletion during the year	(53)
Finance cost	906
Payment of lease liabilities	(3,202)
<b>Balance at 31 March,2020</b>	<b>9,428</b>

**(III) Future minimum lease payments under non-cancellable operating leases were payable as follows:**

Particulars	Amount
Less than one month	-
Between one and three months	756
Between three months and one year	2,225
Between one and five years	7,815
More than five years	635
<b>Total undiscounted lease liabilities</b>	<b>11,431</b>

**(IV). Amounts recognized in the Statement of Profit and Loss**

Particulars	Amount
Interest on lease liabilities	906
Depreciation of ROU lease asset	2,840
Write off/(Write back) of ROU lease asset	(13)

**(V). Amounts recognised In statement of cash flows**

Particulars	Amount
Total cash outflow for leases	(3,202)

Company has considered entire lease term for the purpose of determination of Right of Use assets and Lease liability Prepaid rent component as at April 01, 2019, arising on fair valuation of Security Deposits given for the abovementioned residential properties as per Ind AS 109, amounting to Rs 1,450 lakh has been reclassified to Right-of-use asset. This amount shall be depreciated over the remaining period of lease.



# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 40. Revenue from contracts with customers

(a) Below table provides disaggregation of the Company's revenue from contracts with customers

PARTICULARS	For the year ended March 31, 2020	For the year ended March 31, 2019
<b>i. Type of service</b>		
- Fee and commission income	10,756	8,575
- Branch advertisement income	1,020	832
- Income from distribution of financial products	5,491	3,790
<b>Total</b>	<b>17,267</b>	<b>13,197</b>
<b>ii. Primary geographical market:</b>		
- Outside India	-	-
- India	17,267	13,197
<b>Total revenue from contracts with customers</b>	<b>17,267</b>	<b>13,197</b>
<b>iii. Timing of revenue recognition</b>		
- at a point in time upon rendering services	16,977	12,837
- over period of time upon rendering services	290	360
<b>Total</b>	<b>17,267</b>	<b>13,197</b>
<b>iv. Trade receivables towards contracts with customers</b>		
- Opening Balance	1,271	1,243
- Closing Balance	1,585	1,271
<b>v. Impairment on trade receivables towards contracts with customers</b>	<b>(246)</b>	<b>16</b>

The unbilled revenue of Rs. 732 lakh as at March 31, 2020 (as at March 31, 2019 : Rs. 994 lakh) has been considered as Contract assets, which are billable on completion of milestones specified in the contracts.

As on March 2020/2019, the Company doesn't have any unsatisfied/partially satisfied performance obligation.

# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 41. Share based payment

#### A. Description of share based payments:

Particulars	ESOP 2013	ESOP 2017	ESOP 2018	ESOP 2019
i. Vesting requirements	1/3rd at the end of each 12, 24 and 36 months from the date of grant	100% at the end of 12 months from the date of grant	20% at the end of each 12 and 24 months and 30% at the end of each 36 and 48 months from the date of grant	20% at the end of each 12 and 24 months and 30% at the end of each 36 and 48 months from the date of grant
ii. Maximum term of option	6 years	2 years	7 years	7 years
iii. Method of settlement	Equity settled	Equity settled	Equity settled	Equity settled
iv. Modifications to share based payment plans	N.A.	N.A.	N.A.	N.A.
iv. Any other details as disclosed in the audited Ind AS financial statements	N.A.	N.A.	N.A.	N.A.

#### B. Summary of share based payments

##### March 31, 2020

Particulars	ESOP 2013	ESOP 2017	ESOP 2018	ESOP 2019	Total
Outstanding balance at the beginning of the period	2,92,776	46,36,806	26,05,000	-	75,34,582
Options granted	-	-	-	22,25,000	22,25,000
Options forfeited	-	-	2,75,000	-	2,75,000
Options exercised	1,07,987	6,06,500	-	-	7,14,487
Options expired	1,84,789	40,30,306	-	-	42,15,095
Options lapsed	-	-	-	-	-
Options outstanding at the end of the period	-	-	23,30,000	22,25,000	45,55,000
Options exercisable at the end of the period	-	-	23,30,000	22,25,000	45,55,000
<b>For share options exercised:</b>					
Weighted average exercise price at date of exercise					32.13
Money realized by exercise of options					2,29,56,775
<b>For share options outstanding</b>					
Range of exercise prices	25.00	33.40	50.60	51.00	
Average remaining contractual life of options	-	-	5.50	6.34	5.91
<b>Modification of plans</b>	N.A.	N.A.	N.A.	N.A.	
<b>Incremental fair value on modification</b>	N.A.	N.A.	N.A.	N.A.	

##### March 31, 2019

Particulars	ESOP 2013	ESOP 2017	ESOP 2018	ESOP 2019	Total
Outstanding balance at the beginning of the period	7,41,902	77,45,000	-	-	84,86,902
Options granted	-	-	26,05,000	-	26,05,000
Options forfeited	2,67,904	17,50,000	-	-	20,17,904
Options exercised	1,81,222	13,58,194	-	-	15,39,416
Options expired	-	-	-	-	-
Options lapsed	-	-	-	-	-
Options outstanding at the end of the period	2,92,776	46,36,806	26,05,000	-	75,34,582
Options exercisable at the end of the period	2,92,776	46,36,806	-	-	49,29,582
<b>For share options exercised:</b>					
Weighted average exercise price at date of exercise	-	-	-	-	32.41
Money realized by exercise of options	-	-	-	-	4,98,94,230
<b>For share options outstanding</b>					
Range of exercise prices	25.00	33.40	50.60	-	
Average remaining contractual life of options	0.33	0.00	6.51	-	2.26
<b>Modification of plans</b>	N.A.	N.A.	N.A.	N.A.	
<b>Incremental fair value on modification</b>	N.A.	N.A.	N.A.	N.A.	

**C. Valuation of stock options**

Particulars	ESOP 2013	ESOP 2017	ESOP 2018	ESOP 2019
Share price:	25.00	33.40	50.60	51.00
Exercise Price:	25.00	33.40	50.60	51.00
Fair value of option:	8.60	8.40	23.34	23.02
Valuation model used:	Black Scholes valuation	Black Scholes valuation	Black Scholes valuation	Black Scholes valuation
Expected Volatility:	0.37	0.35	0.38	0.41
Basis of determination of expected volatility:	Average historical volatility over 3 years of comparable companies	Average historical volatility over 2 years of comparable companies	Average historical volatility over 4.85 years of comparable companies	Average historical volatility over 4.85 years of comparable companies
Contractual Option Life (years):	3.00	2.00	7.00	7.00
Expected dividends:	0.00	0.00	0.00	0.00
Risk free interest rate:	8.00%	6.57%	8.04%	6.28%
Vesting Dates	33.33% vesting on July 29, 2014 66.67% vesting on July 29, 2015 100% vesting on July 29, 2016	100% vesting on April 2, 2018	20% vesting on September 30, 2019 40% vesting on September 30, 2020 70% vesting on September 30, 2021 100% vesting on September 30, 2022	20% vesting on August 01, 2020 40% vesting on August 01, 2021 70% vesting on August 01, 2022 100% vesting on August 01, 2023
Valuation of incremental fair value on modification	N.A.	N.A.	N.A.	N.A.

**D) Options granted and inputs used for measurement of fair value of options, for the key managerial employees and other senior employees**
**As at March 31, 2020**

Name of Scheme	Mr. Kusal Roy		Mr. Puneet Sharma*		Ms. Avan Doomasia	
	Granted	Exercised	Granted	Exercised	Granted	Exercised
ESPS 2009	-	-	1,31,838	1,31,838	80,615	80,615
ESPS 2011	-	-	-	-	-	-
ESOP 2011	-	-	80,000	80,000	60,000	60,000
PS 2013	-	-	14,212	14,212	8,690	8,690
ESPS 2013	-	-	-	-	-	-
ESOP 2013	-	-	-	-	-	-
ESOP 2016	-	-	10,000	10,000	10,000	10,000
ESOP 2017	-	-	10,000	10,000	10,000	10,000
ESOP 2018	6,00,000	-	4,00,000	78,950	1,25,000	-
ESOP 2019	6,00,000	-	4,00,000	-	1,00,000	-
<b>Total</b>	<b>12,00,000</b>	<b>-</b>	<b>10,46,050</b>	<b>3,25,000</b>	<b>3,94,305</b>	<b>1,69,305</b>

\* Mr. Puneet Sharma ceased to be a KMP w.e.f. February 16, 2020.

**As at March 31, 2019**

Name of Scheme	Mr. Kusal Roy		Mr. Puneet Sharma		Ms. Avan Doomasia	
	Granted	Exercised	Granted	Exercised	Granted	Exercised
ESPS 2009	-	-	1,31,838	1,31,838	80,615	80,615
ESPS 2011	-	-	-	-	-	-
ESOP 2011	-	-	80,000	80,000	60,000	60,000
PS 2013	-	-	14,212	14,212	8,690	8,690
ESPS 2013	-	-	-	-	-	-
ESOP 2013	-	-	-	-	-	-
ESOP 2016	-	-	10,000	10,000	10,000	10,000
ESOP 2017	-	-	10,000	10,000	10,000	10,000
ESOP 2018	6,00,000	-	4,00,000	-	1,25,000	-
ESOP 2019	-	-	-	-	-	-
<b>Total</b>	<b>6,00,000</b>	<b>-</b>	<b>6,46,050</b>	<b>2,46,050</b>	<b>2,94,305</b>	<b>1,69,305</b>

# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 42. Contingent Liabilities and Commitments:

(i) Contingent Liabilities :-

Claims not acknowledged by the Company relating to cases contested by the Company and which are not likely to be devolved on the Company relating to the following areas :

Particulars	(Rs. in lakh)	
	As at March 31, 2020	As at March 31, 2019
Income Tax (Pending before Appellate authorities)	4,669	2,586
VAT (Pending before Appellate authorities)	331	245
Suits filed against the Company	38	Nil

As at March 31, 2020, claims against the Company not acknowledged as debts in respect of income tax matters amounted to Rs. 4,669 lakhs. These claims against the Company are arising on account of multiple issues of disallowances on completion of assessment proceedings under the Income-tax Act, 1961, such as disallowance of expenditure incurred in relation to income not includible in total income u/s 14A of the Income Tax Act, 1961 and disallowance of interest expenditure on perpetual NCDs. These matters are pending before various appellate authorities and the Management expect that its position will likely be upheld on ultimate resolution and will not have a material adverse effect on the Company's financial position. Hence, the company has not recognized these uncertain tax positions in its books.

The Company is in receipt of an inspection report dated April 25, 2020 for financial position as on March 31, 2019, from Reserve Bank of India (RBI/Regulator), under section 45N of the Reserve Bank of India Act, 1934 (RBI Act), wherein the Regulator has inter alia observed that the Company should have considered for Capital Adequacy purposes and make a provision of Rs. 28.31 crore, for amounts which are shown as contingent tax liabilities in the financial statements. These contingent tax liability pertained to Income Tax and VAT cases pending before various Appellate Authorities.

The Company has been asked by the Regulator to submit its comments on the observations and has contested this observation as it believes the contingent liability will not fructify considering various favourable precedent judicial decisions, an appellate order in its own case in an earlier year and legal opinions which support the tax position of the company. The details of corresponding Contingent Liabilities outstanding as on March 31st 2020 are as under:

Sr. No.	Particulars	As at March 31, 2020	As at March 31, 2019	Rationale for treating tax liability as contingent instead of provision
1	Disallowance of expenses for earning exempt dividends u/s. 14A	1,151	1,095	Favourable Appellate Tribunal Order in an earlier year and decisions of jurisdictional High Court.
2	Disallowance on Interest on Perpetual Debentures	3,518	1,491	Legal opinions supporting our tax position.
3	Disallowance of VAT Input tax credit (Indirect Tax)	331	245	claim supported by valid tax invoices.
	Total	5,000	2,831	

While the company has provided its comments to the Regulator explaining its position why Provision is not required, it has out of abundant caution, pending response from the Regulator, reduced the said contingent liabilities from the computation of Net Owned Fund as on March 31, 2020 for prudent reporting of the Capital Adequacy ratio.

(ii) Commitments :-

(a) Undrawn Commitment given to Borrowers

As on March 31, 2020 Rs. 376,721 lakh (Year ended March, 31, 2019 : Rs. 377,351 lakh)

Less than 1 Year: Rs. 305,140 lakh (Year ended March, 31, 2019 : Rs. 289,205 lakh)

More than 1 Year: Rs. 71,581 lakh (Year ended March, 31, 2019 : Rs. 88,146 lakh)

(b) Letter of Credit, Buyers Credit and Other Guarantees Rs. 7,957 lakh (Year ended March, 31, 2019 : Rs. 7,909 lakh)

(c) Leases entered but not executed Rs. 60,842 lakh (Year ended March, 31, 2019 : Rs. 88,210 lakh)

(d) Estimated amount of contracts remaining to be executed on capital account and not provided for Rs. 837 lakh (as at March 31, 2019: Rs. 1,325 lakh).

- Tangible: Rs. 327 lakh (Year ended March, 31, 2019 : Rs. 692 lakh)

- Intangible: Rs. 510 lakh (Year ended March, 31, 2019 : Rs. 633 lakh)

# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

- 43 The Company has given assets under non-cancellable operating leases. The total of future minimum lease payments that the company is committed to receive is:

Lease Payments	As at March 31, 2020	As at March 31, 2019
- Within one year	31,572	31,976
- Later than one year and not later than five years	50,586	56,530
- Later than five years	1,772	2,716

Accumulated Depreciation on lease assets is Rs. 65,861 lakh (Year ended March, 31, 2019: Rs. 41,835 lakh).

Accumulated Impairment losses on the leased assets Rs. Nil (Year ended March, 31, 2019 Rs. Nil)

### 44. Earnings per Share (EPS):

Particulars		2019-20	2018-19
Profit after tax	Rs. in lakh	11,361	43,710
Add: Preference dividend on Compulsorily Convertible Cumulative Preference shares (including dividend distribution tax)	Rs. in lakh	3,255	14,194
Profit after tax attributable to parent company	Rs. in lakh	14,616	57,904
Weighted average number of Equity Shares used in computing earnings per share	Nos.	1,49,00,38,929	1,31,01,60,104
Add: Potential weighted average number of Equity shares that could arise on conversion of preference shares	Nos.	11,17,06,362	22,74,47,761
Add: Potential weighted average number of Equity shares allotted to ESOP Trust	Nos.	Nil	Nil
Weighted average number of equity shares in computing Basic / Diluted earnings per share	Nos.	1,60,17,45,291	1,53,76,07,865
Face value of equity shares	Rupees	10	10
<b>Earnings per share (Basic and Diluted)</b>	Rupees	0.91	3.77

### 45. Movement in Contingent provisions against Standard Assets (stage I & II) during the year is as under:

Particulars	As at March 31, 2020	As at March 31, 2019
Opening Balance	58,412	49,559
Add : Additions during the year (net)	16,959	8,853
Less : Utilised during the year	-	-
Closing Balance	75,371	58,412

### 46. Movement in other provisions during the year is as under:

Particulars	As at March 31, 2020	As at March 31, 2019
Opening Balance	1,529	1,769
Add : Additions during the year (net)	386	(240)
Closing Balance	1,915	1,529

### 47. Capital to Risk Assets Ratio (CRAR)

Particulars	As at March 31, 2020	As at March 31, 2019
CRAR (%)	18.86%	16.84%
CRAR – Tier I Capital (%)	13.45%	12.11%
CRAR – Tier II Capital (%)	5.41%	4.73%
Amount of subordinated debt raised as Tier-II Capital	56,292	57,140
Amount raised by issue of Perpetual Debt Instruments	-	-

# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 48. Asset Liability Management

Maturity pattern of certain items of Assets and Liabilities.

As on March 31, 2020

Particulars						(Rs in lakh)
	Borrowings from Banks	Liabilities Market Borrowings	Foreign Currency Borrowings	Advances	Assets Investments	Foreign Currency Assets
1 day to 30/31 days (One month)	1,04,700	50,000	-	78,477	-	-
Over One months to 2 months	1,93,416	1,95,500	-	1,26,193	50	-
Over 2 months upto 3 months	1,16,167	2,54,400	-	1,17,115	-	-
Over 3 months to 6 months	1,65,030	1,44,160	-	4,44,369	-	-
Over 6 months to 1 year	2,53,276	2,00,467	-	9,04,387	-	-
Over 1 year to 3 years	5,28,368	5,33,343	1,71,584	15,58,796	1,547	-
Over 3 years to 5 years	54,036	3,43,913	-	4,40,515	-	-
Over 5 years	-	5,10,409	-	5,90,879	17,416	-
<b>Total</b>	<b>14,14,993</b>	<b>22,32,192</b>	<b>1,71,584</b>	<b>42,60,731</b>	<b>19,013</b>	<b>-</b>

Assets and liabilities bifurcation into various buckets is based on RBI guidelines.

As on March 31, 2019

Particulars						
	Borrowings from Banks	Liabilities Market Borrowings	Foreign Currency Borrowings	Advances	Assets Investments	Foreign Currency Assets
1 day to 30/31 days (One month)	2,54,982	2,12,879	-	2,90,974	-	-
Over One months to 2 months	2,07,000	3,67,408	-	4,27,890	-	-
Over 2 months upto 3 months	1,07,500	1,85,740	-	4,25,040	-	-
Over 3 months to 6 months	1,78,942	2,66,745	-	4,67,471	-	-
Over 6 months to 1 year	39,501	4,05,115	-	5,85,928	1,379	-
Over 1 year to 3 years	4,05,000	6,13,849	-	11,63,444	-	-
Over 3 years to 5 years	70,000	2,75,422	-	3,86,098	36,653	-
Over 5 years	-	2,54,899	-	5,54,683	-	-
<b>Total</b>	<b>12,62,924</b>	<b>25,82,057</b>	<b>-</b>	<b>43,01,528</b>	<b>38,032</b>	<b>-</b>

Assets and liabilities bifurcation into various buckets is based on RBI guidelines.

49. Loans and advances - Financing Activity (Secured) include Rs.433 lakh (Year ended March, 31, 2019 : Rs. 433 lakh) being the value of the unquoted preference shares acquired in satisfaction of the respective loans under the Settlement Agreement. As on March 31, 2020, the Company is in possession of non current assets held for sale (NCAHS) carrying value Nil lakh (gross carrying value Rs, 4,433 lakh (Previous year : Rs. 4,931 lakh) and provision towards the same Rs. 4,433 lakh (Previous year : 4,931 lakh)) (Previous year : Nil lakh). Investments include Rs. 1,379 lakh (Year ended March, 31, 2019 : Rs. 1,379 lakh) being the value of the unquoted equity shares acquired in satisfaction of the respective loans under the Settlement Agreement.
50. The company has earned commission from non-life insurance companies amounting to Rs. 1,811lakh (Year ended March, 31, 2019 : Rs. 1,182 lakh) and from life insurance companies amounting to Rs. 219 lakh (Year ended March, 31, 2019 : Rs. 69 lakh)
51. The value of a unhedged foreign currency transaction for purchase of Operating Lease asset as on March 31, 2020 is Nil (Year ended March, 31, 2019 : Rs 12 lakh)
52. The company has reported frauds aggregating Rs. 740 lakh (Year ended March, 31, 2019 : Rs. 1,574 lakh) based on management reporting to risk committee and to the RBI through prescribed returns.
53. As per Section 203 (1) of the Companies Act, 2013, the Company is required to appoint a Chief Financial Officer ("CFO"). Mr. Puneet Sharma, who was earlier the CFO of the Company, resigned with effect from February 16, 2020. The Company is in the process of appointing a CFO and as per the provisions of the said section, the Company has a period of 6 months to fill up the said vacancy.

# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 54. Disclosure of details as required by Revised Para 18 of the Non Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016, earlier Para 13 of Non Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 2007. -

#### Liabilities Side:

Particulars	(Rs. in lakh)			
	Amount Outstanding		Amount Overdue	
	As at March 31, 2020	As at March 31, 2019	As at March 31, 2020	As at March 31, 2019
1) Loans and advances availed by NBFC inclusive of interest accrued thereon but not due				
a) Debentures:				
(other than those falling within the meaning of public deposit)				
- Secured	14,87,407	15,79,293	-	-
- Unsecured	3,37,123	4,38,966	-	-
b) Deferred Credits	-	-	-	-
c) Term Loans	12,03,297	7,24,975	-	-
d) Inter-corporate loans and borrowing	58,627	10,862	-	-
e) Commercial Paper	3,81,252	6,32,422	-	-
f) Other loans (Compulsorily Convertible Cumulative Preference share)	-	1,88,946	-	-
g) Loan from Bank	-	-	-	-
- Working Capital Demand Loan	4,11,200	3,40,000	-	-
- Overdraft	23,031	1,99,288	-	-

#### Assets side:

Particulars	(Rs. in lakh)	
	Amount Outstanding 2019-20	Amount Outstanding 2018-19
2) Break up of loans and advances including bills receivables *		
(other than those included in (3) below)		
- Secured (Gross)	14,52,993	15,73,558
- Unsecured (Gross)	19,39,403	19,54,877
3) Break up of Leased Assets and stock on hire and other assets counting towards AFC activities		
a) Lease assets including lease rentals under sundry debtors:		
- Financial Lease	77,907	51,646
- Operating Lease	83,819	89,064
b) Stock on hire including hire charges under sundry debtors		
- Assets on hire	165	228
- Repossessed assets	-	-
c) Other loans counting towards Asset Financing Company activities		
- Loans where assets have been repossessed	-	-
- Other loans	9,58,592	8,82,433

\* Breakup of loans and advances does not include unamortised loan sourcing costs amounting to Rs. 13,412 lakh (Previous year : Rs. 12,602 lakh) and revenue received in advance Rs. 23,656 lakh (Previous year : Rs. 23,103 lakh) .

# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### Assets side: (Continued)

Particulars	(Rs. in lakh)	
	Amount Outstanding 2019-20	2018-19
4) Break up of Investments		
Current Investments:		
a) <b>Quoted:</b>		
- Shares: Equity	482	1,379
Preference	-	-
- Debentures and Bonds	-	-
- Units of Mutual Funds	-	-
- Government Securities	-	-
- Others	-	-
b) <b>Unquoted:</b>		
- Shares: Equity	-	-
Preference	-	-
- Debentures and Bonds	-	-
- Units of Mutual Funds	-	-
- Government Securities	-	-
- Others (Pass through certificate)	-	-
Long-Term Investments:	-	-
a) <b>Quoted:</b>		
- Shares: Equity	8,560	22,650
Preference	-	-
- Debentures and Bonds	-	-
- Units of Mutual Funds	50	53
- Government Securities	-	-
- Others	-	-
b) <b>Unquoted:</b>		
- Shares: Equity	7,955	9,052
Preference	-	3,500
- Debentures and Bonds	-	-
- Units of Mutual Funds	1,547	1,273
- Government Securities	-	-
- Others (Security receipts)	419	125

### 5) Borrower group-wise classification of assets financed as in (2) and (3) above

Particulars	(Rs. in lakh)					
	Secured		Unsecured		Total	
	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19
a) Related parties						
(i) Subsidiaries	-	-	-	-	-	-
(ii) Companies in the same group	5,418	13,733	26,626	32,518	32,044	46,251
(iii) Other related parties	10,450	10,270	18,112	33,975	28,562	44,245
b) Other than related parties	24,73,789	24,83,862	18,94,665	18,88,384	43,68,454	43,72,246
<b>TOTAL</b>	<b>24,89,657</b>	<b>25,07,865</b>	<b>19,39,403</b>	<b>19,54,877</b>	<b>44,29,060</b>	<b>44,62,742</b>



# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### Assets side: (Continued)

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

(Rs. in lakh)

Particulars	Market Value/Break up or fair value or NAV		Book Value (Net of Provisions)	
	2019-20	2018-19	2019-20	2018-19
a) Related parties				
i) Subsidiaries	-	-	-	-
ii) Companies in the same group	-	-	-	-
iii) Other related Parties	4,599	5,549	4,599	5,549
b) Other than related parties	14,414	32,483	14,414	32,483
<b>TOTAL</b>	<b>19,013</b>	<b>38,032</b>	<b>19,013</b>	<b>38,032</b>

a) Companies in the same group have been considered to mean companies under the same management as per Section 370(1B) of the Companies Act, 1956.

7) Other Information

(Rs. in lakh)

Particulars	2019-20	2018-19
a) Gross Non-Performing Assets		
1) Related parties	-	-
2) Other than related parties	1,05,791	1,09,338
b) Net Non-Performing Assets		
1) Related parties	-	-
2) Other than related parties	23,077	17,037
c) Assets acquired in satisfaction of debt	1,812	1,812

# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 55. Disclosure as required by Indian Accounting Standard (Ind AS) – 24 on “Related Party Disclosures” notified under the Companies (Indian Accounting Standard) Rules, 2015:

#### A) List of related parties and relationship:

Ultimate Holding Company	Tata Sons Private Limited
Holding Company	Tata Capital Limited
Fellow Subsidiaries (with which the company had transactions)	Tata Capital Housing Finance Limited Tata Cleantech Capital Limited Tata Securities Limited Tata Capital Advisors Pte. Limited Tata Capital Markets Pte Limited Tata Capital General Partners LLP Tata Capital Growth II General Partners LLP Tata Capital Healthcare General Partners LLP TATA Capital Healthcare II General Partners LLP Tata Capital Plc Tata Capital Pte. Limited Tata Opportunities General Partners LLP
Associates and Fellow Associates (with which the company had transactions)	TVS Supply Chain Solutions Limited Shriram Properties Private Limited Fincare Business Services Limited Tata Autocomp Systems Limited Tata Projects Limited Tata Technologies Limited TEMA India Private Limited
Post Employment Benefit Plan	Tata Capital Limited Gratuity Scheme Tata Capital Limited Employees Provident Fund Trust Tata Capital Limited Superannuation Scheme TCL Employee Welfare Trust
Key Management Personnel	Mr. Rajiv Sabharwal - (Non-Executive Director and Chairman) Mr. F.N. Subedar - (Non-Executive Director) Ms. Anuradha E. Thakur - (Independent Director) Ms. Varsha Purandare - (Independent Director) (w.e.f 01.04.2019) Mr. Mukund S. Dharmadhikari - (Independent Director) (resigned w.e.f 27.01.2020) Mr. Kusal Roy (Managing Director) (resigned w.e.f 04.05.2020) Mr. Sarosh Amaria (Managing Director) (w.e.f 05.05.2020) Mr. Puneet Sharma - (Chief Financial Officer) (resigned w.e.f 16.02.2020) Ms. Avan Doomasia (Company Secretary)

# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 55. Disclosure as required by Indian Accounting Standard (Ind AS) – 24 on “Related Party Disclosures” notified under the Companies (Indian Accounting Standard) Rules, 2015:

#### A) List of related parties and relationship:

Subsidiaries, Associates and Joint Venture of ultimate holding company (with which the company had transactions)	<p>Automotive Stampings and Assemblies Limited</p> <p>Infiniti Retail Limited</p> <p>Niskalp Infrastructure Services Limited</p> <p>TATA Advanced Materials Limited</p> <p>Tata Advanced Systems Limited</p> <p>Tata AIG General Insurance Company Limited</p> <p>Tata Asset Management Limited</p> <p>Tata Communications Collaboration Services Private Limited</p> <p>Tata Communications Limited</p> <p>Tata Communications Transformation Services Limited</p> <p>Tata Consultancy Services Limited</p> <p>Tata Consulting Engineers Limited</p> <p>Tata Industries Limited</p> <p>Tata International Limited</p> <p>Tata Teleservices (Maharashtra) Limited</p> <p>Tata Teleservices Limited</p> <p>Conneqt Business Solutions Limited</p> <p>Tata Chemicals Limited</p> <p>Tata Global Beverages Limited</p> <p>Tata Motors Limited</p> <p>The Associated Building Company Limited</p> <p>The Indian Hotels Company Limited</p> <p>The Tata Power Company Limited</p> <p>Titan Company Limited</p> <p>Trent Limited</p> <p>Voltas Limited</p> <p>Coastal Gujarat Power Limited</p> <p>Concorde Motors (India) Limited</p> <p>Fiora Hypermarket Limited</p> <p>Indian Steel &amp; Wire Products Ltd.</p> <p>Maithon Power Limited</p> <p>Nelco Limited</p> <p>Piem Hotels Limited</p> <p>Tata Metaliks Ltd.</p> <p>Tata Motors Finance Limited</p> <p>Tata Power Delhi Distribution Limited</p> <p>Tata Power Solar Systems Limited</p> <p>Tata Power Trading Company Limited</p> <p>Tata Steel Utilities and Infrastructure Services Limited</p> <p>Tayo Rolls Limited</p> <p>TP Ajmer Distribution Limited</p> <p>United Hotels Limited</p> <p>Air International TTR Thermal Systems Private Limited</p> <p>AirAsia (India) Limited</p> <p>Mikado Realtors Private Limited</p> <p>Tata AIA Life Insurance Company Limited</p> <p>Tata AutoComp GY Batteries Private Limited</p> <p>Tata Boeing Aerospace Limited</p> <p>Tata International DLT Private Limited</p> <p>Tata Lockheed Martin Aerostructures Limited</p> <p>Tata Precision Industries (India) Limited</p> <p>Tata Sikorsky Aerospace Limited</p> <p>Tata Toyo Radiator Limited</p> <p>Tata Sky Broadband Private Limited</p> <p>Sir Dorabji Tata Trust</p> <p>Sir Ratan Tata Trust</p> <p>Calsea Footwear Private Limited</p> <p>Smart Value Homes (Peenya Project) Private Limited</p> <p>Tata Steel Limited</p> <p>Tata Elxsi Limited</p>
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# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 55. Disclosure as required by Indian Accounting Standard (Ind AS) – 24 on “Related Party Disclosures” notified under the Companies (Indian Accounting Standard) Rules, 2015:

#### B) Transactions with related parties

Sr No	Party Name	Nature of Transactions	FY 19-20	FY 18-19
1	Tata Sons Private Limited	<b>Income</b> Finance Lease Interest Op. Lease Rental  <b>Expenses</b> BEBP Expenses Legal & Professional Fees Staff Welfare Expenses Training Expenses  <b>Other transactions</b> Facility provided during year Facility repayment received during year  <b>Assets</b> Finance Lease Facility Principal receivable Finance lease accrued income & other receivables  <b>Liabilities</b> Balance Payable  <b>Commitments</b> Off balance sheet exposure	 62 816  1,600 5 2 3  - 170  465 8  1,600  -	 48 469  1,503 - - 25  681 95  635 6  1,503  30
2	Tata Capital Limited	<b>Income</b> PMS Income Referral Fees Recovery Rent and Guest house expenses  <b>Expenses</b> Dividend paid during the period - CCCPS Dividend paid during the period - Equity Shares ICD Interest NCD Interest Service provider charges Insurance Expenses Rent and Guest house expenses Electricity Expenses  <b>Other transactions</b> Conversion of Convertible Preference Shares into Equity Shares Amount raised by issue of Equity shares made during the year Amount raised by issue of Compulsory Convertible Cumulative Preference Shares Inter-Corporate Deposit received Inter-Corporate Deposit repaid  <b>Assets</b> Security Deposit receivable Balance receivable  <b>Liabilities</b> Equity shares held # Compulsorily Convertible Cumulative Preference shares # Inter-Corporate Deposit Payable # Perpetual Non-Convertible debentures # Accrued Interest on ICD Outstanding # Accrued Interest on Perpetual Debentures Trade Payable	 15 30 12  2,739 4,890 5,071 1,113 3,420 7 953 59  1,88,900 25,000 - 10,34,419 9,81,795  5,847 22  1,62,993 - 58,350 12,500 307 18 405	 - 113 22  11,741 - 4,954 1,113 3,496 - 949 82  65,600 - 1,02,500 7,52,235 7,80,293  5,847 5  1,37,556 1,88,900 5,726 12,500 31 18 334

# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 55. Disclosure as required by Indian Accounting Standard (Ind AS) – 24 on “Related Party Disclosures” notified under the Companies (Indian Accounting Standard) Rules, 2015:

#### B) Transactions with related parties

Sr No	Party Name	Nature of Transactions	FY 19-20	FY 18-19
3	Tata Capital Housing Finance Limited	<b>Income</b> Referral Fees Loan Sourcing Fee Recovery Rent and Guest house expenses  <b>Expenses</b> Rent and Guest house expenses Insurance Expenses Valuation charges  <b>Assets</b> Balance Receivable  <b>Liabilities</b> Trade Payable	 20 - 1,032  119 1 71  278  100	 - 14 1,060  52 - -  298  -
4	Tata Cleantech Capital Limited	<b>Income</b> Recovery Rent and Guest house expenses  <b>Expenses</b> Rent and Guest house expenses  <b>Other transactions</b> Transfer of loan portfolio  <b>Assets</b> Balance Receivable	 119  11  12,855  11	 98  19  7,500  9
5	Tata Securities Limited	<b>Income</b> Recovery Rent and Guest house expenses  <b>Expenses</b> Fixed Assets transfer Legal & Professional Fees  <b>Liabilities</b> Balance Receivable	 30  1 38  4	 47  1 30  5
6	Tata Capital Advisors Pte. Limited	<b>Income</b> SLA Fees  <b>Assets</b> Balance Receivable	 8  8	 7  7
7	Tata Capital Markets Pte Limited	<b>Income</b> SLA Fees  <b>Assets</b> Balance Receivable	 -  -	 7  7
8	Tata Capital General Partners LLP	<b>Income</b> * SLA Fees  <b>Assets</b> * Balance Receivable	 1  1	 0  0

# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 55. Disclosure as required by Indian Accounting Standard (Ind AS) – 24 on “Related Party Disclosures” notified under the Companies (Indian Accounting Standard) Rules, 2015:

#### B) Transactions with related parties

Sr No	Party Name	Nature of Transactions	FY 19-20	FY 18-19
9	Tata Capital Growth II General Partners LLP	<b>Income</b> SLA Fees  <b>Assets</b> Balance Receivable	 1  1	 -  -
10	Tata Capital Healthcare General Partners LLP	<b>Income</b> * SLA Fees  <b>Assets</b> * Balance Receivable	 1  1	 0  0
11	TATA Capital Healthcare II General Partners LLP	<b>Income</b> * SLA Fees  <b>Assets</b> * Balance Receivable	 0  0	 -  -
12	Tata Capital Plc	<b>Income</b> SLA Fees  <b>Assets</b> Balance Receivable	 8  8	 7  7
13	Tata Capital Pte. Limited	<b>Income</b> SLA Fees  <b>Assets</b> Balance Receivable	 15  15	 13  13
14	Tata Opportunities General Partners LLP	<b>Income</b> * SLA Fees  <b>Assets</b> * Balance Receivable	 1  1	 0  0
15	TVS Supply Chain Solutions Limited	<b>Income</b> Dividend received Term Loan Interest Income Invoice Discounting Management Fees  <b>Other transactions</b> Loan given during year Loan repayment received during year Invoice discounted during year Invoice discounted repayment received during year  <b>Assets</b> Term Loan Principal receivable Term Loan accrued income # Term Loan Principal receivable # Term Loan accrued income # Invoice Discounted receivable # Invoice Discounting other receivables* Investment in Equity Shares  <b>Commitments</b> Off balance sheet exposure	 - 1,664 7 27  20,000 12,953 1,180 1,053  5,705 43 7,020 60 229 4 1,465  -	 3 416 5 15  4,220 833 80 53  5,678 3 - - 102 0 1,465  1,040

# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 55. Disclosure as required by Indian Accounting Standard (Ind AS) – 24 on “Related Party Disclosures” notified under the Companies (Indian Accounting Standard) Rules, 2015:

#### B) Transactions with related parties

Sr No	Party Name	Nature of Transactions	FY 19-20	FY 18-19
16	Shriram Properties Private Limited	<b>Assets</b> Investment in Equity Shares Provision for Diminution in value of Investment	3,935 (1,535)	3,935 (585)
17	Fincare Business Services Limited	<b>Assets</b> Investment in Equity Shares	734	734
18	Tata Autocomp Systems Limited	<b>Income</b> Op. Lease Rental Management Fees  <b>Other transactions</b> Security deposit received during year  <b>Assets</b> Balance Receivable / (Payable)  <b>Liabilities</b> Security deposit payable  <b>Commitments</b> Off balance sheet exposure	574 19  248  (2)  574  10,808	21 45  326  7  326  350
19	Tata Projects Limited	<b>Income</b> Finance Lease Interest Op. Lease Rental Management Fees  <b>Other transactions</b> Facility provided during year Facility repayment received during year Security deposit received during year Security deposit repaid during year  <b>Assets</b> Finance Lease Facility Principal receivable Finance lease accrued income & other receivables Balance Receivable / (Payable)  <b>Liabilities</b> Security deposit payable  <b>Commitments</b> Off balance sheet exposure	155 2,902 12  2,245 227 202 87  2,698 455 (2)  608  6,834	99 1,716 -  802 122 337 -  680 19 -  492  10,982
20	Tata Technologies Limited	<b>Income</b> Finance Lease Interest Management Fees  <b>Expenses</b> Information Technology Expenses  <b>Other transactions</b> Facility provided during year Facility repayment received during year  <b>Assets</b> Finance Lease Facility Principal receivable Finance lease accrued income & other receivables Balance Receivable  <b>Commitments</b> Off balance sheet exposure	13 0  43  16 28  70 2 -  100	12 -  47  24 15  82 1 10  349

# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 55. Disclosure as required by Indian Accounting Standard (Ind AS) – 24 on “Related Party Disclosures” notified under the Companies (Indian Accounting Standard) Rules, 2015:

#### B) Transactions with related parties

Sr No	Party Name	Nature of Transactions	FY 19-20	FY 18-19
21	TEMA India Private Limited	<b>Income</b> Term Loan Interest Income Management Fees  <b>Other transactions</b> Loan given during year  <b>Assets</b> Term Loan Principal receivable Term Loan accrued income	 5 11  86  86 1	 - -  -  - -
22	Tata Capital Limited Gratuity Scheme	<b>Expenses</b> Contribution to Gratuity fund	391	414
23	Tata Capital Limited Employees Provident Fund Trust	<b>Expenses</b> Contribution to Provident Fund  <b>Other transactions</b> Employees Contribution to Provident Fund	 1,186  1,858	 926  1,500
24	Tata Capital Limited Superannuation Scheme	<b>Expenses</b> Contribution to Superannuation  <b>Assets</b> Balance Receivable	 76  61	 86  1
25	TCL Employee Welfare Trust	<b>Other transactions</b> Loan given during year Loan repayment received during year  <b>Assets</b> # Outstanding Loan Balance Receivable	 650 650  6,286 11	 - 1,016  6,286 30
26	Automotive Stampings and Assemblies Limited	<b>Income</b> Term Loan Interest Income WCDL Interest Income Op. Lease Rental Management Fees  <b>Other transactions</b> Term Loan / WCDL given during year Term Loan / WCDL repayment received during year  <b>Assets</b> Term Loan / WCDL Principal receivable # Term Loan / WCDL Principal receivable # Term Loan / WCDL accrued income * Balance Receivable / (Payable)  <b>Commitments</b> Off balance sheet exposure	 25 433 31 13  15,025 14,775  - 4,474 38 (0)  1,526	 89 387 62 8  17,160 15,520  434 3,790 39 -  709



# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 55. Disclosure as required by Indian Accounting Standard (Ind AS) – 24 on “Related Party Disclosures” notified under the Companies (Indian Accounting Standard) Rules, 2015:

#### B) Transactions with related parties

Sr No	Party Name	Nature of Transactions	FY 19-20	FY 18-19
27	Infiniti Retail Limited	<b>Income</b> Op. Lease Rental Management Fees  <b>Expenses</b> Commission on Cards DMA Commission Fixed Assets Purchased Staff Welfare Expenses  <b>Other transactions</b> Facility provided during year NSR Payment Security deposit repaid during year  <b>Assets</b> Finance Lease Facility Principal receivable Finance lease accrued income & other receivables Balance Receivable  <b>Liabilities</b> Security deposit payable  <b>Commitments</b> Off balance sheet exposure	211 6  75 69 3 0  18 2,192 0  18 4 38  75  119	211 -  101 167 1 -  - 1,243 -  - - 1  75  -
28	Niskalp Infrastructure Services Limited	<b>Income</b> * Recovery Rent and other expenses	0	0
29	TATA Advanced Materials Limited	<b>Income</b> Finance Lease Interest  <b>Other transactions</b> Facility provided during year Facility repayment received during year  <b>Assets</b> Finance Lease Facility Principal receivable Finance lease accrued income & other receivables  <b>Commitments</b> Off balance sheet exposure	1  14 1  14 8  122	-  - -  - -  -
30	Tata Advanced Systems Limited	<b>Income</b> Finance Lease Interest  <b>Other transactions</b> Facility provided during year Facility repayment received during year  <b>Assets</b> Finance Lease Facility Principal receivable Finance lease accrued income & other receivables  <b>Commitments</b> Off balance sheet exposure	19  88 35  180 59  345	12  85 11  126 4  122

# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 55. Disclosure as required by Indian Accounting Standard (Ind AS) – 24 on “Related Party Disclosures” notified under the Companies (Indian Accounting Standard) Rules, 2015:

#### B) Transactions with related parties

Sr No	Party Name	Nature of Transactions	FY 19-20	FY 18-19
31	Tata AIG General Insurance Company Limited	<b>Income</b> Insurance Commission  <b>Expenses</b> Insurance Expenses  <b>Assets</b> Balance Receivable # Balance Receivable	 1,049  13  44 162	 857  14  - 165
32	Tata Asset Management Limited	<b>Income</b> PMS Income  <b>Assets</b> # Balance Receivable	 403  17	 18  -
33	Tata Communications Collaboration Services Private Limited	<b>Expenses</b> Telephone Expenses	 1	 -
34	Tata Communications Limited	<b>Income</b> Finance Lease Interest Foreclosure Charges  <b>Expenses</b> Information Technology Expenses  <b>Other transactions</b> Facility repayment received during year  <b>Assets</b> Finance Lease Facility Principal receivable Finance lease accrued income & other receivables / * (Payables)  <b>Commitments</b> Off balance sheet exposure	 3 0  241  19  18 (0)  -	 5 -  285  16  36 2  360
35	Tata Communications Transformation Services Limited	<b>Income</b> Finance Lease Interest  <b>Other transactions</b> Facility repayment received during year  <b>Assets</b> Finance Lease Facility Principal receivable Finance lease accrued income & other receivables / (Payables)	 3  11  12 1	 4  13  23 (1)

# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 55. Disclosure as required by Indian Accounting Standard (Ind AS) – 24 on “Related Party Disclosures” notified under the Companies (Indian Accounting Standard) Rules, 2015:

#### B) Transactions with related parties

Sr No	Party Name	Nature of Transactions	FY 19-20	FY 18-19
36	Tata Consultancy Services Limited	<b>Income</b> Finance Lease Interest Op. Lease Rental  <b>Expenses</b> Information Technology Expenses  <b>Other transactions</b> Facility provided during year Facility repayment received during year Security deposit received during year Security deposit repaid during year  <b>Assets</b> Finance Lease Facility Principal receivable Finance lease accrued income & other receivables Balance Receivable / (Payable)  <b>Liabilities</b> Balance Payable Security deposit payable  <b>Commitments</b> Off balance sheet exposure	 38 186  4,623  63 38 129 49  245 1 (4)  2,376 80  1,751	 37 -  5,773  38 29 - -  220 38 -  1,902 -  1,542
37	Tata Consulting Engineers Limited	<b>Income</b> Term Loan Interest Income Management Fees  <b>Other transactions</b> Loan given during year Loan repayment received during year	 77 15  1,500 1,500	 - -  - -
38	Tata Industries Limited	<b>Income</b> Finance Lease Interest Sale of Assets * Recovery of Expenses  <b>Other transactions</b> Facility provided during year Facility repayment received during year  <b>Assets</b> Finance Lease Facility Principal receivable Finance lease accrued income & other receivables * Balance Receivable  <b>Commitments</b> Off balance sheet exposure	 121 61 -  1,148 168  1,160 989 (0)  836	 413 - 0  20 46  178 76 -  1,876

# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 55. Disclosure as required by Indian Accounting Standard (Ind AS) – 24 on “Related Party Disclosures” notified under the Companies (Indian Accounting Standard) Rules, 2015:

#### B) Transactions with related parties

Sr No	Party Name	Nature of Transactions	FY 19-20	FY 18-19
39	Tata International Limited	<b>Income</b> Finance Lease Interest  <b>Expenses</b> Staff Welfare Expenses  <b>Other transactions</b> Facility provided during year Facility repayment received during year Security deposit received during year  <b>Assets</b> Finance Lease Facility Principal receivable Finance lease accrued income & other receivables  <b>Liabilities</b> Security deposit payable  <b>Commitments</b> Off balance sheet exposure	 5  7  84 4 21  80 28  21  63	 -  -  - - -  - -  -  -
40	Tata Teleservices (Maharashtra) Limited	<b>Expenses</b> Telephone Expenses  <b>Income</b> Op. Lease Rental  <b>Liabilities</b> * Balance Payable	 134  -  -	 205  12  0
41	Tata Teleservices Limited	<b>Income</b> Finance Lease Interest Op. Lease Rental Management Fees Foreclosure Charges  <b>Expenses</b> Electricity Expenses Rent Expenses Telephone Expenses  <b>Other transactions</b> Facility provided during year Facility repayment received during year  <b>Assets</b> Finance Lease Facility Principal receivable Finance lease accrued income & other receivables / (payables) Balance Receivable Security Deposit receivable  <b>Commitments</b> Off balance sheet exposure	 20 3 2 0  14 39 35  137 150  139 (29) - 8  491	 48 165 - -  21 70 95  21 495  151 4 2 8  4

# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 55. Disclosure as required by Indian Accounting Standard (Ind AS) – 24 on “Related Party Disclosures” notified under the Companies (Indian Accounting Standard) Rules, 2015:

#### B) Transactions with related parties

Sr No	Party Name	Nature of Transactions	FY 19-20	FY 18-19
42	Conneqt Business Solutions Limited	<b>Income</b> Finance Lease Interest Op. Lease Rental Management Fees Sale of Assets Recovery Electricity expenses Recovery Rent and Guest house expenses  <b>Expenses</b> Outsourcing Expenses  <b>Other transactions</b> Facility provided during year Facility repayment received during year Loan repayment received during year  <b>Assets</b> Finance Lease Facility Principal receivable Finance lease accrued income & other receivables Balance Receivable  <b>Liabilities</b> Trade Payable Security deposit payable  <b>Commitments</b> Off balance sheet exposure	 124 279 2 - 40 129  7,633  418 397 -  1,063 46 83  1,037 37  716	 240 410 - 29 190 -  4,869  - 140 2,000  1,042 101 115  1,889 37  -
43	Tata Chemicals Limited	<b>Income</b> Finance Lease Interest Op. Lease Rental  <b>Other transactions</b> Facility provided during year Facility repayment received during year  <b>Assets</b> Finance Lease Facility Principal receivable Finance lease accrued income & other receivables Balance Receivable  <b>Commitments</b> Off balance sheet exposure	 9 11  112 11  101 22 5  310	 - -  - -  - - -  -
44	Tata Global Beverages Limited	<b>Income</b> Op. Lease Rental	 49	 49
45	Tata Motors Limited	<b>Income</b> Finance Lease Interest Management Fees Foreclosure Charges  <b>Other transactions</b> Facility repayment received during year Loan Given during period  <b>Assets</b> Finance Lease Facility Principal receivable Finance lease accrued income & other receivables # PTC loan receivable  <b>Commitments</b> Off balance sheet exposure	 27 540 20  124 15,002  235 (181) 15,002  -	 53 - -  223 -  359 6 -  74

# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 55. Disclosure as required by Indian Accounting Standard (Ind AS) – 24 on “Related Party Disclosures” notified under the Companies (Indian Accounting Standard) Rules, 2015:

#### B) Transactions with related parties

Sr No	Party Name	Nature of Transactions	FY 19-20	FY 18-19
46	The Associated Building Company Limited	<b>Income</b> Term Loan Interest Income  <b>Expenses</b> Legal & Professional Fees  <b>Other transactions</b> Loan given during year Loan repayment received during year  <b>Assets</b> # Term Loan Principal receivable # Term Loan accrued income  <b>Commitments</b> Off balance sheet exposure	 68  1  100 4,244  - -  97	 713  -  7,500 7,175  4,144 151  243
47	The Indian Hotels Company Limited	<b>Income</b> Finance Lease Interest Op. Lease Rental  <b>Expenses</b> Hotel Expenses Training Expenses Business promotion Expenses Staff Welfare Expenses  <b>Other transactions</b> Facility provided during year Facility repayment received during year  <b>Assets</b> Finance Lease Facility Principal receivable Finance lease accrued income & other receivables Balance Receivable  <b>Commitments</b> Off balance sheet exposure	 19 7  5 6 - -  22 55  110 10 -  -	 21 -  - - 74 11  - 17  143 3 5  231
48	The Tata Power Company Limited	<b>Income</b> Finance Lease Interest Management Fees  <b>Other transactions</b> Facility provided during year Facility repayment received during year  <b>Assets</b> Finance Lease Facility Principal receivable Finance lease accrued income & other receivables  <b>Commitments</b> Off balance sheet exposure	 142 10  340 174  1,074 71  260	 88 -  647 70  908 23  -

# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 55. Disclosure as required by Indian Accounting Standard (Ind AS) – 24 on “Related Party Disclosures” notified under the Companies (Indian Accounting Standard) Rules, 2015:

#### B) Transactions with related parties

Sr No	Party Name	Nature of Transactions	FY 19-20	FY 18-19
49	Titan Company Limited	<b>Expenses</b> Staff Welfare Expenses 6 33 Interest Expenses 60 426  <b>Other transactions</b> ICD Repaid 5,000 8,000 ICD Taken - 13,000 NSR payment - 6  <b>Assets</b> Balance Receivable 1 1  <b>Liabilities</b> ICD Balance - 5,000		
50	Trent Limited	<b>Other transactions</b> NSR Payment 295 282  <b>Assets</b> Balance Receivable* 0 -		
51	Voltas Limited	<b>Expenses</b> Fixed Assets Purchased 22 32 Incentive payment dealers 17 29 Repairs and Maintenance 30 37  <b>Income</b> Subvention Income - 60 Bill Discounting - 31  <b>Assets</b> Balance Receivable - 64 Invoice Discounted receivable - 1		
52	Coastal Gujarat Power Limited	<b>Income</b> Finance Lease Interest 13 - Term Loan Interest Income 854 2,037 Management Fees 15 83  <b>Other transactions</b> Facility provided during year 50 60 Facility repayment received during year 13 5 Loan given during year - 32,500 Loan repayment received during year 32,500 -  <b>Assets</b> Finance Lease Facility Principal receivable 103 66 Finance lease accrued income & other receivables (16) - # Term Loan Principal receivable - 32,500 # Term Loan accrued income - 18		

# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 55. Disclosure as required by Indian Accounting Standard (Ind AS) – 24 on “Related Party Disclosures” notified under the Companies (Indian Accounting Standard) Rules, 2015:

#### B) Transactions with related parties

Sr No	Party Name	Nature of Transactions	FY 19-20	FY 18-19
53	Concorde Motors (India) Limited	<b>Income</b> Trade Advance Interest Income Op. Lease Rental Management Fees  <b>Expenses</b> Fixed Assets Purchased  <b>Other transactions</b> Loan given during year Loan repayment received during year  <b>Assets</b> # Term Loan Principal receivable # Term Loan accrued income Balance Receivable # Balance Receivable  <b>Commitments</b> Off balance sheet exposure	 1,046 460 20  9  33,890 52,677  - - 9 16  18,106	 1,854 486 19  -  1,08,463 1,06,788  18,787 173 - -  2,548
54	Fiora Hypermarket Limited	<b>Expenses</b> Commission on Cards  <b>Other transactions</b> NSR Payment	 7  233	 9  129
55	Indian Steel & Wire Products Ltd.	<b>Income</b> Finance Lease Interest Management Fees  <b>Other transactions</b> Facility provided during year Facility repayment received during year  <b>Assets</b> Finance Lease Facility Principal receivable Finance lease accrued income & other receivables  <b>Commitments</b> Off balance sheet exposure	 7 1  99 18  81 1  32	 - -  - -  - -  -
56	Maithon Power Limited	<b>Income</b> Finance Lease Interest Syndication fees  <b>Other transactions</b> Facility provided during year Facility repayment received during year  <b>Assets</b> Finance Lease Facility Principal receivable Finance lease accrued income & other receivables / * (payables)	 3 135  11 3  29 (0)	 1 1  21 1  21 (1)



# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 55. Disclosure as required by Indian Accounting Standard (Ind AS) – 24 on “Related Party Disclosures” notified under the Companies (Indian Accounting Standard) Rules, 2015:

#### B) Transactions with related parties

Sr No	Party Name	Nature of Transactions	FY 19-20	FY 18-19
57	Nelco Limited	<b>Income</b> Finance Lease Interest  <b>Other transactions</b> Facility provided during year Facility repayment received during year  <b>Assets</b> Finance Lease Facility Principal receivable Finance lease accrued income & other receivables / * (payables)  <b>Commitments</b> Off balance sheet exposure	 6  39 6  48 1  94	 2  12 7  16 0  418
58	Piem Hotels Limited	<b>Expenses</b> Hotel Expenses	0	11
59	Tata Metaliks Ltd.	<b>Income</b> Op. Lease Rental  <b>Other transactions</b> Security deposit received during year  <b>Assets</b> Balance Receivable  <b>Liabilities</b> Security deposit payable  <b>Commitments</b> Off balance sheet exposure	 25  6  2  14  361	 13  8  -  8  -
60	Tata Motors Finance Limited	<b>Income</b> Interest on Bonds  <b>Expenses</b> Rent and Guest house expenses FA Purchased  <b>Other transactions</b> Proceeds from Divestments  <b>Assets</b> Investment in Bonds Balance Receivable  <b>Liabilities</b> Balance Payable	 176  8 -  2,000  - -  32	 218  - 2  -  2,042 214  216
61	Tata Power Delhi Distribution Limited	<b>Expenses</b> * Legal & Professional Fees	0	0

# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 55. Disclosure as required by Indian Accounting Standard (Ind AS) – 24 on “Related Party Disclosures” notified under the Companies (Indian Accounting Standard) Rules, 2015:

#### B) Transactions with related parties

Sr No	Party Name	Nature of Transactions	FY 19-20	FY 18-19
62	Tata Power Solar Systems Limited	<b>Income</b> Finance Lease Interest Management Fees  <b>Other transactions</b> Facility provided during year Facility repayment received during year  <b>Assets</b> Finance Lease Facility Principal receivable Finance lease accrued income & other receivables /(Payables)  <b>Commitments</b> Off balance sheet exposure	 19 1  148 31  129 (9)  500	 4 -  26 14  13 (12)  229
63	Tata Power Trading Company Limited	<b>Income</b> Finance Lease Interest  <b>Other transactions</b> Facility repayment received during year  <b>Assets</b> Finance Lease Facility Principal receivable * Finance lease accrued income & other receivables	 1  1  5 (5)	 1  1  6 0
64	Tata Steel Utilities and Infrastructure Services Limited	<b>Income</b> Finance Lease Interest Op. Lease Rental  <b>Other transactions</b> Facility provided during year Facility repayment received during year Security deposit received during year  <b>Assets</b> Finance Lease Facility Principal receivable Finance lease accrued income & other receivables Balance Receivable / (Payables)  <b>Liabilities</b> Security deposit payable  <b>Commitments</b> Off balance sheet exposure	 7 32  72 20 -  52 1 (2)  9  15	 - -  - - 9  - 0 -  9  15
65	Tayo Rolls Limited	<b>Income</b> ODC Income*  <b>Other transactions</b> Loan repayment received during year  <b>Assets</b> # Loan outstanding	 -  3  -	 1  -  3

# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 55. Disclosure as required by Indian Accounting Standard (Ind AS) – 24 on “Related Party Disclosures” notified under the Companies (Indian Accounting Standard) Rules, 2015:

#### B) Transactions with related parties

Sr No	Party Name	Nature of Transactions	FY 19-20	FY 18-19
66	TP Ajmer Distribution Limited	<b>Income</b> Finance Lease Interest Management Fees  <b>Other transactions</b> Facility provided during year Facility repayment received during year  <b>Assets</b> Finance Lease Facility Principal receivable * Finance lease accrued income & other receivables	 3 1  11 6  22 1	 3 -  16 4  17 0
67	United Hotels Limited	<b>Income</b> Finance Lease Interest  <b>Expenses</b> * Hotel Expenses  <b>Other transactions</b> Facility provided during year Facility repayment received during year  <b>Assets</b> Finance Lease Facility Principal receivable Finance lease accrued income & other receivables  <b>Commitments</b> Off balance sheet exposure	 2  -  29 1  28 3  53	 -  0  - -  - -  -
68	Air International TTR Thermal Systems Private Limited	<b>Income</b> Op. Lease Rental Management Fees  <b>Other transactions</b> Security deposit received during year  <b>Liabilities</b> Security deposit payable  <b>Commitments</b> Off balance sheet exposure	 26 0  5  18  1,823	 - -  13  13  -
69	AirAsia (India) Limited	<b>Income</b> Term Loan Interest Income Trade Advance Interest Income Management Fees  <b>Other transactions</b> Loan given during year Loan repayment received during year  <b>Assets</b> Term Loan Principal receivable Term Loan accrued income # Term Loan Principal receivable # Term Loan accrued income  <b>Commitments</b> Off balance sheet exposure	 767 287 59  10,000 10,000  - - 10,000 96  10,000	 358 - 50  10,000 -  10,000 80 - -  -

# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 55. Disclosure as required by Indian Accounting Standard (Ind AS) – 24 on “Related Party Disclosures” notified under the Companies (Indian Accounting Standard) Rules, 2015:

#### B) Transactions with related parties

Sr No	Party Name	Nature of Transactions	FY 19-20	FY 18-19
70	Mikado Realtors Private Limited	<b>Income</b> Term Loan Interest Income Management Fees  <b>Other transactions</b> Loan given during year  <b>Assets</b> # Term Loan Principal receivable # Term Loan accrued income  <b>Commitments</b> Off balance sheet exposure	 29 2  1,500  1,500 29  2,500	 - -  -  - -  -
71	Tata AIA Life Insurance Company Limited	<b>Income</b> Finance Lease Interest Insurance Commission  <b>Expenses</b> Insurance Expenses  <b>Other transactions</b> Facility provided during year  <b>Assets</b> Finance Lease Facility Principal receivable Finance lease accrued income & other receivables Balance Receivable # Balance Receivable  <b>Commitments</b> Off balance sheet exposure	 0 193  70  10  10 36 70 6  150	 - 69  37  -  - - 57 2  -
72	Tata AutoComp GY Batteries Private Limited	<b>Income</b> Trade Advance Interest Income Management Fees  <b>Other transactions</b> Loan given during year Loan repayment received during year  <b>Assets</b> # Term Loan Principal receivable # Term Loan accrued income  <b>Commitments</b> Off balance sheet exposure	 12 3  1,000 1,500  - -  1,000	 37 -  3,500 4,000  500 1  500
73	Tata Boeing Aerospace Limited	<b>Income</b> * Finance Lease Interest  <b>Other transactions</b> Facility provided during year * Facility repayment received during year  <b>Assets</b> Finance Lease Facility Principal receivable * Finance lease accrued income & other receivables  <b>Commitments</b> Off balance sheet exposure	 1  - 1  5 4  138	 0  6 0  6 0  -

# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 55. Disclosure as required by Indian Accounting Standard (Ind AS) – 24 on “Related Party Disclosures” notified under the Companies (Indian Accounting Standard) Rules, 2015:

#### B) Transactions with related parties

Sr No	Party Name	Nature of Transactions	FY 19-20	FY 18-19
74	Tata International DLT Private Limited	<b>Income</b> Term Loan Interest Income  <b>Other transactions</b> Loan repayment received during year  <b>Assets</b> Term Loan Principal receivable Term Loan accrued income	 36  200  225 1	 55  200  425 2
75	Tata Lockheed Martin Aerostructures Limited	<b>Income</b> Finance Lease Interest  <b>Other transactions</b> Facility given during year Facility repayment received during year  <b>Assets</b> Finance Lease Facility Principal receivable Finance lease accrued income & other receivables / (payables)	 7  - 14  47 (1)	 5  70 13  61 1
76	Tata Precision Industries (India) Limited	<b>Income</b> Term Loan Interest Income  <b>Other transactions</b> Loan repayment received during year  <b>Assets</b> Term Loan Principal receivable * Term Loan accrued income	 8  23  45 0	 10  23  68 0
77	Tata Sikorsky Aerospace Limited	<b>Income</b> Finance Lease Interest  <b>Other transactions</b> Facility provided during year Facility repayment received during year  <b>Assets</b> Finance Lease Facility Principal receivable * Finance lease accrued income & other receivables  <b>Commitments</b> Off balance sheet exposure	 2  8 3  11 (0)  139	 1  8 1  7 0  -
78	Tata Toyo Radiator Limited	<b>Income</b> Op. Lease Rental Management Fees  <b>Other transactions</b> Security deposit received during year  <b>Assets</b> Balance receivable  <b>Liabilities</b> Security deposit payable  <b>Commitments</b> Off balance sheet exposure	 1,093 12  458  (8)  948  10,215	 144 14  -  1  490  -

# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 55. Disclosure as required by Indian Accounting Standard (Ind AS) – 24 on “Related Party Disclosures” notified under the Companies (Indian Accounting Standard) Rules, 2015:

#### B) Transactions with related parties

Sr No	Party Name	Nature of Transactions	FY 19-20	FY 18-19
79	Tata Sky Broadband Private Limited	<b>Income</b> Syndication fees	35	-
80	Sir Dorabji Tata Trust	<b>Expenses</b> CSR Expenditure	100	-
81	Sir Ratan Tata Trust	<b>Income</b> Finance Lease Interest	0	1
		<b>Other transactions</b> Facility repayment received during year	3	4
		<b>Assets</b> Finance Lease Facility Principal receivable	-	3
		<b>Commitments</b> Off balance sheet exposure	-	36
82	Calsea Footwear Private Limited	<b>Income</b> Interest income on Inter-Corporate Deposit	-	110
		<b>Other transactions</b> ICD repaid	-	1,500
83	Smart Value Homes (Peenya Project) Private Limited	<b>Income</b> Referral Fees	-	1
84	Tata Steel Limited	<b>Expenses</b> Rent and Other Expenses	-	1
85	Tata Elxsi Limited	<b>Expenses</b> Staff Welfare Expenses	-	9
86	Key Management	<b>Remuneration to KMP</b> Short Term Employee Benefits Post Employment Benefits Share based payments (No. of Shares) Options granted ** Options exercised Director Sitting Fees & Commission	434 13 12,00,000 - 125	342 12 6,00,000 - 109

#### Notes :

a) \* less than Rs.50,000/-

b) \*\* ESOP has been granted by Tata Capital Limited

c) # all the loans / borrowings balance above are not secured

d) Expected credit loss provision for parties listed above have not been considered as provision for doubtful debts, hence not disclosed

e) The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends. The above figures do not include provisions for encashable leave, gratuity and premium paid for group health insurance, as separate actuarial valuation / premium paid are not available.

f) All transactions with these related parties are priced on an arm's length and in the ordinary course of business. Outstanding amount as at the end of the year, in respect of loan and advances to be settled in cash and / or adjusted against goods or services.

#### C) List of Associates

Country of Incorporation	Name of Associate	Ownership Interest	
		March 31, 2020	March 31, 2019
India	Shriram Properties Private Limited	1.50%	1.50%
India	TVS Logistics Services Limited	0.63%	0.68%
India	Fincare Business Services Limited	0.78%	0.80%

# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 56. Disclosure of Restructured Accounts As on 31-Mar-20

Sl No	Type of Restructuring		Under CDR Mechanism					Under SME Debt Restructuring Mechanism					Others					Total				
	Asset Classification		Standard	Sub-standard	Doubtful	Loss	Total	Standard	Sub-standard	Doubtful	Loss	Total	Standard	Sub-standard	Doubtful	Loss	Total	Standard	Sub-standard	Doubtful	Loss	Total
	Details																					
1	Restructured accounts as on 1st April, 2019 (Opening figures)*	No. of borrowers	-	-	2	-	2	-	-	-	-	-	24	21	64	-	109	24	21	66	-	111
		Amt. outstanding	0	(0)	560	-	560	-	-	-	-	-	2,351	620	1,828	-	4,799	2,351	620	2,388	-	5,359
		Provision thereon	-	(0)	431	-	431	-	-	-	-	-	232	362	1,405	-	1,999	232	362	1,836	-	2,430
2	Fresh restructuring during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	1	19	-	-	20	1	19	-	-	20
		Amt. outstanding	-	-	-	-	-	-	-	-	-	-	265	587	127	-	979	265	587	127	-	979
		Provision thereon	-	-	-	-	-	-	-	-	-	-	62	504	70	-	637	62	504	70	-	637
3	Upgradations of restructured accounts to Standard category	No. of borrowers	-	-	-	-	-	-	-	-	-	-	5	(3)	(2)	-	-	5	(3)	(2)	-	-
		Amt. outstanding	-	-	-	-	-	-	-	-	-	-	38	(38)	(16)	-	(16)	38	(38)	(16)	-	(16)
		Provision thereon	-	-	-	-	-	-	-	-	-	-	6	(25)	(16)	-	(35)	6	(25)	(16)	-	(35)
4	Restructured advances which ceases to attract higher provisioning and/ or additional risk weight at the end of the FY and hence need not	No. of borrowers	-	-	-	-	-	-	-	-	-	-	(1)	-	-	-	(1)	(1)	-	-	-	(1)
		Amt. outstanding	-	-	-	-	-	-	-	-	-	-	(194)	-	-	-	(194)	(194)	-	-	-	(194)
		Provision thereon	-	-	-	-	-	-	-	-	-	-	(1)	-	-	-	(1)	(1)	-	-	-	(1)
5	Downgradations of restructured accounts during the FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-	(3)	(7)	10	-	-	(3)	(7)	10	-	-
		Amt. outstanding	-	-	-	-	-	-	-	-	-	-	(39)	(155)	195	-	1	(39)	(155)	195	-	1
		Provision thereon	-	-	-	-	-	-	-	-	-	-	(6)	(115)	172	-	51	(6)	(115)	172	-	51
6	Write-offs of restructured accounts during the FY	No. of borrowers	-	-	(2)	-	(2)	-	-	-	-	-	(7)	(6)	(23)	-	(36)	(7)	(6)	(25)	-	(38)
		Amt. outstanding	-	-	(560)	-	(560)	-	-	-	-	-	(1,382)	(67)	(698)	-	(2,147)	(1,382)	(67)	(1,258)	-	(2,707)
		Provision thereon	-	-	(431)	-	(431)	-	-	-	-	-	(131)	(46)	(647)	-	(825)	(131)	(46)	(1,077)	-	(1,255)
7	Restructured accounts as on 31st Mar, 2020 (Closing figures)*	No. of borrowers	-	-	-	-	-	-	-	-	-	-	19	24	49	-	92	19	24	49	-	92
		Amt. outstanding	0	(0)	0	-	0	-	-	-	-	-	1,039	946	1,436	-	3,421	1,039	946	1,436	-	3,421
		Provision thereon	-	(0)	0	-	0	-	-	-	-	-	163	679	985	-	1,827	163	679	985	-	1,827
* Excluding the figures of Standard Restructured Advances which do not attract higher provisioning or risk weight (if applicable)																						

#### NOTES

1. Fresh restructuring during the year includes Rs 78.23 Lakh of fresh /additional Sanction or collection (52 account), provision of Rs.74.64 Lakhs to the existing restructured accounts.
2. Write offs includes Rs 0.15 Lakh 1 accounts , Provision of Rs. (76.25 Lakh) of reduction from existing restructured accounts by way of sale/recovery

# This also includes provision made on opening standard restructured assets

# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 57. As per RBI Master Direction DNBR. PD. 008/03.10.119/2016-17 dated September 1, 2016, additional disclosures are required in the Annual Financial Statements as follows:

#### (i) The Company has following Registrations effective as on March 31, 2020:

Issuing Authority	Registration No., if any	Date of registration	Valid upto	Registered as
Reserve Bank of India	13.02005	04-Nov-11	-	NBFC-ND-SI
Reserve Bank of India	-	15-Jan-19	14-Jan-21	Marketing and distribution of Co-branded Credit Card
Association of Mutual Fund of India	ARN No. 84894	12-Mar-15	11-Mar-21	Distributor of MF products (ARN)
Securities and Exchange Board of India	INA000002215	17-Sep-14	15-Sep-24	Investment Advisor
Insurance Regulatory and Development Authority of India	CA 0076	01-Apr-16	31-Mar-22	Corporate Agent

#### (ii) Ratings assigned by credit rating agencies and migration of ratings during the year

(i) Rating Assigned to	Short Term Debt, Long Term Debt, Perpetual Debt, Tier II Debt
(ii) Date of Rating	ICRA- February 27 2020, CARE- January 6, 2020, CRISIL- January 23, 2020, India Rating November 6, 2019
(iii) Rating Valid up to	Till the Date of reaffirmation
(iv) Name of the Rating Agency	ICRA Limited (ICRA), CRISIL Limited (CRISIL), Credit Analysis and Research Limited (CARE), India Ratings & Research Private Limited (IND)
(v) Rating of products	
(a) Commercial Paper	ICRA A1+ , CRISIL A1+ (no change in the rating)
(b ) Debentures	<b>Secured/Unsecured Non Convertible Debentures</b> Current year : ICRA AAA (Stable), CRISIL AAA (Stable) and CARE AAA (Stable) (No change in rating)  <b>Secured Non Convertible Debentures - MLD</b> <b>Current year :</b> CRISIL PP-MLD AAAr (Stable) (No change in rating)  <b>Tier II Debentures</b> Current year :ICRA AAA (Stable), CRISIL AAA (Stable) and CARE AAA (Stable) (No change in rating)  <b>Perpetual Debentures</b> Current year : CRISIL AA+(Stable), CARE AA+(Stable) and ICRA AA+(Stable) (No change in rating)
(c) Others	<b>Short Term Bank Loans</b> ICRA A1+ (no change in the rating) <b>Long Term Bank Loans</b> Current year : ICRA AAA (Stable) , CARE AAA (Stable) and India Ratings IND AAA(Stable) ( No change in rating)

#### (iii) RBI has not levied any penalties on the Company during the year.

#### (iv) Off Balance Sheet Exposure as on March 31, 2020 is as follows :-

##### (a) Undrawn Commitment given to Borrowers

As on March 31, 2020 Rs. 376,721 lakh (Year ended March, 31, 2019 : Rs. 377,351 lakh)

Less than 1 Year: Rs. 305,140 lakh (Year ended March, 31, 2019 : Rs. 289,205 lakh)

More than 1 Year: Rs. 71,581 lakh (Year ended March, 31, 2019 : Rs. 88,146 lakh)

##### (b) Letter of Credit, Buyers Credit and Other Guarantees Rs. 7,957 lakh (Year ended March, 31, 2019 : Rs. 7,909 lakh)

##### (c) Leases entered but not executed Rs. 60,842 lakh (Year ended March, 31, 2019 : Rs. 88,210 lakh)

##### (d) Others (Tax Matters and suits filed) Rs. 5,038 lakh (Year ended March, 31, 2019 : Rs.2,831 lakh)



# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 57. As per RBI Master Direction DNBR. PD. 008/03.10.119/2016-17 dated September 1, 2016, additional disclosures are required in the Annual Financial Statements as follows: (Continued)

#### (v) Provisions and Contingencies

Break up of 'Provisions and Contingencies' shown under the head Expenditure in the Statement of Profit and Loss (refer Note 1)	FY 19-20	FY 18-19
Provision for depreciation on Investments (net of fair value changes)	14,762	(7,727)
Impairment of investment in associates	950	-
Provision towards NPA (refer Note 2)	69,695	36,591
Provision against assets held for sale	(746)	1,446
Provision towards Restructured Standard Assets	-	(325)
Provision against other doubtful advances	(239)	(36)
Provision made towards Income tax	33,889	21,651
Other Provision and Contingencies (with details):		
- Provision for Employee Benefits	508	337
- Provision for Standard Assets	16,895	8,923
<b>Total</b>	<b>1,35,714</b>	<b>60,860</b>

#### Note :

1. The Company has assessed its obligations arising in the normal course of business, including pending litigations, proceedings pending with tax authorities and other contracts including derivative and long term contracts. In accordance with the provisions of Accounting Standard - 29 on 'Provisions, Contingent Liabilities and Contingent Assets', the Company recognises a provision for material foreseeable losses when it has a present obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. In cases where the available information indicates that the loss on the contingency is reasonably possible but the amount of loss cannot be reasonably estimated, a disclosure to this effect is made separately as contingent liabilities in the notes to the accounts forming part of the financial statements (refer Note no 42(i)). The Company does not expect the outcome of these proceedings to have a materially adverse effect on its financial results.

2. The Company has not availed relief in the classification and provision for non-performing assets against the exposure to micro, small and medium borrowers registered under Goods and Service Tax as provided by RBI through its circular no. RBI/2017-18/129 DBR.No.BP.BC.100/21.04.048/2017-18 dated February 7, 2018.

#### (vi) Concentration of Advances & Exposures stood as follows:

##### Advances#

Particulars	FY 19-20	FY 18-19
Total Advances to twenty largest borrowers	4,56,158	4,60,162
Percentage of Advances to twenty largest borrowers to Total Advances of the NBFC	10.30%	10.31%

# Includes Loans, Advances & Credit Substitutes (Advance includes interest accrued but not due)

##### Exposure \*

(Rs in lakh)

Particulars	FY 19-20	FY 18-19
Total Exposure to twenty largest borrowers	4,69,958	4,81,662
Percentage of Exposure to twenty largest borrowers to Total Exposure of the NBFC	9.59%	9.70%
**		

\* Includes Loans, Advances, Credit Substitutes & Investment in Equity Shares, Preference Shares, Security Receipts & Mutual Funds (including sanctioned part disbursed)

\*\* Total Exposure includes off balance sheet exposure and interest accrued but not due (refer schedule 50(iv)(a,b and c))

#### (vii) The Company does not have any Joint Ventures and Subsidiaries abroad. The Company has not sponsored any SPVs. Accordingly there is no disclosure applicable

#### (viii) The status of the Customer Complaints during the year is as follows :

Sr No	Particulars	FY 19-20	FY 18-19
(a)	No. of complaints pending at the beginning of the year	154	9
(b)	No. of complaints received during the year	2,824	6,336
(c)	No. of complaints redressed during the year	2,957	6,191
(d)	No. of complaints pending at the end of the year*	21	154

# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 57. As per RBI Master Direction DNBR. PD. 008/03.10.119/2016-17 dated September 1, 2016, additional disclosures are required in the Annual Financial Statements as follows: (Continued)

#### (ix) Details of Assignment transactions undertaken by NBFCs:

(Rs in lakh)

S No.	Particulars	FY 19-20	FY 18-19
1	No. of accounts*	Nil	Nil
2	Aggregate value (net of provisions) of accounts sold	Nil	Nil
3	Aggregate consideration	Nil	Nil
4	Additional consideration realized in respect of accounts transferred in earlier years	Nil	Nil
5	Aggregate gain / loss over net book value	Nil	Nil

\* Total value of the Loans sold under direct assignment route is Rs. Nil (Year ended March, 31, 2019 : Rs. Nil). Company has retained 10% interest in the Loans sold

#### (x) (a) Non Performing Assets purchased during the year - Nil (Previous Year : Nil).

#### (b) Details of Non Performing Assets sold :

S No.	Particulars	FY 19-20	FY 18-19
1	No. of accounts sold (Count)	10	21
2	Aggregate outstanding [net of provision] (Rs in lakh)*	2,333	741
	a) Aggregate outstanding (Rs in lakh)	3,793	1,964
	b) Provision held on date of sale	1,460	1,223
3	Aggregate consideration received (Rs in lakh)*	1,330	574

#### (xi) No Parent Company Products are financed during the year (Year ended March, 31, 2019 : Nil).

#### (xii) The Exposure to a single borrower and group of borrower does not exceed the limit stipulated by the RBI Concentration norms applicable to NBFCs.

#### (xiii) The Exposure to Unsecured Advances is Rs. 1,939,403 lakh (Year ended March, 31, 2019 : Rs. 1954,877 lakh) constituting 43.79% of the Total Loans and Advances (Year ended March, 31, 2019 : 43.80%). The Exposure to Secured Loans includes Rs. Nil (Year ended March, 31, 2019 : Rs. Nil) towards a Loan given against Copy Rights for motion films in the nature of intangible asset.

#### (xiv) Concentration of NPAs

Particulars	March 31, 2020 (Rs in lakh)	March 31, 2019 (Rs in lakh)
Total Exposure to top four NPA accounts	11,824	10,986

#### (xv) Sector-wise NPAs

Sl. No.	Sector	Percentage of NPAs to Total Advances in that sector	
		March 31, 2020	March 31, 2019
1	Agriculture & allied activities	15.78%	15.56%
2	MSME (refer Note 1)	2.52%	1.79%
3	Corporate borrowers (refer Note 2)	2.04%	1.93%
4	Services (refer Note 3)	1.04%	0.84%
5	Unsecured personal loans	2.19%	2.85%
6	Auto loans	2.56%	3.86%
7	Other personal loans (refer Note 4)	2.70%	2.23%

Note:

- includes borrowers classified as per the Master Direction FIDD.MSME & NFS.3/06.02.31/2016-17 dated July 21, 2016.
- includes borrowers classified as Industry excluding the MSME.
- includes borrowers classified as Services excluding the MSME.
- Other Personal Loans include : Loan against Property, Loan against Shares and Consumer Durables.

#### (xvi) Since the Company does not have significant uncertainties pending resolutions as at March 31, 2020, revenue recognition has not been postponed.

#### (xvii) Drawdown of reserves made during current year of Rs. 214 lakh is on account of Share issue expenses (Year ended March, 31, 2019 : 93 lakh) and impact of Ind AS 116 "Leases" amounting to Rs., 1,205 lakh (year ended March 31, 2019 : Nil)

#### (xviii) The disclosure of the Concentration of Deposits taken is not applicable since the Company is not in the business of accepting deposits being a Systemically Important Non Deposit Accepting NBFC.

# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 57. As per RBI Master Direction DNBR. PD. 008/03.10.119/2016-17 dated September 1, 2016, additional disclosures are required in the Annual Financial Statements as follows: (Continued)

#### (xix) Derivative Instruments Exposures:

Derivative positions open as at March 31, 2020 and March 31, 2019 in the form of foreign currency forward exchange contract and interest rate swap are disclosed below. These transactions were undertaken to act as economic hedges for the Company's exposures to various risks in foreign exchange markets and qualify or can be designated as hedging instruments. The accounting for these transactions is stated in note 2 (xvi).

Forward exchange contracts (being derivative instrument), which are not intended for trading or speculation purposes but for hedge purposes to establish the amount of reporting currency required or available at the settlement date at certain payables and receivables. Interest rate swap is entered to establish the fixed rate of interest payable towards the external commercial borrowing.

The Company does not hold any derivative instrument which are intended for trading or speculation as on the reporting date.

Outstanding foreign exchange forward contracts and interest rate swap entered into by the Company: -

Particulars	Buy / Sell	For the Year ended March 31, 2020			For the Year ended March 31, 2019		
		USD (Mio)	JPY (Mio)	Rs. In lakh	USD (Mio)	JPY (Mio)	Rs. In lakh
Foreign exchange forward contracts i.e. Notional principal of Swap Agreements (Foreign currency amount payable at future date *Closing exchange rate)	Buy	117	14,656	1,88,509	-	-	-
Interest rate swap contract i.e. Notional principal of Swap Agreements (Foreign Currency borrowings*Closing exchange rate)	Buy	108	-	80,723	-	-	-
Cap option i.e. Notional principal of Swap Agreements (Foreign Currency borrowings*Closing exchange rate)	Buy	-	14,388	99,462	-	-	-
Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements	Buy	NA	NA	NA	NA	NA	NA
Collateral required by the NBFC upon entering into swaps	Buy	NA	NA	NA	NA	NA	NA
Concentration of credit risk arising from the swaps \$	Buy	NA	NA	NA	NA	NA	NA
The fair value gain of the foreign exchange forward contract	Buy	NA	NA	4,873	NA	NA	-
The fair value loss of the interest rate swap	Buy	NA	NA	(2,488)	NA	NA	-
The fair value loss of the cap option	Buy	NA	NA	(91)	NA	NA	-

#### Disclosures on Risk Exposure in Derivatives

##### A. Qualitative Disclosure

The Company has a risk management policy to enter into derivatives to manage the risk associated with external commercial borrowings. The following table highlights the key aspects of the policy:

- Treasury and Risk function is authorised to elect appropriate derivative instrument;
- The Company shall fully hedge the risk on account of foreign currency fluctuation and change interest rate towards external commercial borrowing;
- The Company has put in place a reporting and monitoring mechanism for the risk associated with the derivative transaction;
- Company has a hedging policy in place which mandates to have a hedge relation established before a derivative transaction is entered into. The Company ensures that the hedging effectiveness is monitored continuously during the life of the derivative contract;
- The company has put in place accounting policy covering recording hedge and non-hedge transactions, recognition of income, premiums and discounts; valuation of outstanding contracts; provisioning and credit risk mitigation.

##### B. Quantitative Disclosure

Particulars	Currency Derivatives		Interest Rate Derivatives	
	2019-20	2018-19	2019-20	2018-19
(i) Derivatives (Notional Principal Amount)	1,88,509	-	1,80,185	-
(ii) Marked to Market Positions [1]				
(a) Assets (+)	5,674	-	-	-
(b) Liability (-)	(801)	-	(2,579)	-
(iii) Credit Exposure [2]	-	-	-	-
(iv) Unhedged Exposures	-	-	-	-

# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

57. As per RBI Master Direction DNBR. PD. 008/03.10.119/2016-17 dated September 1, 2016, additional disclosures are required in the Annual Financial Statements as follows: (Continued)

(xx) NPA Movement during the year

		(Rs in lakh)	
Particulars		FY 19-20	FY 18-19
(i) Net NPAs to Net Advances (%)		0.53%	0.39%
(ii) Movement of NPAs (Gross)			
(a) Opening balance		1,09,338	1,22,431
(b) Additions during the year		81,671	66,433
(c) Reductions during the year		(85,218)	(79,526)
(d) Closing balance		1,05,791	1,09,338
(iii) Movement of provisions for NPAs (excluding provision on standard assets)			
(a) Opening balance		92,301	1,06,679
(b) Additions during the year		65,657	57,418
(c) Write-off / write-back of excess provisions		(75,244)	(71,796)
(d) Closing balance		82,714	92,301
(iv) Movement of Net NPAs			
(a) Opening balance		17,037	15,752
(b) Additions during the year		16,014	9,015
(c) Reductions during the year		(9,974)	(7,730)
(d) Closing balance		23,077	17,037

### Note:

The movement of Gross NPA, Provisions for NPA and Net NPA presented above excludes NPA identified and regularized in the same financial year.

# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

**57. As per RBI Master Direction DNBR. PD. 008/03.10.119/2016-17 dated September 1, 2016, additional disclosures are required in the Annual Financial Statements as follows: (Continued)**

(xxi) **Exposure to Capital Market :-**

(Rs in lakh)		
Particulars	FY 19-20	FY 18-19
(i) Direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt; (Refer note (c) below)	20,927	39,936
(ii) Advances against shares / bonds / debentures or other securities or on clean basis to individuals for investment in shares (including IPOs / ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds; (Refer notes (a) and (b) below)	19,126	32,603
(iii) Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	1,93,846	2,72,333
(iv) Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds 'does not fully cover the advances;	807	-
(v) Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	2,233	-
(vi) Loans sanctioned to corporates against the security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	-	-
(vii) Bridge loans to companies against expected equity flows / issues;	-	-
(viii) All exposures to Venture Capital Funds (both registered and unregistered)	27,608	-
<b>Total Exposure to Capital Market</b>	<b>2,64,547</b>	<b>3,44,872</b>

### Note:

Exposure to Capital Market includes:

a) Limits given to Borrowers but part un-utilised of Rs. 24,205 lakh (Year ended March, 31, 2019 : Rs. 44,252 lakh).

b) Investment in equity shares of Rs. 2,400 lakh in a Commercial Real Estate customer i.e. Shriram properties private limited (Year ended March, 31, 2019 : Rs. 3,350 lakh), net of the provision for diminution of Rs. 1,535 lakh.

# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

**57. As per RBI Master Direction DNBR. PD. 008/03.10.119/2016-17 dated September 1, 2016, additional disclosures are required in the Annual Financial Statements as follows: (Continued)**

(xxii) Investments

(Rs. in lakh)		
Particulars	FY 19-20	FY 18-19
<b>(1) Value of Investments</b>		
(i) Gross Value of Investments	35,572	38,879
(a) In India	35,572	38,879
(b) Outside India	-	-
(ii) Provision for Depreciation	16,559	847
(a) In India	16,559	847
(b) Outside India	-	-
(iii) Net value of investments	19,013	38,032
(a) In India	19,013	38,032
(b) Outside India	-	-
<b>(2) Movement of Provisions held towards depreciation on investments</b>		
(i) Opening Balance	847	8,563
(ii) Add: Provision/fair value loss during the year	16,098	2,463
(iii) Less: Write-off / write-back of excess provisions or fair value gain during the year#	387	10,178
(iv) Closing balance	16,559	847

Note: The above details does not include investment in the form of Credit Substitutes.

(xxiii) Exposure to Real Estate Sector

(Rs. in lakh)		
Category	FY 19-20	FY 18-19
(a) Direct Exposure		
(i) <b>Residential Mortgages -</b>		
Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented	-	-
(ii) <b>Commercial Real Estate -</b>		
Lending secured by mortgages on commercial real estates (office buildings, retail space, multi-purpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based limits	2,10,052	1,89,728
(iii) <b>Investments in Mortgage Backed Securities (MBS) and other securitised exposures -</b>		
a. Residential	-	-
b. Commercial Real Estate	-	-
<b>Total Exposure to Real Estate Sector</b>	<b>2,10,052</b>	<b>1,89,728</b>

### Note:

Exposure to Real Estate Sector includes:

a) Limits given to Borrowers but part un-utilised of Rs. 11,255 lakh (Previous year : Rs. 7,218 lakh).

b) Pursuant to RBI circular no RBI/2009-10/151 DBOD.BP.BC.No. 42 / 08.12.01/ 2009-10 dated September 9, 2009, an exposure is classified as real estate exposure if the cash flows are primarily dependant on the buy/sell/renting of the real estate property. Accordingly loan given against property as collateral for purpose other than mentioned above does not form part of the real estate exposure.

(xxiv) The Company has assessed its obligations arising in the normal course of business, proceedings pending with tax authorities and other contracts including derivative and long term contracts. In accordance with the provisions of Ind AS 37 on 'Provisions, Contingent Liabilities and Contingent Assets', the Company recognises a provision for material foreseeable losses when it has a present obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. In cases where the available information indicates that the loss on the contingency is reasonably possible but the amount of loss cannot be reasonably estimated, a disclosure to this effect is made as contingent liabilities in the financial statements. The Company does not expect the outcome of these proceedings to have a materially adverse effect on its financial results.

# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 58. Disclosure pursuant to Reserve Bank of India notification DOR (NBFC).CC.PD.No.109 /22.10.106/2019-20 dated March 13, 2020 pertaining to Asset Classification as per RBI Norms

As at March 31, 2020

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)
<b>Performing Assets</b>						
Standard	Stage 1	42,10,628	47,711	41,62,917	16,843	30,868
	Stage 2	1,12,641	25,954	86,687	1,587	24,366
Subtotal		43,23,269	73,665	42,49,604	18,430	55,235
<b>Non-Performing Assets (NPA)</b>						
Substandard	Stage 3	81,784	61,549	20,235	8,178	53,370
Doubtful - up to 1 year	Stage 3	18,355	16,106	2,249	14,886	1,221
1 to 3 years	Stage 3	3,476	2,920	556	2,709	211
More than 3 years	Stage 3	1,409	1,371	38	942	430
Subtotal for doubtful		23,240	20,397	2,843	18,536	1,861
Loss	Stage 3	768	768	-	768	-
Subtotal for NPA		1,05,791	82,714	23,078	27,482	55,231
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	2,90,258	1,726	2,88,532	-	1,726
	Stage 2	-	-	-	-	-
	Stage 3	-	-	-	-	-
Subtotal		2,90,258	1,726	2,88,532	-	1,726
<b>Total</b>	Stage 1	45,00,886	49,436	44,51,449	16,843	32,594
	Stage 2	1,12,641	25,954	86,687	1,587	24,366
	Stage 3	1,05,791	82,714	23,078	27,482	55,231
	<b>Total</b>	<b>47,19,318</b>	<b>1,58,104</b>	<b>45,61,214</b>	<b>45,912</b>	<b>1,12,192</b>

1. Stage I includes impairment allowance towards loan designated as FVTOCI amounting to Rs. 20 lakh.

# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 59. Disclosure pursuant to Reserve Bank of India Circular DOR.NBFC (PD) CC. No.102/03.10.001/2019-20 dated November 4, 2019 pertaining to Liquidity Risk Management Framework for Non-Banking Financial Companies.

#### (i) Funding Concentration based on significant counterparty (borrowings)

Sr. No	Number of Significant Counterparties	Amount	% of Total deposits	% of Total Liabilities
1	20	1921936*	0%	47%

\* Face Value of outstanding amount considered

Sr. No	Name of Significant Counterparties	Amount	% of Total deposits	% of Total Liabilities
1	HDFC Bank	4,22,000	0%	10.40%
2	ICICI Bank	1,50,000	0%	3.70%
3	STATE BANK OF INDIA	1,45,000	0%	3.57%
4	HDFC MUTUAL FUND	1,16,500	0%	2.87%
5	WIPRO LIMITED	1,08,500	0%	2.67%
6	LIFE INSURANCE CORPORATION OF INDIA	1,00,000	0%	2.46%
7	Vijaya Bank	92,500	0%	2.28%
8	KOTAK MUTUAL FUND	89,000	0%	2.19%
9	Bank of India	75,000	0%	1.85%
10	Union Bank of India	75,000	0%	1.85%
11	SBI MUTUAL FUND	72,100	0%	1.78%
12	Syndicate Bank	72,001	0%	1.77%
13	Tata Capital Ltd	58,350	0%	1.44%
14	ECB 2 - SMBC	53,325	0%	1.31%
15	Bank of America	51,500	0%	1.27%
16	SIDBI	50,000	0%	1.23%
17	Central Bank of India	49,500	0%	1.22%
18	Canara Bank	49,500	0%	1.22%
19	Allahabad Bank	49,500	0%	1.22%
20	ECB 2 - Mizuho Bank	42,660	0%	1.05%

#### (ii) Top 20 Large Deposits

Sr. No	Counterparty	Amount (in Rs. lakh)	% of total deposits
	Nil		

#### (iii) Top 10 Borrowing ( amounts to Rs. 13,73,500 lakh and 36% of total borrowings )

Sr. No.	Amount (Rs. In lakh)	% of total borrowings
1	1373500*	36%

\* Face Value of outstanding amount considered

Sr. No	Number of Significant Counterparties	Amount (in Rs. lakh)	% of Total deposits	% of Total Liabilities
1	HDFC Bank	4,22,000	0%	11%
2	ICICI Bank	1,50,000	0%	4%
3	STATE BANK OF INDIA	1,45,000	0%	4%
4	HDFC MUTUAL FUND	1,16,500	0%	3%
5	WIPRO LIMITED	1,08,500	0%	3%
6	LIFE INSURANCE CORPORATION OF INDIA	1,00,000	0%	3%
7	Vijaya Bank	92,500	0%	2%
8	KOTAK MUTUAL FUND	89,000	0%	2%
9	Bank of India	75,000	0%	2%
10	Union Bank of India	75,000	0%	2%



# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

### 59. Disclosure pursuant to Reserve Bank of India Circular DOR.NBFC (PD) CC. No.102/03.10.001 /2019-20 dated November 4, 2019 pertaining to Liquidity Risk Management Framework for Non-Banking Financial Companies.

#### (iv) Funding Concentration based on significant instrument/product

Sr.No	Name of the instrument/product	Amount (Rs. In lakh)*	% of total liabilities
1	Non Convertible Debenture	17,46,993	43%
2	Bank Loans	14,58,567	36%
3	Commercial paper	3,89,500	10%
4	External Commercial Borrowing	1,71,584	4%
5	Inter Corporate Deposit	58,350	1%
	<b>Total</b>	<b>38,24,994</b>	

#### (v) Stock Ratios

Particulars	%
(a) Commercial papers as a % of total public funds	10.18%
(a) Commercial papers as a % of total liabilities	9.60%
(a) Commercial papers as a % of total assets	8.32%
(b)Non-convertible debentures (original maturity less than 1 year) as a % of total public funds	0.00%
(b)Non-convertible debentures (original maturity less than 1 year) as a % of total liabilities	0.00%
(b)Non-convertible debentures (original maturity less than 1 year) as a % of total assets	0.00%
( c )Other Short-term liabilities as a % of total public funds	38.79%
( c )Other Short-term liabilities as a % of total Liabilities	36.55%
( c )Other Short-term liabilities as a % of total Assets	31.70%

- (vi) The Company's Board of Directors has the overall responsibility for the establishment and oversight of the risk management framework. The Board of Directors has established the Asset and Liability Management Committee (ALCO), which is responsible for developing and monitoring risk management policies. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

#### Footnotes :

- For the purpose of above disclosure, "Public Funds" i.e. Commercial papers and NCD's are shown at Face Value whereas total assets and total liabilities are shown at Carrying values.
- Total Liabilities refer to Total outside liabilities i.e. Balance sheet total excluding Share Capital and Reserves.
- Other Short term liabilities include Financial Liabilities and non financial liabilities payable within an year (Excluding CP maturity and NCD Maturity of original tenor less than 1 year)

# Tata Capital Financial Services Limited

## Notes forming part of the Standalone Financial Statements (Continued)

for the year ended March 31, 2020

(Rs. in lakh)

**60. RBI Disclosure as per circular dated March 27, April 17 and May 23, 2020 for granting moratorium relief to borrowers, exclusion of the moratorium period for computation of DPD of the customer and general 5% provisioning for accounts wherein asset classification benefit is taken as on March 31, 2020.**

In accordance with the RBI guidelines relating to COVID-19 Regulatory Package dated March 27, 2020, April 17, 2020 and May 23, 2020, the Company is granting a moratorium of up to six months on payment of installments, falling due between March 1, 2020 and August 31, 2020 to eligible borrowers as per the Company's policy approved by the Board. For all such accounts where the borrower has been granted moratorium, the asset classification shall remain standstill during the moratorium period (i.e. the number of days past-due shall exclude the moratorium period for the purposes of staging).

At March 31, 2020, the aggregate outstanding of the borrowers is Rs. 172,366 lakh, to whom moratorium has been extended and were overdue but standard (DPD 1-89 days) as at February 29, 2020. Of these, borrowers with aggregated outstanding of Rs. 22,740 lakh (including accrued interest of Rs. 295 lakh) were extended asset classification benefit (accounts not classified as Stage 3) at March 31, 2020. At March 31, 2020, the Company has loan loss allowances of Rs. 5,890 lakh against these loan accounts (allowances made during Q4-2020 amounted to Rs. Nil pursuant to compliance with the RBI circular on moratorium mandating a minimum of 5.4% provision as on March 31, 2020).

**61. Previous period's / year's figures have been regrouped / reclassified, wherever necessary, to correspond with the current period's /year's classification/ disclosure.**

For **B S R & Co. LLP**

Chartered Accountants

Firm's Registration No: 101248W/W-100022

For and on behalf of the Board of Directors

**TATA Capital Financial Services Limited**

**Sagar Lakhani**

Partner

Membership No: 111855

**Rajiv Sabharwal**

(Director)

(DIN No. : 00057333)

**F.N. Subedar**

(Director)

(DIN No. : 00028428)

**Anuradha E. Thakur**

(Director)

(DIN No. : 06702919)

Mumbai

June 27, 2020

**Varsha Purandare**

(Director)

(DIN No. : 05288076)

**Sarosh Amaria**

(Managing Director)

(DIN No. : 08733676)

**Avan Doomasia**

(Company Secretary)