



**KLM AXIVA  
FINVEST LTD**

പുരോഗതിയുടെ ഭരണവും എല്ലാവർക്കും...

# ANNUAL REPORT 2020-21

**M**ore Relationship  
ore Business  
ore Profit

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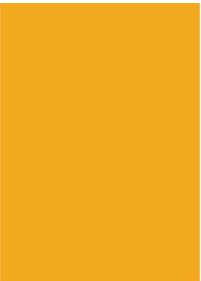


HAPPINESS PREVAILS  
FOR THOSE WHO SHARE  
LIFE MEANINGFULLY



# KLM AXIVA FINVEST LTD

പുരോഗതിയുടെ ഭൗമം എല്ലാവർക്കും...



- \* Heritager of Trust
- \* Mender of Man-living
- \* Scaler of peak-prospects
- \* Redefiner of Money
- \* Revealator of money Tree



- \* Captain of Money Team
- \* Sketch the finance sector
- \* Drive in proper gear
- \* Flagship to new horizons
- \* Revamp novel deals



\* Novel ideas shape vision REAL

**KEEP**

**LOYAL**

**MAN**

ENRICHING  
**YOUR**  
LIFE





## CHAIRMAN'S MESSAGE

**Dr. ALEXANDER JOHN JOSEPH IAS (Retd)**  
Chairman, KLM Axiva Finvest Limited

I am delighted to share our performance report for 2020-21. However, before I share the details, it is disheartening to see that the world getting crippled by the advent of COVID 19 Pandemic. The entire world has flipped upside down due to this virus and is still yet to come out of this predicament. However, the financial Year 2020 has been an exceptional year for KLM Axiva as we witnessed many big events in this year's timeline. The third issue of NCD, Adding a new region to our branch tally, Investa 2020 and Digi Gold. These feats are a matter of immense pride and satisfaction for all of us at KLM Axiva, and a clear endorsement of the success of our strategic focus on inclusive financial growth. The certitude entrusted by millions in your Company is the main reason for steadfast growth even at the difficult times.

From a very humble beginning in 1999, KLM Axiva has been in its epic journey to be the pioneers in the field of finance. Unlike other companies we have become the super store of all financial products. With a strong vision based on hard work, open communication and high social responsibility, has transformed KLM Axiva to more than a financial institution. As our tag line in the recent advertisement states, we were able to get love by lending money, which is something not every financial company can boast about.

The Success of NCD has been a major breakthrough this FY has seen. The 3rd NCD, which was issued in the first quarter of this FY, was thus far turned out to be the best.

This year, management has adopted an aggressive branch expansion policy with a vision to elevate the number of branches to 500. Also, this year witnessed the establishment of branches in Telangana. With this

momentum set, our company is planning to expand its presence manifold in the coming FY's to over vivid areas.

Introduction of new products including the inauguration of Digi Gold- an online platform for gold is seen as game changer. Considering the inevitability of digitalization in the lives of people, KLM has decided to turn digital to get connected with its customers and well-wishers, which is going to set a new motion of connecting people digitally.

We have also, during the year, further diversified our product offerings to make them more encompassing and suited to the diverse needs of our growing customer base. Given the dynamically evolving nature of today's credit culture, keeping pace with customers' unique aspirations and needs can be quite challenging. At KLM Axiva, we are continuously expanding the vistas of our business to deliver customized products and services to our customers.

Even in the current scenario of recessions and pandemic, KLM Axiva has performed well in all our area of expertise, viz. investments, and control of NPA and in all other areas of business. To be a front runner in the field, the company has to move a lot forward, however, we are confident that with the support of shareholders and well-wishers we could reach the zenith. I request the whole hearted support from every one and also express my sincere thanks to you, who have had our back all these years.

Thanking you  
**Dr. Alexander John Joseph**  
Chairman





## DIRECTOR'S MESSAGE

**Shri. SHIBU THECKUMPURATH VARGHESE**  
Executive Director, KLM Axiva Finvest Limited

“Quality is not an art, it is a habit”, a famous saying by scholar Aristotle is truly what is being preferred and followed by our Company. The financial year 2020-21 has been a blessing in disguise for our organisation as we witnessed many big events in the form of NCD III, proliferation of our company presence in the form of branch expansion to vivid areas, Investa 2020 and the inauguration of ‘Digi Gold’- digital online gold platform. Though the condition of economy is in tatters due to the wreckage caused by COVID-19 pandemic, the above events gave us something to cherish amid this crisis.

Last year our company accelerated its growth by adding more products and services to cater to the customers’ growing need and wants. Apart from expanding our presence by setting more branches in Kerala, Tamil Nadu Karnataka and Telangana our company has planning to start its operations in Maharashtra after the inauguration of its Zonal Office in Mumbai. Being a dynamic organisation, we are planning to expand our branch numbers to 500 by the end of this FY 2020-21.

For FY 20, the Company’s consolidated AUM stood at Rs. 747.30 crores, with consolidated PAT at Rs. 7.14 Lakhs. The reduction in profitability was heavily due to higher provisioning requirements, as per Ind As and NBFC-NDSI regulations.

There is a huge gap between the financial needs of

the people and the options available for them to satisfy those needs. NBFCs such as ours are trying to fill in the gap as much as possible by providing affordable financial services to the needy. We at KLM Axiva have been always well intended to help the people achieve their needs and wants. I would like to bring to your attention that our Microfinance division is doing well and have helped people of all walks of life, especially women by providing them with affordable and accessible micro loans. Our Gold Loan portfolio is increasing immensely thanks to our simple and easy loan procedures and the good work put by our hard-working employees.

The company’s decision to turn digital, has been seen as a game changer. Most people of this generation are well adept to digitalisation and prefer digital services over normal. Therefore, keeping that aspect in mind, ‘Digi Gold’ will be a vital service to our customers and well-wishers, as it will be a perfect platform for them to avail our services and to get connected with us digitally.

As KLM Axiva moves ahead with even greater commitment in its mission of inclusion, we look ahead at a future that is even more exciting and promising for each one of us.

Thanking you

**Shibu Theckumpurath Varghese**  
Executive Director





# BOARD OF DIRECTORS



**CHAIRMAN**

**Dr. ALEXANDER JOHN JOSEPH IAS (Retd)**



**EXECUTIVE DIRECTOR**

**SHIBU THECKUMPURATH VARGHESE**

## OTHER DIRECTORS

**BIJI SHIBU**

Director

**ISSAC JACOB**

Independent Director



# VIBRANT LEADERSHIP



BABY MATHEW SOMATHEERAM

Adv. PEEYUS A KOTTAM

Adv. SEBASTIAN C KAPPAN

Dr. GEORGE JACOB

JOSE NALPAT

SABU PAUL

K.O. ITTOOP

REJI KURIAKOSE

GEORGE KURIAPE



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## CORPORATE INFORMATION

### CORPORATE IDENTITY NUMBER (CIN)

U65910TG1997PLC026983

### BOARD OF DIRECTORS

#### Dr. Alexander John Joseph

(Chairman – Independent Director)

#### Mr. Shibu Theckumpurath Varghese

(Whole-time Director)

#### Mrs. Biji Shibu

(Director)

#### Mr. Issac Jacob

(Independent Director)

### KEY MANAGERIAL PERSONNEL

#### CHIEF FINANCIAL OFFICER

Mr.ThanishDalee

#### COMPANY SECRETARY & COMPLIANCE OFFICER

Mr. Srikanth G. Menon

#### STATUTORY AUDITOR

R.B. Jain & Associates

(Chartered Accountants)

#### SECRETARIAL AUDITOR

Nekkanti S.R.V.V.S. Narayana& Co.

(Practicing Company Secretaries)

#### DEBENTURE TRUSTEE

#### PUBLIC ISSUE

Vistra ITCL (India) Limited

The IL&FS Financial Center, Plot No. C-22

G Block, BandraKurla Complex

Bandra (East), Mumbai – 400 051

Tel: +91 22 2659 3333

Email : itclcomplianceofficer@vistra.com

#### PRIVATE PLACEMENT

Mr. AbhjithSatheesh

Chartered Accountant

Chakkaraparambu, Kochi

#### LISTING (NON-CONVERTIBLE DEBENTURES)

BSE Limited

### REGISTRAR & SHARE TRANSFER AGENT

#### KFin Technologies Private Limited

Selenium Tower B, Plot 31-32, Gachibowli

Financial District, Nanakramguda

Serilingampally, Hyderabad

Telangana-500 032

Tel: +91 40 6716 2222

Email : klm.ncd@kfintech.com

### CREDIT RATING AGENCY

#### CARE Ratings Limited

Unit No O-509/C, Spencer Plaza

5th Floor, No.769, Anna Salai

Chennai 600002

Tel: +91 -44-2849 7812/0876/0811

E-mail : pradeep.kumar@careratings.com

### CREDIT RATING

“CARE BB+: Stable”, by CARE Ratings

### REGISTERED OFFICE

Door No. 3-3-408/1, First Floor

RTC Colony, Opp.SBI Bank, LB Nagar

Mansoorabad, Rangareddi, Hyderabad

Telangana – 500074

Email: axivafinvest@klmgroup.in

Telephone: +91 40 4854 2753

Website : www.klmaxiva.com

### CORPORATE OFFICE

4th Floor, Door No. 1871A24

VM Plaza, Palarivattom

Ernakulam, Kerala – 682 025

Tele: +91 484 4281 111

Email : axivafinvest@klmgroup.in

### SUBSIDIARY

KMLM Financial Services Limited

### BANKERS

Federal Bank

South Indian Bank

State Bank of India

HDFC Bank

Axis Bank

Kerala Gramin Bank

# KLM AXIVA FINVEST LIMITED

Regd Off : Door No. 3-3-408/1, First Floor, RTC Colony, Opposite SBI Bank,  
LB Nagar, Mansoorabad, Hyderabad, Rangareddi, Telangana - 500074,  
Ph : 0484 4281111, e-mail : admin@klmaxiva.com  
CIN: U65910TG1997PLC026983

## NOTICE

Notice is hereby given that the 24<sup>th</sup> Annual General Meeting of the members of **KLM Axiva Finvest Limited** will be held on Tuesday, 31<sup>st</sup> August, 2021 at 02.00 P.M. at the registered office of the company situated at Door No. 3-3-408/1, First Floor, RTC Colony, Opposite SBI Bank, LB Nagar, Mansoorabad, Hyderabad, Rangareddi, Telangana - 500074, India to transact the following business:

### Ordinary Business:

1. To receive consider and adopt the Audited Financial Statements of the Company for the financial year ended 31<sup>st</sup> March, 2021 and Reports of Board of Directors' and Auditors' thereon.
2. To appoint a Director in place of Mrs. Biji Shibu (DIN: 06484566), who retires by rotation and, being eligible, offer himself for re-appointment.
3. To appoint Auditors and fix their remuneration and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

**"RESOLVED THAT** pursuant to provisions of Section 139, 142 and other applicable provisions, if any, of the Companies Act, 2013 read with the companies [Audit and Auditors] Rules, 2014 and other applicable provisions [including any modification or re-enactment thereof], and pursuant to the recommendations of the Audit Committee of the Board of Directors of the company M/s. R B Jain & Associates, Chartered Accountants, (FRN. 103951W), be and is hereby re-appointed as the Statutory Auditors of the Company to hold the office for a term of one year beginning from the conclusion of the ensuing Annual General Meeting till the conclusion of the 25<sup>th</sup> Annual General Meeting of the Company on such terms and remuneration as may be mutually agreed upon between the said Auditors and Board of Directors of the Company".

**RESOLVED FURTHER THAT** Board of Directors of the Company, be and is hereby empowered and authorised to take such steps, in relation to the above and to do all such acts, deeds, matters and things as may be necessary, proper, expedient or incidental for giving effect to this resolution and to file e-forms with Registrar of Companies."

### Special Business

4. Re-appointment of Dr. Alexander John Joseph (DIN: 00485766) as an Independent Director of the Company and in this regard to consider and, if thought fit, to pass with or without modification(s), the following as a Special Resolution:

**"RESOLVED THAT** pursuant to the provisions of Sections 149, 150, 152, 178 and other applicable provisions, if any, of the Companies Act, 2013 ('the Act'), rules framed thereunder and Schedule IV to the Act and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, with the recommendation of Nomination & Remuneration Committee and on submission of declaration pursuant to section 149(6), the approval of the members of the Company be and is hereby accorded to re-appoint Dr. Alexander John Joseph as the Independent Director of the Company, not liable to retire by rotation, for his second term of five consecutive years w.e.f. 26<sup>th</sup> September, 2021.

**RESOLVED FURTHER THAT** any of the directors of the Company be and is hereby authorised to do all acts as deemed necessary for giving effect to the said resolution"



5. To increase the Authorised Share Capital of the Company:

To consider and, if thought fit, to pass with or without modification(s), the following as an Ordinary Resolution:

**“RESOLVED THAT** pursuant to the provisions of Section 13, 61 and other applicable provisions, if any, of the Companies Act, 2013, (including any statutory modification (s) and reenactment (s) thereof for the time being in force) and the rules framed thereunder, consent of the Members be and is hereby accorded to increase the Authorized Share Capital of the Company from Rs.75,00,00,000/- (Rupees Seventy Five Crore) consisting of 7,50,00,000 (Seven Crore fifty lakhs) equity shares of Rs.10/- (Rupees Ten) each to Rs.1,15,00,00,000/- (Rupees One Hundred Crore fifteen Crore) consisting of 11,50,00,000 (Eleven Crore fifty Lakhs) equity shares of Rs. 10/- (Rupees Ten) each.”

**RESOLVED FURTHER THAT** the existing Clause V (a) of the Memorandum of Association of the Company be altered and substituted by the following new Clause:

V(a) The Authorised Share Capital of the Company is Rs.1,15,00,00,000/- (Rupees One Hundred Crore fifteen Crore Only) divided into 11,50,00,000 (Eleven Crore fifty Lakhs) Equity Shares of face value of Rs.10 (Rupees Ten only) each with power for the Company to consolidate, convert, sub-divide, reduce or increase the capital and to issue any new shares with any preferential or special rights and conditions attached thereto subject to the provisions of the Companies Act, 2013.”

**RESOLVED FURTHER THAT** any of the directors of the Company be and is hereby authorised to do all acts as deemed necessary for giving effect to the said resolution”

By order of the Board  
**For KLM Axiva Finvest Limited**

**Sd/-**  
**Theckumpurath Varghese**  
**Whole time Director**  
**DIN: 02079917**

Place: Ernakulam  
Date: 29<sup>th</sup> July, 2021

**Notes:**

1. A Member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a Member of the Company. The instrument appointing the proxy, in order to be effective, must be deposited at the Company's Registered Office, duly completed and signed, not less than forty-eight hours before the meeting. Proxies submitted on behalf of limited companies, societies, etc., must be supported by appropriate resolutions/authority, as applicable. A person can act as proxy on behalf of Members not exceeding fifty (50) and holding in the aggregate not more than 10% of the total share capital of the Company. In case a proxy is proposed to be appointed by a Member holding more than 10% of the total share capital of the Company carrying voting rights, then such proxy shall not act as a proxy for any other person or shareholder. Proxy form is enclosed herewith.
2. In case of joint holders attending the meeting, the Member whose name appears as the first holder in the order of names as per the Register of Members will be entitled to vote.
3. The Notice of the AGM and Annual Report 2020-21 is being sent by electronic mode to those Members whose e-mail addresses are registered with the Company/Depositories, unless any Member has requested for a physical copy of the same. For Members who have not registered their e-mail addresses, physical copies are being sent by the permitted mode.
4. Members/Proxies must bring the original attendance slip sent herewith duly filled in, signed and hand it over at the entrance of the meeting hall.
5. To support the 'Green Initiative', the Members who have not registered their e-mail addresses are requested to register the same with the Company.

**STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013****Item No. 4**

Dr. Alexander John Joseph (DIN 00485766) was appointed as an Independent Director of the Company pursuant to the provisions of Section 149,152 and any other applicable provisions of the Companies Act, 2013 read with rules framed thereunder ('the Act').

Dr. Alexander John Joseph IAS (Retired), was Former Chief Secretary and Cabinet Minister, Karnataka State. He joined the Indian Administrative Service in 1963, where he was allotted to Karnataka State IAS cadre. He served for 33 years in various departments. After retirement from Civil Service, he joined public life, contested elections and became a Cabinet Minister for Tourism of Karnataka State.

The Board of Directors at its meeting held on 29<sup>th</sup> July, 2021, on the recommendation of the Nomination and Remuneration Committee and based on the performance evaluation, and after taking into consideration his background and experience and contributions made by him during his tenure, the board is of the opinion that the association of Dr. Alexander John Joseph would be beneficial to the Company and it is desirable to re-appoint Dr. Alexander John Joseph as an Independent Director of the Company, not liable to retire by rotation, for a second term of five consecutive years w.e.f 26<sup>th</sup> September, 2021.

Notices under Section 160 of the Act have been received from Dr. Alexander John Joseph proposing their re-appointment as Directors of the Company. Requisite consent, pursuant to Section 152 of the Act, has been filed by Dr. Alexander John Joseph to act as Directors, if appointed.

The Board of Directors recommends the resolution at Item No. 4 of this Notice for your approval.

None of the Directors, Key Managerial Personnel and relatives thereof except Dr. Alexander John Joseph, has any concern or interest, financial or otherwise, in the resolution at Item No. 4 of this Notice.

**Item No: 5**

The Authorised Share Capital of the company presently stands at Rs. 75,00,00,000/- (Rupees Seventy Five crores only) divided into 7,50,00,000/- (Seven crores Fifty Lakhs) equity shares of face value of Rs. 10/- (Rupees Ten) each. The Board of directors of the company considered the necessity of new long term capital for funding the business operations of the Company. Thus it is proposed to increase the authorized capital from Rs. 75,00,00,000/- (Rupees Seventy Five crores only) to Rs.1,15,00,00,000/-(Rupees One Hundred Crore fifteen Crore) divided into 11,50,00,000 (Eleven Crore fifty Lakhs) Equity Shares of Rs.10 (Rupees Ten only) each, which will rank paripassu in all respects with existing equity shares

For this purpose, the Memorandum of Association of the Company is proposed to be suitably altered as set out at Item No. 5 of the accompanying Notice.



A copy of Memorandum of Association with the proposed change is available for inspection by the members during the office business hours of the Company.

The provisions of the Companies Act, 2013 require the Company to seek the approval of the Members for increase in the authorized share capital and for the alteration of capital clause of the Memorandum of Association of the Company.

So, the Board of Directors accordingly recommended the resolutions set out in Item No.5 for the approval of the members.

None of the Directors / Key Managerial Personnel/ or their relatives are, in any way, concerned or interested in the proposed resolution except to the extent of their shareholding.

By order of the Board  
**For KLM Axiva Finvest Limited**

**Sd/-**  
**Shibu Theckumpurath Varghese**  
**Whole time Director**  
**DIN: 02079917**

Place:Ernakulam  
Date: 29<sup>th</sup> July, 2021

[Pursuant to section 105(6) of the Companies Act, 2013 and rule 19(3) of the Companies (Management and Administration) Rules, 2014]

CIN: **U65910TG1997PLC026983**

Name of the company: **KLM AXIVA FINVEST LIMITED**

Registered office: **Door No. 3-3-408/1, First Floor, RTC Colony, Opposite SBI Bank, LB Nagar, Mansoorabad, Hyderabad, Rangareddi, Telangana - 500074, India.**

Name of the member (s) :

Registered address :

E-mail Id :

Folio No/ Client Id: DP ID :

I/We, being the member (s) of ..... shares of the abovenamed company, hereby appoint

- |           |   |       |           |   |                       |
|-----------|---|-------|-----------|---|-----------------------|
| 1. Name   | : | ..... | Address   | : | .....                 |
| E-mail Id | : | ..... | Signature | : | ....., or failing him |
| 2. Name   | : | ..... | Address   | : | .....                 |
| E-mail Id | : | ..... | Signature | : | ....., or failing him |
| 3. Name   | : | ..... | Address   | : | .....                 |
| E-mail Id | : | ..... | Signature | : | .....                 |

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 24<sup>th</sup> Annual general meeting of the company, to be held on Thursday, the 31<sup>st</sup> day of August, 2021 At 02.00 p.m. at Door No. 3-3-408/1, First Floor, RTC Colony, Opposite SBI Bank, LB Nagar, Mansoorabad, Hyderabad, Rangareddi, Telangana - 500074, India. And at any adjournment thereof in respect of such resolutions as are indicated below:

Resolution No.		Optional *	
		For	Against
<b>Ordinary Business</b>			
1.	To consider and adopt the Financial Statements of the Company for the financial year ended 31 <sup>st</sup> March, 2021 and the Reports of the Board of Directors and the Auditors.		
2.	To appoint a Director in place of Mrs. Biji Shibu (DIN: 06484566), who retires by rotation and, being eligible, offer himself for re-appointment.		
3.	To appoint Auditors and fix their remuneration		
<b>Special Business</b>			
4.	Re-appointment of Dr. Alexander John Joseph (DIN: 00485766) as an Independent Director of the Company		
5.	To increase the Authorised Share Capital of the Company		

Signed this..... day of.....2021

Signature of shareholder:

Signature of Proxy holder(s):

Affix Revenue Stamp
---------------------------

**Note: This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.**



**KLM AXIVA FINVEST LIMITED**

CIN: **U65910TG1997PLC026983**

Registered office: **Door No. 3-3-408/1, First Floor, RTC Colony, Opposite SBI Bank, LB Nagar, Mansoorabad, Hyderabad, Rangareddi, Telangana - 500074, India.**

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**ATTENDANCE SLIP**

Folio No. .... DP ID No. ....

Client ID No. ....

Name of Member:.....

Name of Proxy holder.....

No. of Share(s) Held:.....

I hereby record my presence at the 24<sup>th</sup> Annual General Meeting of the **KLM AXIVA FINVEST LIMITED** held on Tuesday, 31<sup>st</sup> August, 2021 at 02.00 p.m. at Door No. 3-3-408/1, First Floor, RTC Colony, Opposite SBI Bank, LB Nagar, Mansoorabad, Hyderabad, Rangareddi, Telangana - 500074, India.

\_\_\_\_\_  
Signature of Member/Proxy

Notes:

- (1) Members/Proxy holders are requested to produce the attendance slip duly signed for admission to the Meeting hall.
- (2) Members are requested to bring their copy of Annual Report for reference at the Meeting.

**ROUTE MAP TO REACH THE VENUE OF ANNUAL GENERAL MEETING**

Door No. 3-3-408/1, First Floor, RTC Colony Opposite SBI Bank LB Nagar, Mansoorabad  
Hyderabad Rangareddi,  
Telangana, 500074





## DIRECTORS' REPORT

Dear Members,

Your Directors are delighted to present the 24<sup>th</sup> Annual Report on the business and operations of your Company together with the Audited Financial Statements for the financial year ended 31<sup>st</sup> March, 2021.

### 1. FINANCIAL RESULTS

The financial performance of the Company is summarized below:

Amount in Rs.

Particulars	2020-2021		2019-20	
	Standalone	Consolidated	Standalone	Consolidated
Revenue from Operation	1,23,76,15,874	1,23,77,31,182	99,56,58,991	99,56,97,439
Other Income	2,75,04,600	2,75,04,600	2,68,40,068	2,68,40,068
Total Revenue	1,26,51,20,474	1,26,52,35,782	1,02,24,99,059	1,02,25,37,507
Total Expenses	1,15,48,59,596	1,15,38,06,721	94,75,96,300	94,69,15,447
Profit or Loss Before Tax and Extraordinary Items	11,02,60,878	11,14,29,061	7,49,02,759	7,56,22,060
Tax Expenses	3,96,77,165	4,00,18,175	6,98,34,775	7,03,10,219
Profit for the period	7,05,83,713	7,14,10,886	50,67,984	53,11,841
Earnings per equity share (Basic and Diluted)	1.24	1.25	0.10	0.10

### 2. COVID-19

Many of countries are reporting second and third waves of the Covid-19 infections. The actions taken by various governments to contain the pandemic, such as closing of borders and lockdown restrictions, have resulted in significant disruption to people and businesses. While vaccines have been made available, there are delays in vaccinating larger populations, increased instances of variants and infections, and consequential stress on the health sector. Consequently, market demands in some segments have been affected. There is a marked increase in the number of cases across regions where our branches and operation centers are located, and a small percentage of our employees or their families have been adversely affected.

### 3. STATE OF THE COMPANY'S AFFAIRS

The financial year 2020-21 the Company has raised Rs.124 crores by way of its third public issue of NCDs.

Your Directors are also please to inform that the Company has reached its asset size to Rs.500 crores during the financial year and changed its category to systemically important Company.

Profit after taxes was Rs.7,14,10,886/- in FY 2020-21 as compared to Rs.53,11,841/- in FY 2019-20. The expenditure of the Company had an upward trend due to the expenditure in connection with the public issue and branch expansion.

- I. Change in the financial year:** There is no change in the financial year during the year.
- II. Capital expenditure programs:** There are no major capital expenditure programs except purchase of office equipment's and furniture's etc.
- II. Developments, acquisition and assignment of material Intellectual Property Rights:** There were no major developments, acquisition and assignment of material Intellectual Property Rights.
- IV. Details and status of acquisition, merger, expansion, modernization and diversification:** There were no major events like acquisition, merger, expansion, modernization and diversification happened during the financial year.
- V. Change in status of the company:** There is no change in the status of the company during the financial year.
- VI. Key business developments:** Your directors put their hundred percent efforts to run the business effectively. There are no key business developments during the year.

#### **4. OPERATIONS**

The Company fallen under category of Non-Banking Financial Company - Systemically Important No-Deposit taking Company (NBFC-ND-SI) on 16<sup>th</sup> October, 2020

The operations of your Company are predominantly in to financing activities and as such it is a NBFC-Investment and Credit Company (NBFC-ICC) as per the guidelines issued by the Reserve Bank of India.

#### **5. REGISTRATION AS A NON-DEPOSIT TAKING NBFC**

The Company is registered with the Reserve Bank of India as a Non-Banking Financial Company (Non-Deposit taking) and holds a valid certificate of registration bearing No.09.00006. Your Company has been regular in complying with all the applicable regulations, circulars etc. issued by the RBI from time to time.

#### **6. RBI GUIDELINES**

The Company being a non-deposit taking NBFC has complied with all applicable regulations of the Reserve Bank of India except as mentioned in the secretarial audit report.

As per Non-Banking Finance Companies RBI Directions, 1998, the Directors hereby report that the Company did not accept any public deposits during the year and is not having public deposits outstanding at the end of the year.

#### **7. CAPITAL ADEQUACY AND NET OWNED FUNDS**

The Capital Adequacy Ratio of the company is in compliance with the capital adequacy requirement specified by RBI.

As per the audited financial statements for the year 2020-21, the net owned fund (NOF) of the Company is Rs.80.13 Crores which is in compliance to the revised regulatory framework issued by the Reserve Bank of India.

## **8. INDIAN ACCOUNTING STANDARDS**

Vide notification dated February 16, 2015 the Ministry of Corporate Affairs notified the Indian Accounting Standards ("Ind AS") are applicable to listed companies. The financials of the Company is prepared in compliance and in accordance with the Indian Accounting Standards.

## **9. CHANGE IN NATURE OF BUSINESS, IF ANY**

During the year there was no change in the nature of the business of the company.

## **10. EVENTS SUBSEQUENT TO THE DATE OF FINANCIAL STATEMENTS MATERIAL CHANGES AND COMMITMENTS AFFECTING THE FINANCIAL POSITION OF THE COMPANY BETWEEN THE END OF THE FINANCIAL YEAR TO WHICH FINANCIAL STATEMENTS RELATE AND THE DATE OF THE REPORT**

During the financial year there were no material changes and commitments affecting the financial position of the company except for the resignation of the existing auditor and appointment of the M/s RB Jain and associates.

## **11. DETAILS OF REVISION OF FINANCIAL STATEMENT OR THE REPORT**

The Board of Directors of your company has not revised any reports or financial statements of your company in respect of any of the three preceding financial years either voluntarily or pursuant to the order of a judicial authority.

## **12. RESERVES**

The Securities premium account and General Reserve account of the Company is Rs. 11,60,17,562/- and Rs. 4,08,000/- respectively.

### **Statutory Reserve:**

During the year, Company has transferred Rs.1,41,16,743/- to the Statutory Reserve maintained under Section 451C of the Reserve Bank of India Act, 1934 taking it to a total of Rs. 4,83,83,843/- post transfer of profits to reserves.

## **13. DIVIDEND**

During the year, Company has paid an interim dividend of Rs. 1/- per share.

## **14. TRANSFER OF UNCLAIMED DIVIDEND TO INVESTOR EDUCATION AND PROTECTION FUND**

The company was not having any unpaid/unclaimed dividends having maturity more than 7 years; hence the provisions of Section 125 of the Companies Act, 2013 do not apply.



## **15. CHANGES IN SHARE CAPITAL DURING THE FINANCIAL YEAR, IF ANY**

During the Financial year, The Company has increased Authorized Share Capital of the Company from Rs.60, 00, 00,000 (Sixty Crores only) divided into 6,00,00,000 equity shares of Rs.10/- each to Rs. 75, 00, 00,000/- (Seven Five Crores Fifty lakhs) divided into 7, 50, 00,000 equity shares of Rs.10/- each.

During the financial year 2020-21, the Company has allotted 1,48, 00,000 equity shares on 26<sup>th</sup> December, 2020 through private placement basis.

The total issued, subscribed and paid up share capital of the Company as on the date of the report is Rs.67,92,82,280/- (Rupees Sixty Seven Crore Ninety two lakh Eighty two thousand Two hundred and Eighty Only) divided into 6,79,28,228/- equity shares of Rs.10/- each.

## **16. DISCLOSURE REGARDING ISSUE OF EQUITY SHARES WITH DIFFERENTIAL RIGHTS**

The Company has not issued any equity shares with differential rights during the financial year.

## **17. DISCLOSURE REGARDING ISSUE OF EMPLOYEE STOCK OPTIONS**

The Company has not issued any employee stock options during the year.

## **18. DISCLOSURE REGARDING ISSUE OF SWEAT EQUITY SHARES.**

The Company has not issued any sweat equity shares.

## **19. DISCLOSURE REGARDING SHARES HELD IN TRUST FOR THE BENEFIT OF EMPLOYEES WHERE THE VOTING RIGHTS ARE NOT EXERCISED DIRECTLY BY THE EMPLOYEES**

Since the company has not provided any option to employees, none of the Shares held in trust for the benefit of employees where the voting rights are not exercised directly by the employees

## **20. DISCLOSURE REGARDING BUY BACK OF SECURITIES**

Your Company has not bought back any of its securities during the year under review.

## **21. DISCLOSURE REGARDING BONUS SHARES**

Your Company has not issued any Bonus Shares during the year under review.

## **22. DISCLOSURE REGARDING ISSUE OF WARRANTS**

Your Company has not issued any warrants during the year under review.

## **23. CAPITAL ADEQUACY**

Your Company has a capital adequacy ratio (Capital to risk weighted assets ratio – CRAR) of 16.06% as on March 31, 2021. The minimum regulatory requirement for non-deposit accepting NBFCs is 15%.

## 24. DIRECTORS & KEY MANAGERIAL PERSONNEL

The Board of directors of the company comprises of Five Directors including two independent Directors. The compositions of the Board, position are as follows:

Sl. No.	Name	Designation	Date of Appointment	DIN	Category- Independent /Non Independent	Executive / Non Executive
1.	Dr. Alexander John Joseph	Chairman and Director	29/02/2016	00485766	Independent	Non-Executive
2.	Mr. Josekutty Xavier	Director	02/12/2014	02073994	Non Independent	Non-Executive
3.	Mr. Shibu Theckumpurath Varghese	Whole-time director	27/07/2016	02079917	Non Independent	Executive
4.	Mrs. Biji Shibu	Director	09/03/2013	06484566	Non Independent	Non-Executive
5.	Mr. Issac Jacob	Director	17/03/2018	02078308	Independent	Non-Executive
6.	Mr. Thanish Dalee	Chief Financial Officer	08/08/2017	-	Not Applicable	-
7.	Mr. Srikanth.G. Menon	Company Secretary	26/12/2018	-	Not Applicable	-

During the year Mr. James Joseph Arambankudyil (DIN: 06566906) resigned from the post of Director w.e.f. 16<sup>th</sup> March, 2021.

Mr. Josekutty Xavier, (DIN: 02073994) resigned from the post of Director of the Company w.e.f. 12<sup>th</sup> April, 2021.

### a. Woman Director

As per the provisions of Section 149 of the Companies Act, 2013, the Company shall have at least one-woman Director in the Board. Your Company has Mrs. Biji Shibu, as Woman Director on the Board.

## MEETINGS OF BOARD OF DIRECTORS AND ATTENDANCE

The Board met five times during the financial year.

Sl. No.	Date of Board Meeting	Name of the Director					
		Dr. Alexander John Joseph	Mr. Josekutty Xavier	Mr. Shibu Theckumpurath Varghese	Mrs. Biji Shibu	Mr. James Joseph Arambankudyil	Mr. Issac Jacob
1.	23 <sup>rd</sup> May, 2020	No	Yes	Yes	Yes	Yes	No
2.	31 <sup>st</sup> August, 2020	No	Yes	Yes	Yes	Yes	No
3.	05 <sup>th</sup> October, 2020	No	Yes	Yes	Yes	Yes	No
4.	30 <sup>th</sup> October, 2020	Yes	Yes	Yes	Yes	Yes	No
5.	26 <sup>th</sup> March, 2021	No	Yes	Yes	Yes	No	No

## 1. COMMITTEES OF BOARD

The Board of Directors has constituted Eight Board Committees in accordance with the provisions of Companies Act, 2013, Master Directions of Reserve Bank of India and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.viz. Audit Committee, Nomination and Remuneration Committee, Stakeholders Relationship Committee, Asset Liability Management Committee, Risk Management Committee, Debenture Committee, Finance Committee and Corporate Social Responsibility Committee. All decisions pertaining to the constitution of Committees, appointment of members and fixing of terms of reference / role of the Committees are taken by the Board of Directors. Details on the composition of these Committees, including the number of meetings held during the financial year and attendance at meetings, are provided below.

### A. AUDIT COMMITTEE

The Company has constituted the Audit Committee as required under Section 177 of the Companies Act, 2013. The Committee also fulfils the guidelines issued by the Reserve Bank of India in this regard.

The Audit Committee at the Board level of your Company acts as a link between the Independent Auditors, Internal Auditors, the Management and the Board of Directors and oversees the financial reporting process. The Audit committee interacts with the Internal Auditors, Independent Auditors, and Secretarial Auditors and reviews and recommends their appointment and remuneration. The Audit Committee is provided with all necessary assistance and information for enabling them to carry out its function effectively.

During the financial year 2020-21, the Audit Committee met 1time on 30.10.2020.

The Committee comprises the following members as on 31<sup>st</sup> March, 2021:

Sl. No.	Name	Nature of Directorship	Designation	No.of meetings attended
1.	Mr. Josekutty Xavier	Non-Independent	Chairman	1
2.	Dr. Alexander John Joseph	Independent	Member	1
3.	Mr. Issac Jacob	Independent	Member	-

Audit committee of the Board of Directors was reconstituted on April16<sup>th</sup>2021. It currently comprises of the following directors;

- a. Biji Shibu (Chairperson)
- b. Dr. AlexanderJohn Joseph
- c. Issac Jacob

### B. NOMINATION AND REMUNERATION COMMITTEE

No meetings were held during the financial year 2020-21.

The Committee comprises the following members as on 31<sup>st</sup> March, 2021:

Sl. No.	Name	Nature of Directorship	Designation	No.of meetings attended
1.	Mrs. BijiShibu	NonIndependent	Chairperson	-
2.	Dr. Alexander John Joseph	Independent	Member	-
3.	Mr. Issac Jacob	Independent	Member	-



### C. ASSET LIABILITY MANAGEMENT COMMITTEE

No meetings were held during the financial year 2020-21.

The Committee comprises the following members as on 31<sup>st</sup> March, 2021:

Sl. No	Name	Nature of Directorship	Designation	No. of meetings attended
1	Mr. Josekutty Xavier	Non Independent	Chairman	-
2	Mrs. Biji Shibu	Non Independent	Member	-
3	Mr. Shibu Theckumpurath Varghese	Non Independent	Member	-

The Asset Liability Management Committee was reconstituted on April 16<sup>th</sup>2021 and it currently comprises:

a. Shibu Theckumpurath Varghese (Chairman)

b. Biji Shibu

### D. RISK MANAGEMENT COMMITTEE

No meetings were held during the financial year 2020-21.

The Committee comprises the following members as on 31<sup>st</sup> March, 2021:

Sl. No	Name	Nature of Directorship	Designation	No. of meetings attended
1	Mr. Shibu Theckumpurath Varghese	Non Independent	Chairman	-
2	Mr. Josekutty Xavier	Non Independent	Member	-
3	Mr. James Joseph Arambankudiyil	Non Independent	Member	-

The Risk Management Committee was reconstituted on April 16<sup>th</sup>2021 and it currently comprises:

a. Shibu Theckumpurath Varghese (Chairman)

b. Biji Shibu

### E. STAKEHOLDERS RELATIONSHIP COMMITTEE

No meetings were held during the financial year 2020-21.

The Committee comprises the following members as on 31<sup>st</sup> March, 2021:

Sl. No	Name	Nature of Directorship	Designation	No. of meetings attended
1	Mrs. Biji Shibu	Non Independent	Chairperson	-
2	Mr. Josekutty Xavier	Non Independent	Member	-
3	Mr. James Joseph Arambankudiyil	Non Independent	Member	-

Stakeholders Relationship Committee was reconstituted on April 16<sup>th</sup>2021 and it currently comprises:

- a. Biji Shibu (Chairman)
- b. Shibu Theckumpurath Varghese
- c. Alexander John Joseph

**F. DEBENTURE COMMITTEE**

The Debenture Committee met 3 times during the financial year 2020-21. Dates are: 27.05.2020, 25.06.2020 and 02.07.2020.

The Committee comprises the following members as on 31<sup>st</sup> March, 2021:

Sl. No	Name	Nature of Directorship	Designation	No. of meetings attended
1.	Mr. Shibu Theckumpurath Varghese	Non Independent	Chairman	3
2.	Mrs. Biji Shibu	Non Independent	Member	3
3.	Mr. Josekutty Xavier	Non Independent	Member	3
4.	Mr. James Joseph Arambankudiyil	Non Independent	Member	3

The Debenture Committee was reconstituted on April 16<sup>th</sup>, 2021. The Debenture Committee comprises of the following persons:

vg

- a. Shibu Theckumpurath Varghese; (Chairman)
- b. Biji Shibu

**G. FINANCE COMMITTEE**

The Finance Committee met 6 times during the financial year 2020-21. Dates are; 02.07.2020, 29.07.2020, 17.09.2020, 30.10.2020, 26.12.2020 and 08.03.2021

The Committee comprises the following members as on 31<sup>st</sup> March, 2021:

Sl. No	Name	Nature of Directorship	Designation	No. of meetings attended
1.	Mr. Shibu Theckumpurath Varghese	Non Independent	Chairman	6
2.	Mrs. Biji Shibu	Non Independent	Member	6
3.	Mr. Josekutty Xavier	Non Independent	Member	6
4.	Mr. James Joseph Arambankudiyil	Non Independent	Member	5

The Finance Committee was reconstituted on April 16<sup>th</sup> 2021 and it currently comprises:

- a. Shibu Theckumpurath Varghese (Chairman)
- b. Biji Shibu

## H. CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

No meetings were held during the financial year 2020-21.

The Committee comprises the following members as on 31<sup>st</sup> March, 2021:

Sl. No	Name	Nature of Directorship	Designation	No. of meetings attended
1.	Mr. Shibu Theckumpurath Varghese	Non Independent	Chairman	-
2.	Mrs. Biji Shibu	Non Independent	Member	-
3.	Dr. Alexander John Joseph	Independent	Member	-

### 26. VIGIL MECHANISM:

As a part of Vigil Mechanism, a Whistle Blower Policy has been established and approved by the Board. This Policy envisages reporting of wrong doing or un-ethical activities observed by employees at any level directly to the Chairman of the Audit Committee.

The matter reported is investigated and if the wrong done is found guilty, disciplinary action will be initiated depending upon the materiality of the unethical doings. During the year under report there have been no instances which required reporting.

### 27. COMPANY'S POLICY ON DIRECTOR'S, KMPs & OTHER EMPLOYEES APPOINTMENT & REMUNERATION INCLUDING CRITERIA FOR DETERMINING QUALIFICATION, ATTRIBUTES, INDEPENDENCE, ETC.

Based on the recommendation of Nomination and Remuneration Committee (NRC) of the Board, the Board has adopted the Remuneration Policy for Directors, KMP and other Employees. NRC has also formulated the criteria for determining qualifications, positive attributes and independence of director as well as criteria for evaluation of individual Directors and the Board.

The policy adopted by the Company for Director's, KMPs & Other Employees Appointment & Remuneration including criteria for determining Qualification, Attributes, Independence, etc is placed on the website of the Company.

### 28. STATEMENT ON DECLARATION GIVEN BY INDEPENDENT DIRECTORS

Pursuant to Section 149(7) of the Companies Act, 2013, the Company has received declarations from Dr. Alexander John Joseph (DIN: 00485766) and Mr. Issac Jacob (DIN: 02078308) Independent Directors of the Company, confirming that they meet the criteria of independence as specified in Section 149(6) of the Act.

### 29. SUBSIDIARIES/JOINT VENTURE/ASSOCIATE COMPANY

As on March 31, 2021, your Company had one subsidiary namely M/s. KMLM Financial services Limited (CIN: U74110KL2011PLC029750).

Joint Venture/Associate Company: Nil

#### a. Financial Performance & position of Subsidiaries;

M/s. KMLM Financial Services Limited is a wholly owned subsidiary of your Company. Its major financial parameters for Financial Year 2020-21 are as follows:



<b>Parameters</b>	<b>Total Income</b>	<b>Profit Before Tax</b>	<b>Profit After Tax</b>	<b>Equity</b>	<b>Total Assets</b>	<b>Total Liabilities</b>
Amount in Rs.	18,82,987	11,68,183	10,14,253	2,15,50,000	2,81,49,061	3,72,635

- Total Income for the Financial Year 2020-21 stood at Rs.18, 82,987/- as against previous year total income Rs.30, 70,890/-.
- Profit after tax of Rs. 10, 14,253/-in Financial Year 2020-21 as against the previous year profit Rs. 11,70,625/-

### **30. RAISING OF ADDITIONAL CAPITAL**

During the year your company raised funds through Public issue of Secured Redeemable Non-Convertible Debentures, Loans from Banks, Private placement of Equity shares and Subordinated Debts.

#### **A. Public Issue of Secured Debentures**

During the period under, your Company has successfully completed 3<sup>rd</sup> Public issue and raised a amount of Rs.124.28 crores through its public issue of Secured Redeemable Non-Convertible Debentures of face value of Rs. 1,000/- each.

#### **B. Subordinated Debt.**

During the period under review the Company has allotted 12,00,452 units of subordinated debts.

#### **C. Private Placement of Shares**

During the financial year 2020-21, the Company has allotted 1,48,00,000 equity shares on 26<sup>th</sup> December, 2020 through private placement basis.

#### **D. Bank Loan**

As on 31<sup>st</sup> March, 2021 Company have outstanding bank loan of Rs. 10, 20, 39,091/-.

### **31. DETAILS OF SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS, COURTS, TRIBUNALS IMPACTING THE GOING CONCERN STATUS AND COMPANYS OPERATIONS IN FUTURE**

During the year under review, no material orders were passed by the Regulators/Courts/Tribunals/impacting the company's going concern and future operations.

### **32. RISK MANAGEMENT**

The Company is engaged in the business of financial services. The Board is also periodically informed of the business risks and the actions taken to manage them. The Company has formulated a policy for Risk management. The policy adopted by the Company for Risk Management is placed on the website of the Company.

### **33. INTERNAL FINANCIAL CONTROL SYSTEMS**

The Board of your Company has laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and operating effectively. Your Company has adopted policies and procedures for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial disclosures.

### 34. CREDIT RATING

Your Company's debt instruments are rated by Credit Analysis & Research Limited. Below mentioned is the rating rationale as obtained from them:

Type of instrument	Amount (Rs. Crore)	Ratings
Long-term bank facilities	10	CARE BB+;Stable (Double B Plus;Outlook: Stable)
Non-Convertible Debenture Issue	100	CARE BB+;Stable (Double B Plus;Outlook: Stable)
Non-Convertible Debenture Issue	93	CARE BB+;Stable (Double B Plus;Outlook: Stable)
Non-Convertible Debenture Issue	124	CARE BB+;Stable (Double B Plus;Outlook: Stable)

### 35. FAIR PRACTICES CODE

The Company has framed Fair Practices Code as per the latest guidelines issued by Reserve Bank of India in this regard. The Fair Practice Code adopted by the Company is placed on the website of the Company.

### 36. SECRETARIAL STANDARDS OF ICSI

Your Company is in compliance with the Secretarial Standards.

### 37. CORPORATE INSOLVENCY RESOLUTION PROCESS INITIATED UNDER THE INSOLVENCY AND BANKRUPTCY CODE, 2016 (IBC)

Since there is no corporate insolvency resolution process or initiations are pending against the company under the Insolvency and Bankruptcy Code, 2016, disclosures relating to the same are not applicable to your company.

### 38. SEXUAL HARASSMENT OF WOMEN AT WORKPLACE

The company has complied with the provisions relating to constitution of Internal Compliance Committee under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

The Directors further state that during the year under review, there were no cases filed and there were no cases pending for disposal pursuant to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

### 39. DISCLOSURE OF MAINTENANCE OF COST RECORDS UNDER SECTION 148 OF THE COMPANIES ACT

Maintenance of cost records in compliance with the Sub-section (1) of Section 148 of the Companies Act, 2013 is not applicable to the company.

#### **40. DEPOSITS**

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

#### **41. ANNUAL RETURN**

Pursuant to Sections 92(3) and 134(3)(a) of the Companies Act, 2013 adraft Annual return is available on your Company's website and can be accessed at the web link:www.klmaxiva.com.

#### **42. DISCLOSURE ON CORPORATE SOCIAL RESPONSIBILITY**

Your Board has constituted a Corporate Social Responsibility (CSR) committee to support the Company in achieving the CSR objectives of the Company.

In terms of Section 135 of the Companies Act, 2013 read with Companies (Corporate Social Responsibility) Rules, 2014 as amended ("CSR Rules") and in accordance with CSR Policy, during the year under review, your Company has spent Rs.7,24,715/- on CSRprojects/programs. The amount equal to 2% of the average net profit for the past three financial years required to be spent on CSR activities was Rs. 11,62,013/- Your Company is in compliance with the statutory requirements in this regard.

The CSR Policy of the Company is hosted on the Company's website at the web-link: **www.klmaxiva.com/policies** and a brief outline of the CSR Policy and the CSR initiatives undertaken by the Company during the year as per Annexure prescribed in the Companies (Corporate Social Responsibility Policy) Rules, 2014 have been appended as Annexure I to this Report.

#### **43. CONSERVATION OF ENERGY, RESEARCH AND DEVELOPMENT, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO**

The particulars as prescribed under Sub-section (3)(m) of Section 134 of the Companies Act, 2013,read with the Companies (Accounts) Rules, 2014, are not applicable to the company because the Company is engaged in Finance business. Further, there are no foreign exchange earnings and outgo during the year under review.

#### **44. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS UNDER SECTION 186**

Pursuant to the clarification issued by the Ministry of Corporate Affairs on February 13, 2015, provisions of Section 134 (3)(g) and Section 186(11) of the Companies Act, 2013 requiring disclosure of particulars of the loans given, investments made or guarantees given or securities provided are not applicable to the Company.

#### **45. PARTICULARS OF RELATED PARTY TRANSACTION**

During the year under review, your Company had not entered into any Material Related Party Transaction, hence AOC-2 under section 134(3) (h) of theCompanies Act, 2013 not applicable.

#### **46. PARTICULARS OF EMPLOYEES**

Disclosures as required under Companies (Appointment and Remuneration of Managerial Personnel) Rule, 2014 areappended as Annexure II to this Report. During the year under review, no employee of the Company was in receipt of remuneration requiring disclosure under Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

#### **47. DETAILS OF FRAUDS REPORTED BY THE STATUTORY AUDITORS**

During the year under review, the Statutory Auditors of the Company have not reported any fraud as required under Section 143 (12) of the Companies Act, 2013.

#### **48. AUDITORS**

##### **a) Statutory Auditors under section 139**

With reference to Master Circular DNBR (PD) CC No.040/03.01.001/2014-15 dated June 03, 2015, and pursuant to Regulation 74 of Master Direction DNBR. PD. 008/03.10.119/2016-17, all applicable NBFCs shall rotate the partner/s of the Chartered Accountant firm conducting the audit, every three years so that same partner does not conduct audit of the company continuously for more than a period of three years. Currently other partners of Balan & Co were pre-occupied with other assignments. Henceforth on 12.04.2021 M/s. Balan & Co has filed their resignation from the post of Statutory Auditors of the Company.

Members of the company at their Extra Ordinary General Meeting held on 21.05.2021, appointed M/s. R B Jain & Associates, Chartered Accountants, Kochi (FRN. 103951W) be and is hereby appointed as Statutory Auditors of the Company for the Financial Year 2020-2021.

##### **b) Secretarial Audit under section 204**

The Board of Directors of the Company has appointed M/s.Nekkanti S.R.V.V.S. Narayana & Co., Practicing Company Secretaries to conduct the Secretarial Audit of the Company pursuant to the provisions of section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014. In accordance with the provisions of sub-section (1) of section 204, the Secretarial Audit Report for the Financial Year 2020-21 is appended to this Report as Annexure IV.

##### **c) Explanations or comments by the Board on qualification, reservation or adverse remark or disclaimer on audits for financial year 2020-21**

There were no qualifications, reservations or adverse remarks made by the Statutory Auditors in their report.

##### **The Secretarial Auditors' Comment:**

*a) The Company has not fully complied with the Master Direction - Information Technology Framework for the NBFC Sector.*

*b) The Company has not fully complied with the Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 with respect to uploading the requisite KYC details of the borrowers of the Company even though the CKYC registration is completed.*



**Management reply:**

- a) *The Company fallen under the category of NBFC-ND-Subsidiary company formulating a Board approved IT policy as per Master Direction - Information Technology Framework for the NBFC Sector and the same to be placed for approval of Board of Directors.*
- b) *The company has taken CKYC registration uploading the requisite data in the portal, further uploadings are under process.*

**49. DIRECTORS' RESPONSIBILITY STATEMENT**

Your Directors state that:

- a. In the preparation of the annual accounts for the year ended March 31, 2021, the applicable accounting standards read with requirements set out under Schedule III to the Act, have been followed and there are no material departures from the same;
- b. The Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2021 and of the profit of the Company for the year ended on that date;
- c. The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
- d. The Directors have prepared the annual accounts on a going concern basis.
- e. The Directors had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively.
- f. The directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

**50. DEMATERIALIZATION OF SHARES / SECURITIES:**

The equity shares of the Company are dematerialised during the year and the ISIN is INE01I501011 in order to comply with the Rule 9A(4) of the Companies (Prospectus and Allotment of Securities) Rules, 2014.

**51. ANNUAL EVALUATION BY BOARD**

The Board has made a formal evaluation of its own performance and that of its committees and individual directors as required under Section 134(3) (p) of the Companies Act, 2013. The criteria for evaluation includes attendance, contributions in Board meeting, guidance offered to the company and overall in performance of the company etc.

## 52. ACKNOWLEDGEMENT

Your Directors wish to place on record their sincere gratitude especially to Bankers, Government Authorities, other statutory authorities, customers, employees and shareholders. Your Directors also wish to thank all the employees for their co-operation.

//By Order of the Board//

For **KLM Axiva Finvest Limited**

Sd/-

Biji Shibu

Director

(DIN: 06484566)

Sd/-

Shibu Theckumpurath Varghese

Whole-time Director

(DIN: 02079917)

Place : Ernakulam

Date : 18<sup>th</sup> June, 2021

## Annexure- I

Annual Report on Corporate Social Responsibility (CSR) Activities [Pursuant to clause (o) of sub-section (3) of section 134 of the Act and Rule 9 of the Companies (Corporate Social Responsibility) Rules, 2014]

### 1. Brief outline of the CSR policy

The Company has adopted the CSR Policy outlining the various activities defined in Schedule VII of the Companies Act, 2013. The Policy envisages the formulations of the CSR Committee which will recommend the amount of expenditure to be incurred on the activities referred to in the policy to the Board and monitor the project/programs from time to time with reporting of the progress on such project/programs to the board.

### 2. The Composition of the Committee

- a) Mr. Shibu Theckumpurath Varghese
- b) Mrs. Biji Shibu
- c) Dr. Alexander John Joseph

3. Average Net Profit of the Company for the last 3 years: 5,81,00,635/-

4. Additional amount spent last Financial Year - Rs. 5,12,096/-

5. Prescribed CSR Expenditure: Rs. 6,49,916/-

6. Details of CSR spent during the financial year.

(a) Total amount spent for the financial year: Rs. 7, 24,715/-

(b) Manner in which the amount spent during the financial year is detailed below.

CSR Project or Activity	Sector in which the project is covered	Area	Amount outlay (Budget) project or programs wise	Amount spent in the project	Cumulative expenditure up to the reporting period	Amount spent: Direct or through implementation agency
Promoting Education	Education	Kothaman galam	2,00,000	1,13,485	1,13,485	KLM Foundation
Medical Camps & Cansave Project	Health	Kothaman galam	7,00,000	6,11,230	6,11,230	KLM Foundation

//By Order of the Board//

For **KLM Axiva Finvest Limited**

Sd/-  
Biji Shibu  
Director  
(DIN: 06484566)

Sd/-  
Shibu Theckumpurath Varghese  
Whole-time Director  
(DIN: 02079917)

Place : Ernakulam  
Date : 18<sup>th</sup> June, 2021  
**KLM AXIVA FINVEST LIMITED**

## Annexure II

### PARTICULARS OF REMUNERATION AND RELATED DISCLOSURES

Disclosures with respect to the remuneration of Directors, Key Managerial Personnel and Employees as required under Section 197(12) of the Companies Act, 2013 and Rule 5(1) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, are as under

**a) Ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the Financial Year 2020-21**

Sl. No	Name of Director	Designation	Ratio of the remuneration of each Director to median remuneration of Employees
1	Mr. Josekutty Xavier**	Non-Executive Director	NA
2	Mr. Shibu Theckumpurath Varghese	Executive Director	1:15.9
3	Dr. Alexander John Joseph	Independent Non-Executive Director	NA*
4	Mrs. Biji Shibu	Non-Executive Director	NA*
5	Mr. James Joseph Arambankudyil**	Non-Executive Director	NA*
6	Mr. Issac Jacob	Independent Non-Executive Director	NA*

\* Non-executive Directors do not receive any remuneration from the Company

\*\* Mr. Josekutty Xavier resigned from the post as Director of the Company

\*\*\* Mr. James Joseph Arambankudyil has resigned from the post as Director of the Company

**b) Percentage increase in Remuneration of each Director, Chief Financial Officer and Company Secretary during the Financial Year 2020-21**

Sl. No.	Name of Director	Designation	% increase in Remuneration
1	Dr. Alexander John Joseph	Independent Director	NA
2	Mr. Josekutty Xavier*	Non-Executive Director	NIL
3	Mr. Shibu Theckumpurath Varghese	Executive Director	NIL
4	Mrs. Biji Shibu	Non-Executive Director	NA
5	Mr. James Joseph Arambankudyil*	Non-Executive Director	NA
6	Mr. Issac Jacob	Independent Director	NA
7	Mr. Thanish Dalee	Chief Financial Officer	0%
8	Mr. Srikanth G Menon	Company Secretary & Compliance officer	10.39%

\*Mr. Josekutty Xavier resigned from the post as Director of the Company

\*\*Mr. James Joseph Arambankudyil has resigned from the post as Director of the Company.

**c) The percentage increase in the median remuneration of employees in the financial year 2020-21 :**

Median Remuneration of employees is Rs 15,750/- and Rs 15,750/- per month for FY 19-20& FY 20-21 respectively. There is no increase in the median remuneration of employees in the financial year 2020-21

**d) The number of permanent employees on the rolls of company as on March 31, 2021:732**

**e) Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration;**

The average increase in the salaries of employees other than the Key Managerial Personnel for FY 2020-21 is around 2.28% while the average increase in the remuneration of the Key Managerial Personnel is 3.46%.

**e) The remuneration is as per the remuneration policy of the Company.**

//By Order of the Board//

For **KLM Axiva Finvest Limited**

Place : Ernakulam

Date : 18<sup>th</sup> June, 2021

Sd/-

Biji Shibu

Director

(DIN: 06484566)

Sd/-

Shibu Theckumpurath Varghese

Whole-time Director

(DIN: 02079917)



**Form No. MR-3**

**SECRETARIAL AUDIT REPORT**

FOR THE FINANCIAL YEAR ENDED 31<sup>ST</sup> MARCH, 2021

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

To

The Members,

KLM Axiva Finvest Limited,

Door No. 3-3-408/1, First Floor,

RTC Colony, Opposite SBI Bank, LB Nagar,

Mansoorabad, Hyderabad,

Telangana – 500074.

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by M/s. KLM Axiva Finvest Limited (hereinafter called the company). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on our verification of the KLM Axiva Finvest Limited's books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of Secretarial audit, we hereby report that in our opinion, the company has, during the audit period covering the financial year ended on 31<sup>st</sup> March, 2021 ("Audit Period") complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31<sup>st</sup> March, 2021 and made available to us, according to the provisions of:

- 1) The Companies Act, 2013 (the Act) and the rules made there under;
- 2) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made there under;
- 3) The Depositories Act, 1996 and the Regulations and Bye-laws framed there under;
- 4) Foreign Exchange Management Act, 1999 and the rules and regulations made there under to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings (Not applicable to the Company during the Audit Period);

- 5) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
  - a. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
  - b. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
  - c. The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- 6) Reserve Bank of India Act, 1934.
- 7) Master Direction - Information Technology Framework for the NBFC Sector.
- 8) Master Direction - Monitoring of Frauds in NBFCs (Reserve Bank) Directions, 2016.
- 9) Master Direction - Non-Banking Financial Companies Auditor's Report (Reserve Bank) Directions, 2016.
- 10) Master Direction- Non-Banking Financial Company Returns (Reserve Bank) Directions, 2016.
- 11) Master Direction - Non-Banking Financial Company – Non-Systemically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016
- 12) Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016
- 13) The Reserve Bank of India (Know Your Customer (KYC) Directions, 2016
- 14) Master Direction - Miscellaneous Non-Banking Companies (Reserve Bank) Directions, 2016

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

- i) Secretarial Standards issued by the Institute of Company Secretaries of India.
- ii) Listing Agreements entered by the Company with the National Stock Exchange of India Limited and the Bombay Stock Exchange Limited read with the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 with respect to listing of Non-Convertible debt securities

We further report that during the Audit period, the Company has complied with the provisions of the Act, rules, regulations, guidelines, standards, etc., mentioned above, subject to the following observations:

- a) The Company has not fully complied with the Master Direction - Information Technology Framework for the NBFC Sector.

- b) The Company has not fully complied with the Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 **with respect to uploading the requisite KYC details of the borrowers of the Company even though the CKYC registration is completed.**

We further report that, there were no events / actions in pursuance of:

- a. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
- b. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
- c. The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;
- d. The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
- e. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; and
- f.. The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998;

We further report that:

The compliance by the Company of applicable financial laws such as direct and indirect tax laws and maintenance of financial records and books of accounts have not been reviewed in this audit since the same have been subject to review by the statutory financial auditors, tax auditors, and other designated professionals

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

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

As per the minutes of the meetings duly recorded and signed by the Chairman, the decisions of the Board have been recorded.

We further report that, based on the information provided and the representation made by the Company and also on the review of the compliance certificates / reports taken on record by the Board of Directors of the

Company, in our opinion, there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We further report that, during the audit period:

- a) The Company has raised a sum of Rs.18.50 crores through private placement of Equity shares.
- b) The Company has raised a sum of Rs.124.29 crores through public issue of Secured Non Convertible Debentures.

**For NEKKANTI S.R.V.V.S. NARAYANA & CO.**

**Company Secretaries** ICSI Unique Code: S2009AP122301

Sd/-

Date : 18<sup>th</sup> June, 2021

**(NEKKANTI S.R.V.V.S. NARAYANA)**

Place : Hyderabad

Proprietor M.No.F7157, C.P.No.7839

**Note:**

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

## ANNEXURE – A

To  
The Members,  
KLM Axiva Finvest Limited,  
Door No. 3-3-408/1, First Floor,  
RTC Colony, Opposite SBI Bank LB Nagar,  
Mansoorabad, Hyderabad,  
Telangana – 500074.

Our report of even date is to be read along with this letter:

1. Maintenance of secretarial records is the responsibility of the management of the company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and books of accounts of the Company.
4. Wherever required, we have obtained the management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit Report is neither an assurance as to the future viability of the company nor of the efficacy or effectiveness with which the management has conducted the affairs of the company.
7. Due to prevailing circumstance of COVID-19 pandemic, the audit was conducted based on the verification of the Company's books, papers, minutes books, forms and returns filed, documents and other records furnished by / obtained from the Company electronically and also the information provided by the Company and its officers by audio and visual means.

**For NEKKANTI S.R.V.V.S. NARAYANA & CO.**  
**Company Secretaries**

Sd/-

(NEKKANTI S.R.V.V.S. NARAYANA)

Proprietor

M.No.F7157, C.P.No.7839

Date : 18<sup>th</sup> June, 2021

Place : Hyderabad



## FORM NO. AOC.1

(Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014)

Statement containing salient features of the financial statement of subsidiaries or associate companies or joint ventures

### Part "A": Subsidiaries

Sl. No.	Particulars	Details/(Amount is Rs.)
1	Name of the subsidiary	KMLM Financial Services Limited
2	Reporting period for the subsidiary concerned, if different from the holding company's reporting period	01/04/2020 - 31/03/2021
3	Reporting currency and Exchange rate as on the last date of the relevant financial year in the case of foreign subsidiaries	Nil
4	Share capital	2,15,50,000
5	Reserves & surplus	10,14,253
6	Total assets	2,81,49,061
7	Total Liabilities	3,72,635
8	Investments	-
9	Turnover	18,82,987
10	Profit before taxation	11,68,183
11	Provision for taxation	3,41,010
12	Profit after taxation	10,14,253
13	Proposed Dividend	Nil
14	% of shareholding	100

Notes:

1. Names of subsidiaries which are yet to commence operations
2. Names of subsidiaries which have been liquidated or sold during the year

### Part "B": Associates and Joint Ventures

The Company has no associate company or joint venture

For KLM Axiva Finvest Limited

Sd/-

**Shibu Theckumpurathu Varghese**

Wholetime Director

(DIN: 02079917)

## **Non-Banking Financial Institutions**

Structure of Non-banking financial institutions in India

Indian financial system includes banks and non-banking financial institutions. Though banking system remains dominant in financial services, non-banking financial institutions have grown in importance by carving a niche for themselves in the under-penetrated regions and unbanked segments.

### **NBFCs: an important part of the credit system**

Financing needs in India have risen in sync with the notable growth recorded by the economy over the past decade. Non-banking financial companies (NBFCs) have played a major role in meeting this need, complementing banks and other financial institutions. NBFCs help fill gaps in the availability of financial services with respect to products as well as customer and geographic segments. A strong linkage at the grassroots level makes them a critical cog in the financial machine. They cater to the unbanked masses in rural and semi-urban reaches and lend to the informal sector and people without credit histories, thereby enabling the government and regulators to realise the mission of financial inclusion.

### **Customers demand convenience and ease of finance**

NBFCs have strengthened their presence in semi-urban and rural areas, which gives them extensive regional presence and understanding of the local markets, and helps them customise products to suit customer needs. This regional presence in untapped territories helps them reach out to the unorganised sectors. With low turnaround time, better service, NBFCs are better able to meet customer demand for convenience.

### **Growth of the business through increasing geographical presence in rural and semi-urban areas**

We intend to continue to grow our loan portfolio by expanding our network through the addition of new branches. In order to optimize our expansion, we carefully assess potential markets by analyzing demographic, competitive and regulatory factors, site selection and availability, and growth potential. A good reach to customers is very important in our business. Increased revenue, profitability and visibility are the factors that drive the branch network. Currently, we are present in key locations which are predominantly in South India for sourcing business namely Kerala, Karnataka and Tamil Nadu. Our strategy for branch expansion includes further strengthening our presence in South Indian states by providing higher accessibility to customers as well as leveraging our expertise and presence in southern Indian states. As a strategy, we will continue to leverage on the infrastructure provided by entities operating under the 'KLM' brand name. We expect that our diverse revenue stream will reduce our dependence on any particular product line thus enabling us to spread and mitigate our risk exposure to any particular industry, business, geography or customer segment. Offering a wide range of products helps us attract more customers thereby increasing our scale of operations. At the core of our branch expansion strategy, we expect to penetrate new markets and expand our customer base in rural and semi-urban markets where a large portion of the population has limited access to credit either because they do not meet the eligibility requirements of banks or financial institutions, or because credit is not available in a timely manner at reasonable rates of interest, or at all.

A typical loan customer expects rapid and accurate appraisals, easy access, quick approval and disbursement. We believe that we meet these criteria when compared to other money lenders, and thus our focus is to expand our loan financing business. At the core of our branch expansion strategy, we expect to penetrate new markets and expand our customer base to include customers who otherwise would rely on the unorganized sector.

### **Effective risk management system including appraisal, internal audit and inspections.**

Risk management forms an integral part of our business as we are exposed to various risks relating to our business. The objective of our risk management system is to measure and monitor the various risks we are subject to and to implement policies and procedures to address such risks. We have an internal audit system which consists of audit and inspection, for risk assessment and internal controls. The audit system comprises of accounts audit and loan appraisal. In accordance with our internal audit policy, our branches are subject to surprise audit every month on random basis. We have designed stringent evaluation process and credit policies to ensure the asset quality of our loans and the security provided for such loans. Our credit policy comprises classification of target customers in terms of track record, classification of assets, differentiated loan to value ratio for different class of customers and assets, limits on customer exposure etc. Further, in order to build quality assets and reduce NPA level, we have developed a culture of accountability by making our marketing officers responsible for loan administration, monitoring as well as recovery of the loans they originate.

For effective and timely portfolio management, we have put in place a centralized risk analytics team publishing credit and portfolio performance reports for management's review. We utilise advance statistical tools like customer behaviour scorecards for early identification of potential risks in our portfolios and to take corrective actions accordingly as required. The reports provide detailed information on various portfolio segments and ascertain the risk. In addition, periodic collection reviews are conducted on delinquent customers and segments to identify and evaluate any problem areas, to drive collection efficiencies and future acquisitions.

### **Our Strategies**

Our business strategy is designed to capitalize on our competitive strengths and enhance our market standing. Key elements of our strategy include:

#### **Further strengthen and grow our gold loan and microfinance business**

Our Company started offering customized loans to small enterprises finance segment in 2013-14 and has continually focused on expanding our customer base for this product since then. We see a significant opportunity for our Company to expand our customer base in small enterprise finance segment. We intend to focus on the industry opportunity and leverage our established presence to further grow our gold loan and microfinance business.

presence to further grow our gold loan and microfinance business,

#### **To implement advanced processes and systems**

We intend to invest in our existing technology systems and processes to create a stronger organization and ensure good management of customer credit quality. We also intend to invest in

our technology-enabled operating procedures to increase operational and management efficiencies as well as ensure strong customer credit quality. Our focus on the effective use of technology is aimed at allowing employees across our branch network to collect and enter data to a centralized management system, providing our senior management real-time access to credit processing and decision making. We continue to implement technology led processing systems to make our appraisal and collection processes more efficient, facilitate rapid delivery of credit to our customers and augment the benefits of our relationship based approach. We also believe that deploying strong technology systems will enable us to respond to market opportunities and challenges swiftly, improve the quality of services to our customers, and improve our risk management capabilities. Our Company has entered into an agreement with L Code, a software company based at Mangalore for implementing an ERP system and the ERP system has been implemented across all branches from February 29, 2020. We believe that the accurate and timely collection of such data gives us the ability to operate our business in a centralized manner and develop better credit procedures and risk management. As we continue to expand our geographic reach and scale of operations, we intend to further develop and invest in our technology to support our growth, improve the quality of our services and achieve superior turnaround time in our operations.

### **Further strengthen our risk management and loan appraisal**

We believe risk management is a crucial element for further expansion of our Loan business. We therefore continually focus on improving our integrated risk management framework with processes for identifying, measuring, monitoring, reporting and mitigating key risks, including credit risk, appraisal risk, custodial risk, market risk and operational risk. We plan to continue to adapt our risk management procedures, to take account of trends we have identified. We believe that prudent risk management policies and development of tailored credit procedures will allow us to expand our Loan financing business without significantly increasing our nonperforming assets. Since we plan to expand our geographic reach as well as our scale of operations, we intend to further develop and strengthen our technology platform to support our growth and improve the quality of our services. We are focused on improving our comprehensive knowledge base and customer profile and support systems, which in turn will assist us in the expansion of our business.

### **Asset and Liability Management (“ALM”)**

Our business operations require steady flow of working capital and hence managing the day to day liquidity becomes a critical function. The ALM, amongst other functions, is concerned with risk management, providing a comprehensive as well as a dynamic framework for measuring, monitoring and managing liquidity, market risk and interest rate risk. The ALM ensures proper balance of assets and liabilities of the company as per guidelines issued by Reserve Bank of India from time to time. The ALM also computes and monitors periodically the maturity pattern of the various liabilities and assets of the company.

### **Credit Risk**

Credit risk is the possibility of loss due to the failure of any counterparty abiding by the terms and conditions of any financial contract with us. We aim to reduce the aforesaid credit risk through a rigorous loan approval and collateral appraisal process, as well as a strong NPA monitoring and collection strategy.

## **Operational Risk**

Operational risk is broadly defined as the risk of direct or indirect loss due to the failure of systems, people or processes, or due to certain other external events. We have instituted a series of checks and balances, including an operating manual, and both internal and external audit reviews. Although we disburse loans in a relatively short period of time, we have clearly defined appraisal methods as well as KYC compliance procedures in place to mitigate operational risks. Any loss on account of failure by employees to comply with defined appraisal mechanism is recovered out of their variable incentive. We also have detailed guidelines on movement and security measures of cash or gold. We are in the process of completing the installation of a centralized software which automates inter branch transactions, enabling branches to be monitored centrally and thus reducing the risk of un-reconciled entries. In addition, we are in the process of installing surveillance cameras across our various branches, and subscribe to insurance to cover employee theft or fraud and burglary. Our internal audit department and our centralized monitoring systems assist in the management of operational risk.

## **Financial Risk**

Our business is cash intensive and requires substantial funds, on an on-going basis to finance the loan portfolio and to grow it. Any disruption in the funding sources might have an adverse effect on our liquidity and financial condition. Our Company is proactively pursuing a system of identifying and accessing newer and cheaper sources of funds, to finance the loan book and to grow the business. Our Asset Liability Committee meets regularly and reviews the liquidity position of our Company and ensures availability of sufficient funding in advance.

## **Market Risk**

Market risk refers to potential losses arising from the movement in market values of interest rates in our business.

The objective of market risk management is to avoid excessive exposure of our earnings to loss. The majority of our borrowings, and all the loans we make, are at fixed rates of interest. Thus, presently, our interest rate risk is minimal.

## **Internal Audit Department**

Our internal audit department assists in the management of operational risk using our centralised monitoring systems. Separate divisions of our internal audit department are in place to handle the audit of the departments of the corporate office and those of the branch offices. The audits of our branches are divided into two categories:

- (i) Audit and (ii) Inspection.
- (ii) Branch audit is carried out quarterly with the focus on the verification of documents, accounts, performance and compliance. In addition, an incremental high value loan check is carried out by regional managers as part of their periodical branch inspection.



## Risk Management Audit

Our branch auditors also carry out a system driven risk audit on certain identified key risk parameters. These are keyed into the system and alerts are sent to branch controllers and top management in case the risk weight given under a specific parameter goes beyond the prefixed tolerance levels. In all such cases, the concerned branches are inspected by the branch controllers or top management personnel depending on the severity of risk and immediate remedial actions are initiated.

**The following table sets forth certain information relating to our operations and financial performance in the periods specified:**

Particulars	Financial Years		
	2021 (Based on IND AS)	2020 (Based on IND AS)	2019 (Based on IGAAP)
Gold Loan	37,871.22	25,540.41	14,904.53
MSME Loan	28,833.44	18,974.68	13,586.81
Personal Loan	1,193.66	2,437.25	6,285.06
Microfinance Loan	6,830.12	4,394.90	2,511.30
Vehicle Loan	1.65	7.29	95.57
<b>Total AUM</b>	<b>74,730.11</b>	<b>51,354.53</b>	<b>37,383.27</b>
Gross NPA	4,904.84	4,512.05	1,862.59
Gross NPA/AUM%	6.56%	8.79%	4.98%
Net NPA	3,471.81	2,940.52	1,671.34
Net NPA/AUM%	4.77%	5.91%	4.47%
Equity/ Net worth	8,392.66	6,406.52	6,924.78
Return on net worth %	8.51%	0.83%	8.63%
Revenue from Operations	12,377.31	9,956.59	6,528.72
Profit after Tax (before OCI)	714.11	53.12	597.74

# **INDEPENDENT AUDITOR’S REPORT**

To the Members of **KLM AXIVA FINVEST LIMITED**

## **Report on the Audit of the Standalone Financial Statements**

### **Opinion**

We have audited the accompanying standalone financial statements of **KLM Axiva Finvest Limited** (“the Company”), which comprise the balance sheet as at 31<sup>st</sup> March 2021, and the statement of profit and loss (including Other Comprehensive Income), the statement of cash flows and the Statement of Changes in Equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2021, and its profit/loss, total comprehensive income, its cash flows and the changes in equity for the year ended on that date.

### **Basis for Opinion**

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

### **Emphasis Of Matter**

We draw attention to Note 3 to the Standalone Financial Statements, which describes that the Company has recognised impairment on financial assets to reflect the adverse business impact and uncertainties arising from the COVID-19 pandemic. Such estimates are based on current facts and circumstances and may not necessarily reflect the future uncertainties and events arising from the full impact of the COVID-19 pandemic.

Due to the Covid-19 pandemic, we were not able to visit the branches of the Company and hence could not verify the underlying security in respect of gold loans. We are relying on the internal control system in force and management representation with respect to the same.

Our opinion is not modified in respect of these matters.

### **Key Audit Matters**

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

Key Audit Matter	How the matter was addressed in our audit
<p><b>Provision for Expected Credit Losses (ECL) on Loans</b>As against the provisioning norms earlier prescribed by Reserve Bank of India and adopted by the Company in prior years, Ind-AS 109 (Financial Instruments) requires the Company to recognise Expected Credit Loss (ECL) and impairment loss allowances on financial assets. ECL involves an estimation of probability weighted loss on financial instruments over their life, considering reasonable and supportable information about past events, current conditions, and forecasts of future economic conditions which could impact the credit quality of the Company's loans and advances.</p> <p>In the process, a significant degree of judgment has been applied by the Management for:</p> <ul style="list-style-type: none"> <li>• Timely identification and classification of the impaired loans.</li> <li>• Staging of loans [i.e. classification in 'significant increase in credit risk' ('SICR') and 'default' categories].</li> <li>• Determination and calculation of probability of default / Loss given default.</li> <li>• Consideration of probability weighted scenarios and forward looking macro-economic factors for determining credit quality of receivables.</li> <li>• Estimation of losses for loan products with no/minimal historical defaults.</li> </ul> <p>The outbreak of the COVID – 19 pandemic during the year has necessitated a high degree of Management's judgement to consider the possible impact of uncertainties associated with the same and the Management's judgement involved in estimation of ECL.</p>	<p>We examined Board Policy approving methodologies for computation of ECL that address policies, procedures and controls for assessing and measuring credit risk on all lending exposures, commensurate with the size, complexity and risk profile specific to the Company.</p> <p>We evaluated the design and operating effectiveness of controls across the processes relevant to ECL, including the judgements and estimates.</p> <p>These controls included, among others, controls over the allocation of assets into stages including management's monitoring of stage effectiveness, model monitoring including the need for post model adjustments and disclosures.</p> <p>We assessed the criteria for staging of loans based on their past-due status to check compliance with requirement of Ind AS 109. Tested a sample of performing (stage 1) loans to assess whether any SICR or loss indicators were present requiring them to be classified under stage 2 or 3.</p> <p>We tested the appropriateness of determining the Exposure At Default (EAD), Probability of Default (PD) and Loss Given Default (LGD) for a samples of exposure.</p> <p>We performed an overall assessment of the ECL provision levels at each stage including management's assessment on Covid-19 impact to determine if they were reasonable in considering the Company's portfolio, risk profile, credit risk management practices and the macroeconomic environment.</p> <p>We assessed disclosures included in the standalone financial statements in respect of expected credit losses including the specific disclosures made with regards to the impact of COVID-19 on ECL estimation.</p>
<p><b>Information technology</b>Financial accounting and reporting processes, are fundamentally reliant on IT systems and IT controls to process significant volumes of transaction. The Company's financial accounting and reporting processes are so highly dependent on the automated controls in information systems, that 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>In the month of Feb 2020 company implemented a new IT Software, and most of the post live fine tuning was during the F.Y 2020-21. The outbreak of the COVID – 19 pandemic during the year; subsequent lockdown and travel restrictions affected the speed of IT Software implementation related work.</p> <p>From a financial reporting perspective the Company uses and we have tested the financial accounting and reporting system and loan management systems and other tools for its overall financial reporting.</p>	<p>We obtained an understanding of the Company's IT control environment and changes during the audit period that may be relevant to the audit.</p> <p>We tested a sample of key controls operating over the information technology in relation to financial accounting and reporting systems, including system access and system change management.</p> <p>We evaluated 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.</p> <p>We obtained an understanding of the Company's Internal control environment and check available IT set up, to counter the shortfalls if any in the IT infrastructure.</p>

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

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the standalone financial statements and our auditor's report thereon.

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

In connection with our audit of the standalone financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact.

## **Responsibilities of Management and Those Charged with Governance for the Standalone Financial Statements**

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian accounting Standards 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 the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

- Identify and assess the 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 Companies Act, 2013, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the 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 financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

1. As required by the Companies (Auditor’s Report) Order, 2016 (“the Order”), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Companies Act, 2013, we give in the “Annexure A” a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

2. As required by Section 143(3) of the Act, we report that:

- (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
- (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
- (c) The Balance Sheet, the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity dealt with by this Report are in agreement with the books of account.
- (d) In our opinion, the aforesaid financial statements comply with the Indian Accounting Standards specified under Section 133 of the Act, read with relevant rules issued there under. *\*Except Ind AS-19 - Employee Benefits*
- (e) On the basis of the written representations received from the directors as on 31<sup>st</sup> March, 2021 taken on record by the Board of Directors, none of the directors is disqualified as on 31<sup>st</sup> March, 2021 from being appointed as a director in terms of Section 164(2) of the Act.
- (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in “Annexure B”.
- (g) With respect to the other matters to be included in the Auditor’s Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
  - i. The Company does not have any pending litigations against the company which would impact its financial position.
  - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
  - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

**For R.B Jain and Associates,**

Chartered Accountants

**(FRN: 103951W)**

Sd/-

**K.J Thomas BSc, FCA**

Partner (M. No. 019454)

**UDIN : 21019454AAAAUO2910**

Palarivattom,

09-06-2021



## **“Annexure A” to the Independent Auditors’ Report**

Referred to in paragraph 1 under the heading ‘Report on Other Legal & Regulatory Requirement’ of our report of even date to the financial statements of the Company for the year ended March 31, 2021:

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

(b) The fixed assets have been physically verified by the management in a phased manner, designed to cover all the items over a period of three years, which in our opinion, is reasonable having regard to the size of the Company and nature of its business. Pursuant to the program, a portion of the fixed asset has been physically verified by the management during the year and no material discrepancies between the books records and the physical fixed assets have been noticed.

(c) According to the information and explanations given to us, the records examined by us and based on the examination of the registered sale deed provided to us by the Company, the title deeds of immovable properties are held in the name of the company;

2) In our opinion and according to the information and explanations given to us, the nature of the Company’s business is such that it is not required to hold any inventories. Accordingly, reporting under clause 3 (ii) of the Order is not applicable to the Company

3) The Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the Register maintained under section 189 of the Act. Accordingly, the provisions of clause 3 (iii) (a) to (c) of the Order are not applicable to the Company and hence not commented upon.

4) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of section 185 and 186 of the Companies Act, 2013 in respect of loans, investments, guarantees, and security.

5) According to the information and explanations given to us, the Company has not accepted any public deposit from the public within the meaning of section 73 to 76 of the Companies Act, 2013 and the Rules framed there under to the extent notified.

6) As informed to us, the maintenance of Cost Records has not been specified by the Central Government under sub-section (1) of Section 148 of the Act, in respect of the activities carried on by the company. Thus reporting under clause 3(vi) of the order is not applicable to the Company.

7) (a) According to information and explanations given to us and on the basis of our examination of the books of account, and records, the Company has been generally regular in depositing undisputed statutory dues including Provident Fund, Employees State Insurance, Income-Tax, Sales tax, Goods and Service Tax, Duty of Customs, Duty of Excise, Value added Tax, Cess and any other statutory dues with the appropriate authorities. According to the information and explanations given to us, no undisputed amounts payable in respect of the above were in arrears as at March 31, 2021 for a period of more than six months from the date on when they become payable.

b) According to the information and explanation given to us, there are no dues of income tax, sales tax, goods and service tax, duty of customs, duty of excise, value added tax outstanding on account of any dispute.

8) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to banks, financial institutions or debenture holders. The Company has not taken any

loans or borrowings from government.

9) Based upon the audit procedures performed and the information and explanations given by the management, the Company has raised moneys by way of public issue of debt instruments and term loans and the money raised has been applied for the purpose for which they have been raised.

10) Based upon the audit procedures performed and the information and explanations given by the management, we report that no fraud by the Company or on the Company by its officers or employees has been noticed or reported during the year.

11) Based upon the audit procedures performed and the information and explanations given by the management, the managerial remuneration has been paid or provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act;

12) In our opinion, the Company is not a Nidhi Company. Therefore, the provisions of clause 4 (xii) of the Order are not applicable to the Company.

13) In our opinion, all transactions with the related parties are in compliance with section 177 and 188 of Companies Act, 2013 and the details have been disclosed in the Financial Statements as required by the applicable accounting standards.

14) Based upon the audit procedures performed and the information and explanations given by the management, the Company has complied with the requirements of section 42 of the Companies Act, 2013 and the amount raised by preferential allotment or private placement of shares during the year under review have been used for the purposes for which the funds were raised. During the year, the Company has not made any preferential allotment or private placement of fully or partly convertible debentures.

15) Based upon the audit procedures performed and the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with him. Accordingly, the provisions of clause 3 (xv) of the Order are not applicable to the Company and hence not commented upon.

16) The Company is required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934 and has obtained the registration.

**For R.B Jain and Associates,**

Chartered Accountants

**(FRN: 103951W)**

Sd/-

**K.J Thomas BSc, FCA**

Partner (M.No.019454)

**UDIN : 21019454AAAAUO2910**

Palarivattom,

09-06-2021

## **“Annexure B” to the Independent Auditor’s Report of even date on the Standalone Financial Statements of KLM Axiva Finvest Limited**

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

We have audited the internal financial controls over financial reporting of KLM Axiva Finvest Limited (“the Company”) as of March 31, 2021 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

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

The Company’s management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to 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.

#### **Auditors’ Responsibility**

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

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

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

## **Meaning of Internal Financial Controls Over Financial Reporting**

A Company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with 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.

## **Inherent Limitations of Internal Financial Controls Over Financial Reporting**

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

## **Opinion**

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2021, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **R.B Jain and Associates**,  
Chartered Accountants  
(FRN 103951W)

Sd/-

**K.J Thomas, BSc, FCA**  
Partner (M.No.019454)  
**UDIN : 21019454AAAAUO2910**

Palarivattom,  
09-06-2021

**KLM AXIVA FINVEST LIMITED**

Hyderabad

**Standalone Balance Sheet as at March 31, 2021**

<b>SI no:</b>	<b>PARTICULARS</b>	<b>Note no:</b>	<b>As at March 31, 2021</b>	<b>As at March 31, 2020</b>
	<b>ASSETS</b>			
1	<b>Financial Assets</b>			
(a)	Cash and Cash Equivalents	6	313,113,858	361,816,424
(b)	Bank Balance Other than (a) above	7	150,000	10,150,000
(c)	Loans	8	7,329,707,005	4,978,299,347
(d)	Investments	9	24,770,000	24,770,000
(e)	Other Financial Assets	10	61,788,179	46,431,114
2	<b>Non-Financial Assets</b>			
(a)	Current Tax Assets (Net)	11	43,883,299	-
(b)	Deferred Tax Assets (Net)	12	46,383,569	46,946,240
(c)	Property, Plant and Equipment	13	328,707,771	187,254,438
(d)	Other Intangible Assets	14	5,432,438	3,296,454
(e)	Other Non-Financial Assets	15	84,482,833	81,693,334
	<b>TOTAL</b>		<b>8,238,418,951</b>	<b>5,740,657,351</b>
	<b>LIABILITIES AND EQUITY</b>			
1	<b>Financial Liabilities</b>			
(a)	Payables		-	-
(b)	Debt Securities	16	2,539,640,931	1,740,980,902
(c)	Borrowings (Other than Debt Securities)	17	102,039,091	101,776,639
(d)	Subordinated Liabilities	18	4,250,788,000	3,050,336,000
(e)	Other Financial liabilities	19	339,742,787	187,571,852
2	<b>Non-Financial Liabilities</b>			
(a)	Current Tax Liabilities (Net)	20	31,848,995	6,479,286
(b)	Other Non-Financial Liabilities	21	11,384,902	2,850,222
3	<b>EQUITY</b>			
(a)	Equity Share Capital	22	679,282,280	531,282,280
(b)	Other Equity	23	283,691,965	119,380,170
	<b>TOTAL</b>		<b>8,238,418,951</b>	<b>5,740,657,351</b>

See accompanying notes forming part of the standalone financial statements

**As per our report of even date attached**

**For R.B Jain and Associates.,**

Chartered Accountants

**(FRN: 103951W)**

Sd/-

**K.J Thomas, BSc, FCA**

Partner (M. No. 019454)

**UDIN : 21019454AAAAUO2910**

Place:Palarivattom

Date: 09-06-2021

**For and on behalf of the Board of Directors**

Sd/-

**Shibu Thekkumpurathu Varghese**

Whole-time Director (DIN: 02079917)

Sd/-

**Biji Shibu**

Director (DIN: 06484566)

Sd/-

**Thanish Dalee**

Chief Financial Officer

Sd/-

**Srikanth G. Menon**

Company Secretary

**Standalone Statement of Profit and Loss for the year ended March 31, 2021**

Particulars		Note No.	Year ended March 31, 2021	Year ended March 31, 2020
<b>I</b>	<b>Revenue From Operations</b>			
	Interest Income	24	1,237,615,874	995,658,991
<b>II</b>	<b>Other Income</b>	25	27,504,600	26,840,068
<b>III</b>	<b>Total income (I+II)</b>		<b>1,265,120,474</b>	<b>1,022,499,059</b>
	<b>EXPENSES</b>			
	Finance Costs	26	730,405,267	513,180,363
	Impairment on Financial Instruments	27	-13,850,403	12,053,709
	Employee benefits expenses	28	187,823,938	189,418,924
	Depreciation, amortization and impairment	29	39,518,772	33,777,007
	Other expenses	30	210,962,022	199,166,296
<b>IV</b>	<b>Total expenses</b>		<b>1,154,859,596</b>	<b>947,596,300</b>
<b>V</b>	<b>Profit/(Loss) before Tax (III-IV)</b>		<b>110,260,878</b>	<b>74,902,759</b>
<b>VI</b>	<b>Tax Expense:</b>	31		
	1. Current Tax		31,848,995	37,531,600
	2. Deferred Tax		562,671	1,172,270
	3. Tax relating to prior years paid on settlement		7,265,499	31,130,905
<b>VII</b>	<b>Profit/(Loss) for the Period (V-VI)</b>		<b>70,583,713</b>	<b>5,067,984</b>
<b>VIII</b>	<b>Other Comprehensive Income</b>		-	-
<b>IX</b>	<b>Total Comprehensive Income (VII+VIII)</b>		<b>70,583,713</b>	<b>5,067,984</b>
<b>X</b>	<b>Earnings per Equity Share</b>	32		
	Basic & Diluted (Rs.)		1.24	0.10

See accompanying notes forming part of the standalone financial statements

As per our report of even date attached

For **R.B Jain and Associates.,**  
Chartered Accountants

(FRN: 103951W)

Sd/-

**K.J Thomas, BSc, FCA**  
Partner (M. No. 019454)

**UDIN : 21019454AAAAUO2910**

Place:Palarivattom  
Date: 09-06-2021

For and on behalf of the Board of Directors

Sd/-

**Shibu Thekkumpurathu Varghese**  
Whole-time Director (DIN: 02079917)

Sd/-

**Biji Shibu**  
Director (DIN: 06484566)

Sd/-

**Thanish Dalee**  
Chief Financial Officer

Sd/-

**Srikanth G. Menon**  
Company Secretary



**Standalone Statement of changes in Equity for the year ended March 31, 2021**

**A. Equity Share Capital**

Equity Shares of '10 each issued, subscribed and fully paid

Particulars	Nos.	Amount
As at March 31, 2020	53,128,228	531,282,280
Issued during the year	14,800,000	148,000,000
As at March 31, 2021	67,928,228	679,282,280

**B. Other Equity**

Particulars	Reserves and Surplus					Revaluation Reserve	Other comprehensive Income	Total
	Statutory Reserve	Securities Premium	Debt Redemption Reserve	General Reserve	Retained Earnings			
As at March 31, 2020	34,267,100	79,017,562	-	408,000	5,687,508	-	-	119,380,170
Dividends	-	-	-	-	-53,128,228	-	-	-53,128,228
Transfer to/from Retained Earnings	14,116,743	-	-	-	(14,116,743)	-	-	-
<b>Other Additions/Deductions during the year</b>								
Securities premium received during the year	-	37,000,000	-	-	-	-	-	37,000,000
Net impact of assets revalued during the year	-	-	-	-	-	109,856,310	-	109,856,310
Profit for the year (net of taxes)	-	-	-	-	70,583,713	-	-	70,583,713
As at March 31, 2021	48,383,843	116,017,562	-	408,000	9,026,251	109,856,310	-	283,691,965

As per our report of even date attached

For and on behalf of the Board of Directors

**For R.B Jain and Associates.,**  
Chartered Accountants  
(FRN: 103951W)

Sd/-  
**Thanish Dalee**  
Chief Financial Officer

Sd/-  
**Shibu Thekkumpurathu Varghese**  
Whole-time Director (DIN: 02079917)

Sd/-  
**K.J Thomas, BSc, FCA**  
Partner (M. No. 019454)  
**UDIN : 21019454AAAAUO2910**

Sd/-  
**Srikanth G. Menon**  
Company Secretary

Sd/-  
**Biji Shibu**  
Director (DIN: 06484566)

Place:Palarivattom  
Date: 09-06-2021

**KLM AXIVA FINVEST LIMITED**

**Hyderabad Standalone Cash Flow Statement for the year ended March 31, 2020**

	<b>PARTICULARS</b>	<b>For the year ended March 31, 2021</b>	<b>For the year ended March 31, 2020</b>
A.	<b>CASH FLOW FROM OPERATING ACTIVITIES :</b>		
	<b>Net profit Before Taxation</b>	110,260,878	74,902,759
	<i>Adjustments for:</i>		
	Depreciation and amortisation	39,518,772	33,777,007
	Finance costs	730,390,383	510,226,495
	Interest on income tax	14,884	2,953,868
	Impairment on financial instruments	(13,850,403)	12,053,709
	<b>Operating Profit before Working Capital Changes</b>	<b>866,334,514</b>	<b>633,913,838</b>
	(Increase)/Decrease in Loans & Advances -Financial Assets	(2,337,557,256)	(1,320,366,716)
	(Increase)/Decrease in Other financial Assets	(15,357,065)	(18,153,734)
	(Increase)/Decrease in Other non financial Assets	(2,789,499)	(56,397,506)
	Increase/(Decrease) in Other financial liabilities	152,170,935	36,444,179
	Increase/(Decrease) in Other Non financial liabilities	8,534,680	(4,710,659)
	<b>Cash from operations</b>	<b>(1,328,663,691)</b>	<b>(729,270,599)</b>
	Net income tax paid	(57,628,083)	(47,383,423)
	<i>Net Cash From Operating Activities</i>	<b>(1,386,291,774)</b>	<b>(776,654,021)</b>
B.	<b>CASH FLOW FROM INVESTING ACTIVITIES :</b>		
	Capital Expenditure	(73,251,778)	(94,382,777)
	Purchase of investments	-	(24,770,000)
	Bank balances not considered as cash and cash equivalents	10,000,000	126,348
	<i>Net Cash From Investing Activities</i>	<b>(63,251,778)</b>	<b>(119,026,428)</b>
C.	<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>		
	Proceeds from issuance of equity shares	148,000,000	16,350,000
	Share Premium on issue of equity shares	37,000,000	3,270,000
	Proceeds from issue of Debentures	798,660,028	337,260,102
	Proceeds from issue of Subordinate debts	1,200,452,000	1,159,333,000
	(Repayment)/ Increase in long-term borrowings	262,452	53,626,926
	Dividend Paid	(53,128,228)	-
	Finance cost	(730,405,267)	(510,226,495)
	<i>Net Cash From Financing Activities</i>	<b>1,400,840,986</b>	<b>1,059,613,534</b>
	<b>NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (A+B+C)</b>	<b>(48,702,566)</b>	<b>163,933,084</b>
	<b>OPENING CASH AND CASH EQUIVALENTS</b>	<b>361,816,424</b>	<b>197,883,340</b>
	<b>CLOSING CASH AND CASH EQUIVALENTS</b>	<b>313,113,858</b>	<b>361,816,424</b>

As per our report of even date attached

**For R.B Jain and Associates.,**  
Chartered Accountants  
(FRN: 103951W)

Sd/-

**K.J Thomas, BSc, FCA**  
Partner (M. No. 019454)  
**UDIN : 21019454AAAAUO2910**

Place:Palarivattom  
Date: 09-06-2021

For and on behalf of the Board of Directors

Sd/-

**Shibu Thekkumpurathu Varghese**  
Whole-time Director (DIN: 02079917)

Sd/-

**Biji Shibu**  
Director (DIN: 06484566)

Sd/-

**Thanish Dalee**  
Chief Financial Officer

Sd/-

**Srikanth G. Menon**  
Company Secretary

## *Notes to the Standalone Financial Statements for the year ended March 31, 2021*

### **1. CORPORATE INFORMATION**

KLM Axiva Finvest Limited, (the Company), is a Public limited company, incorporated on 28 April 1997. The Company was a Non-Systemically important Non-Banking Financial Company ("NBFC") registered with the Reserve Bank of India (RBI) under section 45-IA of the Reserve Bank of India Act, 1934 and primarily engaged in lending and related activities. The Company has received the certificate of registration 09.00006 on 13<sup>th</sup> December, 1997 enabling the Company to carry on business as Non-Banking Financial Company. The total assets size of the Company, during the year crossed ₹500 crore and the Company became a Systemically important non-deposit taking non-banking financial company.

The Company offers broad suite of lending and other financial products such as mortgage loan, gold loan, loan against securities etc.

The registered office of the Company is at Door No. 3-3-408/1, First Floor, RTC Colony, Opposite SBI Bank, LB Nagar, Mansoorabad, Hyderabad, Rangareddi, Telangana – 500074.

### **2. BASIS OF PREPARATION AND PRESENTATION**

The standalone financial statements of the company have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time). The financial statements have been prepared under the historical cost convention, as modified by the application of fair value measurements required or allowed by relevant Accounting Standards. Accounting policies have been consistently applied to all periods presented, unless otherwise stated.

For the period up to and including the year ended March 31, 2019, the Company prepared its financial statements in accordance with the Generally Accepted Accounting Principles (IGAAP) under the historical cost convention as a going concern and on accrual basis and in accordance with the provisions of the Companies Act, 2013 and the Accounting Standards specified under section 133 of the Companies Act, 2013 ("the Act") read with Rule 7 of the Companies (Accounts) Rules 2014 (as amended). The financial statements for the year ended March 31, 2020 are the first financial statement of the Company prepared in accordance with Ind AS. Refer to Note 37 on First time adoption to Ind AS for information on adoption of Ind AS by the Company.

The above financial statements have been prepared in accordance with the Indian Accounting Standards prescribed read with relevant rules issued there under and other accounting principles generally accepted in India mainly considering the Master Directions issued by the Reserve Bank of India ('RBI') as applicable to Non-Banking Financial Company - Systemically Important Non-Deposit taking Company.

The preparation of financial statements requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosed amount of contingent liabilities. Areas involving a higher degree of judgement or complexity, or areas where assumptions are significant to the Company are discussed in Note 5 - Significant accounting judgements, estimates and assumptions.

The financial statements are presented in Indian Rupees (INR).

### **PRESENTATION OF FINANCIAL STATEMENT**

The financial statements of the Company are presented as per Schedule III (Division III) of the Companies Act, 2013 applicable to NBFCs, as notified by the Ministry of Corporate Affairs (MCA). Financial assets and financial liabilities are generally reported on a gross basis except when, there is an unconditional legally enforceable right to offset the recognised amounts without being contingent on a future event and the parties intend to settle on a net basis.

### **STATEMENT OF COMPLIANCE**

These separate financial statements of the Company have been prepared in accordance with Indian Accounting Standards as per the Companies (Indian Accounting Standards) Rules, 2015 as amended and notified under Section 133 of the Companies Act, 2013 and the generally accepted accounting principles as referred to above.

### 3. IMPACT OF COVID-19

The COVID-19 outbreak is on-going and the actual extent of its impact on the economy globally in general and in India, in particular remains uncertain. The outbreak has contributed to a significant decline and volatility in the global and Indian financial markets and slowdown in the economic activities. The Reserve Bank of India (RBI) has issued guidelines relating to COVID-19 Regulatory Package dated March 27, 2020, April 17, 2020 and May 23, 2020 and in accordance therewith, the Company has offered an optional moratorium of six months on the payment of all principal instalments and/or interest, as applicable, falling due between March 1, 2020 and August 31, 2020 to all eligible borrowers classified as standard, even if overdue as on 29 February 2020. For all such accounts where the moratorium is granted, the asset classification shall remain stand still during the moratorium period.

Further, the Company has, based on current available information and based on the policy approved by the board, determined the prudential estimate of provision for impairment of financial asset as at March 31, 2021. Based on the current indicators of future economic conditions, the Company considers this provision to be adequate.

### 4. SIGNIFICANT ACCOUNTING POLICIES

#### 4.1. Financial Instruments

##### (I) Financial Assets

##### a) Initial recognition

All financial assets are recognised initially at fair value. In case of financial assets which are not recorded at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial assets, are adjusted to the fair value on initial recognition.

##### b) Subsequent measurement

The Company classifies its financial assets into the following measurement categories depending on the contractual terms of the financial assets' cash flows and the Company's business model for managing financial assets:

- a. **Financial assets measured at amortised cost** - A financial asset is measured at Amortised Cost if it is held within a business model whose objective is to hold the asset in order 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.
- b. **Financial assets measured at fair value through other comprehensive income (FVOCI)** - A financial asset is measured at FVOCI if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and contractual terms of financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- c. **Financial assets measured at fair value through profit or loss (FVTPL)** - A financial asset which is not classified in any of the above categories is measured at FVTPL.

##### c) Investment in subsidiary

The Company has accounted for its investments in Subsidiaries at cost less impairment loss, if any.

##### d) Other Equity Investments

All other equity investments are measured at fair value, with value changes recognised in Statement of Profit and Loss, except for those equity investments for which the Company has elected to present the changes in fair value through other comprehensive income (FVOCI).

## **(II) Financial Liabilities**

### **a) Initial recognition**

All financial liabilities are recognized initially at fair value and, in the case of borrowings and payables, net of directly attributable transaction costs. The company's financial liabilities include trade and other payables, non-convertible debentures, loans and borrowings including bank overdrafts.

### **b) Subsequent measurement**

Financial liabilities are subsequently carried at amortized cost using the effective interest method.

## **4.2. Derecognition of financial assets and liabilities**

### **(I) Financial Assets**

The Company derecognizes a financial asset when the contractual cash flows from the asset expire or it transfers its rights to receive contractual cash flows from the financial asset in a transaction in which substantially all the risks and rewards of ownership are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

### **(II) Financial Liability**

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as de-recognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

## **4.3. Impairment of financial assets**

### **I. Overview of the Expected Credit Loss (ECL) model**

The Company recognises impairment allowance for expected credit loss on financial assets held at amortised cost. The Company recognises loss allowances (provisions) for expected credit losses on its financial assets (including non-fund exposures) that are measured at amortised costs or at fair value through other comprehensive income account.

The ECL provision is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss), 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. The 12-month ECL is the portion of the lifetime ECL that represent the ECLs that result from default events on financial assets that are possible within 12 months after the reporting date.

The Company performs 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.

The Company applies a three-stage approach to measuring expected credit losses (ECLs).

#### **Stage 1: 12-months ECL**

For financial assets where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognised.

#### **Stage 2: Lifetime ECL – not credit impaired**

For financial assets where there has been a significant increase in credit risk since initial recognition but are not credit impaired, a lifetime ECL (i.e. reflecting the remaining life time of the financial asset) is recognised.

#### **Stage 3: Lifetime ECL – credit impaired**

Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For financial assets that have become credit impaired,

a lifetime ECL is recognised and interest revenue is calculated by applying the effective interest rate to the amortised cost (net of provision) rather than the gross carrying amount

The Company has identified a zero bucket for financial assets that are not overdue.

## **II. Estimation of Expected Credit Loss**

The Company has calculated ECL using three main components: a probability of default (PD), a loss given default (LGD) and the exposure at default (EAD). ECL is calculated by multiplying the PD, LGD and EAD and adjusted for time value of money using a rate which is a reasonable approximation of EIR.

**Probability of Default (PD)** - The Probability of Default is an estimate of the likelihood of default over a given time horizon. The Company uses historical information where available to determine PD.

**Exposure at Default (EAD)** - The Exposure at Default is an estimate of the exposure at a future default date, considering expected changes in the exposure after the reporting date, whether scheduled by contract or otherwise, expected draw downs on committed facilities.

**Loss Given Default (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.

### **4.4. Offsetting of financial instruments**

Financial assets and financial liabilities are generally reported gross in the balance sheet. Financial assets and financial liabilities are offset and the net amount is reported in the Balance Sheet only if there is an enforceable legal right to offset the recognised amounts with an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

### **4.5. Cash and cash equivalents**

Cash and cash equivalents include cash on hand and other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above.

### **4.6. Property, Plant and Equipment**

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. The cost of an item of property, plant and equipment comprises the cost of materials and direct labour, any other costs directly attributable to bringing the item to working condition for its intended use, and estimated costs of dismantling and removing the item and restoring the site on which it is located.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Advances paid towards the acquisition of fixed assets, outstanding at each reporting date are shown under other non-financial assets. The cost of property, plant and equipment not ready for its intended use at each reporting date are disclosed as capital work-in-progress.

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

Property plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in other income /expense in the statement of profit and loss in the year the asset is derecognised. The date of disposal of an item of property, plant and equipment is the date the recipient obtains control of that item in accordance with the requirements for determining when a performance obligation is satisfied in Ind AS 115.



#### 4.7. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of an intangible asset comprises its purchase price including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, any directly attributable cost of bringing the item to its working condition for its intended use. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets are amortized on a straight line basis over the estimated useful economic life.

Gains or losses from de-recognition of intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognised in the Statement of Profit or Loss when the asset is derecognised.

#### 4.8. Depreciation and Amortisation

Depreciation is calculated on cost of items of property, plant and equipment less their estimated residual values over their estimated useful lives using the written down value method. Freehold land is not depreciated.

The estimated useful lives of items of property, plant and equipment for the current period are as follows:

<b>Asset</b>	<b>Useful life</b>
Building	30-60Years
Computers and servers	3-6 Years
Office equipment	5 Years
Furniture and fixtures	10 Years
Vehicles	8-10 Years

\* Depreciation on additions (disposals) is provided on a pro-rata basis i.e. from (upto) the date on which asset is ready for use (disposed of).

Intangible Assets are amortised on a Straight Line basis over the estimated useful economic life. Computer Software which is not an integral part of the related hardware is classified as an intangible asset, and amortised over a period of five years, being its estimated useful life.

#### 4.9. Impairment of non-financial assets

At Balance Sheet date, an assessment is done to determine whether there is any indication of impairment in the carrying amount of the Company's assets. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount

An assessment is also done at each Balance Sheet date whether there is any indication that an impairment loss recognised for an asset in prior accounting periods may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. The carrying amount of the fixed asset is increased to the revised estimate of its recoverable amount but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss is recognised in the Statement of Profit and Loss for the year.

After recognition of impairment loss or reversal of impairment loss as applicable, the depreciation charge for the fixed asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on written down value basis over its remaining useful life.

#### 4.10. Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before

revenue is recognised.

### **(I) Interest Income**

The Company recognises Interest income by applying the effective interest rate (EIR) to the gross carrying amount of a financial asset except for purchased or originated credit-impaired financial assets and other credit-impaired financial assets. For purchased or originated credit-impaired financial assets, the Company applies the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. Such interests, where instalments are overdue in respect of non-performing assets are recognised on realization basis.

The EIR in case of a financial asset is computed

a) As the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of a financial asset

b) By considering all the contractual terms of the financial instrument in estimating the cash flows

c) Including all fees received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Interest income on all trading assets and financial assets required to be measured at FVTPL is recognised using the contractual interest rate as net gain on fair value changes.

**Other Income:** In respect of the other heads of income, the Company accounts the same on accrual basis.

### **(II) Recognition of revenue from sale of goods or services**

Revenue (other than for Financial Instruments within the scope of Ind AS 109) is measured at an amount that reflects the considerations, to which an entity expects to be entitled in exchange for transferring goods or services to customer, excluding amounts collected on behalf of third parties. 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

Processing fee which is not form part of effective interest rate has been recognised as and when it is accrued.

### **(III) Dividend Income**

Dividend income is recognised when the Company's right to receive the payment is established. This is established when it is probable that the economic benefits associated with the dividend will flow to the entity and the amount of the dividend can be measured reliably.

#### 4.11. Finance cost

Finance costs represents Interest expense recognised by applying the Effective Interest Rate (EIR) to the gross carrying amount of financial liabilities other than financial liabilities classified as FVTPL.

The EIR in case of a financial liability is computed

- a) As the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the gross carrying amount of the amortised cost of a financial liability.
- b) By considering all the contractual terms of the financial instrument in estimating the cash flows
- c) Including all fees paid between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Interest expense includes issue costs that are initially recognised as part of the carrying value of the financial liability and amortised over the expected life using the effective interest method. These include fees and commissions payable to advisers and other expenses such as external legal costs, Rating Fee etc, provided these are incremental costs that are directly related to the issue of a financial liability.

#### 4.12. Employee Benefits

**Short Term Employee Benefits:** All employee benefits payable wholly within twelve months of rendering the service are classified as short term employee benefits and they are recognized in the period in which the employee renders the related service. The Company recognizes the undiscounted amount of short term employee benefits expected to be paid in exchange for services rendered as a liability (accrued expense)

##### **Defined Contribution Plan**

Eligible employees of the Company receive benefits from provident fund, which is a defined contribution plan. Both the eligible employees and the Company make monthly contributions to the Government administered provident fund scheme equal to a specified percentage of the eligible employee's salary. Amounts collected under the provident fund plan are deposited with in a government administered provident fund.

The Company's contribution to employee state insurance scheme is considered as defined contribution plans and is 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.

The Company has no further obligation to the plan beyond its monthly contributions.

#### 4.13. Income taxes

Income tax comprises current and deferred income tax.

Current income tax for current year and prior periods is recognised at the amount expected to be paid or recovered from the tax authorities, using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Current income tax relating to items recognised outside profit or loss is recognised outside profit or loss i.e., either in other comprehensive income or in equity. Current tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax assets and liabilities are recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred income tax assets and liabilities are measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of changes in tax rates on deferred income tax assets and liabilities is recognised as income or expense in the period that includes the enactment or substantive enactment date. A deferred income tax asset is recognised to the extent it is probable that future taxable income will be available against which the deductible temporary timing differences and tax losses can be utilised. The Company offsets income-tax assets and liabilities, where it has a legally enforceable right to set off the recognised amounts and where it intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

#### **4.14. Earnings per share**

The Company reports basic and diluted earnings per share in accordance with Ind AS 33 on Earnings per share. Basic EPS is calculated by dividing the net profit or loss for the year attributable to equity shareholders (after attributable taxes) by the weighted average number of equity shares outstanding during the year.

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the period, unless they have been issued at a later date. In computing the dilutive earnings per share, only potential equity shares that are dilutive and that either reduces the earnings per share or increases loss per share are included.

#### **4.15. Provisions**

Provisions are recognised when there is a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and there is a reliable estimate of the amount of the obligation.

When the effect of the time value of money is material, the enterprise 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.

#### **4.16. Contingent liabilities**

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

#### **4.17. Cash flow statement**

Cash flows are reported using the indirect method, whereby profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating, investing and financing activities of the Company are segregated.

#### **4.18. Segment Reporting**

The Company is engaged in the business segment of Financing, whose operating results are regularly reviewed by the Board of Directors, which has been identified as being the chief operating decision maker, to make decisions about resources to be allocated and to assess its performance, and for which discrete financial information is available. The Company has concluded that the business of lending finance is the only reportable segment.

#### **4.19. Leases**

With effect from April 1, 2019, the Company has applied Ind AS 116 'Leases' to all lease contracts existing on April 01, 2019 by adopting the modified retrospective approach. Accordingly, the comparative information is not required to be restated.

The Company evaluates each contract or arrangement, whether it qualifies as lease as defined under Ind AS 116. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset.

##### **The Company as a lessee**

The Company has elected not to recognise right-of use assets and lease liabilities for short term leases that have a lease term of less than or equal to 12 months and leases with low value assets. The Company determines the lease term as the non-cancelable period of a lease, together with periods covered by an option to extend the lease, where the Company is reasonably certain to exercise that option.

The Company recognises the lease payments associated with these leases as an expense in Statement of Profit and Loss on a straight-line basis over the lease term or another systematic basis if that basis is more representative of the pattern of the lessee's benefit. The related cash flows are classified as operating activities.

Wherever the above exception permitted under Ind AS 116 is not applicable, the Company at the time of initial recognition:

- measures lease liability as present value of all lease payments discounted using the Company's incremental cost of borrowing and directly attributable costs. Subsequently, the lease liability is increased by interest on lease liability, reduced by lease payments made and remeasured to reflect any reassessment or lease modifications specified in Ind AS 116 'Leases', or to reflect revised fixed lease payments.
- measures 'Right-of-use assets' as present value of all lease payments discounted using the Company's incremental cost of borrowing and any initial direct costs. Subsequently, 'Right-of-use assets' is measured using cost model i.e. at cost less any accumulated depreciation (depreciated on straight line basis over the lease period) and any accumulated impairment losses adjusted for any remeasurement of the lease liability specified in Ind AS 116 'Leases'

#### **5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of financial statements in conformity with the Ind AS requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the accompanying disclosure and the disclosure of contingent liabilities, at the end of the reporting period. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and future periods are affected. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

##### **5.1. Business Model Assessment**

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that

affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Company monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

## **5.2. Fair value measurement**

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using various valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

## **5.3. Impairment of loans portfolio**

The measurement of impairment losses across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

It has been the Company's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

## **5.4. Effective Interest Rate (EIR) method**

The Company's EIR methodology recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected behavioural life of loans given and recognises the effect of potentially different interest rates at various stages and other characteristics of the product life cycle (including prepayments and penalty interest and charges).

This estimation, by nature, requires an element of judgement regarding the expected behaviour and life-cycle of the instruments, probable fluctuations in collateral value as well as expected changes to India's base rate and other fee income/expense that are integral parts of the instrument.

## **5.5. Other estimates**

These include contingent liabilities, useful lives of tangible and intangible assets etc.



*Notes on Standalone Financial Statements for the year ended March 31, 2021*

**Note 6 - Cash and Cash Equivalents**

Particulars	As at March 31, 2021	As at April 01, 2020
(a) Cash on hand	48,424,347	46,502,149
(b) Balance with banks		
In current accounts	212,089,511	190,314,275
In fixed deposits (with maturity of less than 3 months)	52,600,000	125,000,000
<b>TOTAL</b>	<b>313,113,858</b>	<b>361,816,424</b>

**Note 7 - Bank Balance Other Than Above**

Particulars	As at March 31, 2021	As at April 01, 2020
(a) Balance deposits with maturity more than 3 months	150,000	10,150,000
(b) On Escrow Accounts		
Unpaid Dividend account	-	-
<b>TOTAL</b>	<b>150,000</b>	<b>10,150,000</b>

**Note 8 - Loans**

Particulars	As at March 31, 2021				
	at Fair Value				
	Amortised Cost	Through other Comprehensive Income	Through profit/loss	Designated at fair value through profit or loss	Total
<b>Loans</b>					
<b>(A)</b>					
Gold Loan	3,787,122,458	-	-	-	3,787,122,458
Business Loan	2,883,344,438	-	-	-	2,883,344,438
Personal Loan	119,366,346	-	-	-	119,366,346
Vehicle Loan	165,440	-	-	-	165,440
Microfinance Loan	683,011,833	-	-	-	683,011,833
<b>Total (A) - Gross</b>	<b>7,473,010,516</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,473,010,516</b>
Less: Impairment loss allowance	143,303,511	-	-	-	143,303,511
<b>Total (A) - Net</b>	<b>7,329,707,005</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,329,707,005</b>
<b>(B)</b>					
(i) Secured by tangible assets	6,789,998,683	-	-	-	6,789,998,683
(ii) Covered by Bank/ Government guarantees-		-	-	-	-
(ii) Unsecured	683,011,833	-	-	-	683,011,833
<b>Total (B) - Gross</b>	<b>7,473,010,516</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,473,010,516</b>
Less: Impairment loss allowance	143,303,511	-	-	-	143,303,511
<b>Total (B) - Net</b>	<b>7,329,707,005</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,329,707,005</b>
<b>(C)</b>					
<b>Loans in India</b>					
(i) Public Sector	-	-	-	-	-
(ii) Others	7,473,010,516	-	-	-	7,473,010,516
<b>Total (C) - Gross</b>	<b>7,473,010,516</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,473,010,516</b>
Less: Impairment loss allowance	143,303,511	-	-	-	143,303,511
<b>Total (C) - Net</b>	<b>7,329,707,005</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,329,707,005</b>

Particulars	As at March 31, 2020				
	at Fair Value				
	Amortised Cost	Through other Comprehensive Income	Through profit/loss	Designated at fair value through profit or loss	Total
<b>Loans</b>					
<b>(A)</b>					
Gold Loan	2,554,040,423	-	-	-	2,554,040,423
Business Loan	1,897,468,431	-	-	-	1,897,468,431
Personal Loan	243,725,413	-	-	-	243,725,413
Vehicle Loan	728,590	-	-	-	728,590
Microfinance Loan	439,490,403	-	-	-	439,490,403
<b>Total (A) - Gross</b>	<b>5,135,453,260</b>	-	-	-	<b>5,135,453,260</b>
Less: Impairment loss allowance	157,153,914	-	-	-	157,153,914
<b>Total (A) - Net</b>	<b>4,978,299,347</b>	-	-	-	<b>4,978,299,347</b>
<b>(B)</b>					
(i) Secured by tangible assets	4,695,962,857	-	-	-	4,695,962,857
(ii) Covered by Bank/ Government guarantees	-	-	-	-	-
(ii) Unsecured	439,490,403	-	-	-	439,490,403
<b>Total (B) - Gross</b>	<b>5,135,453,260</b>	-	-	-	<b>5,135,453,260</b>
Less: Impairment loss allowance	157,153,914	-	-	-	157,153,914
<b>Total (B) - Net</b>	<b>4,978,299,347</b>	-	-	-	<b>4,978,299,347</b>
<b>(C)</b>					
<b>Loans in India</b>					
(i) Public Sector	-	-	-	-	-
(ii) Others	5,135,453,260	-	-	-	5,135,453,260
<b>Total (C) - Gross</b>	<b>5,135,453,260</b>	-	-	-	<b>5,135,453,260</b>
Less: Impairment loss allowance	157,153,914	-	-	-	157,153,914
<b>Total (C) - Net</b>	<b>4,978,299,347</b>	-	-	-	<b>4,978,299,347</b>

#### Summary of ECL provisions

Particulars	F.Y. 2020-21			
	Stage 1	Stage 2	Stage 3	Total
Gold Loan	21,563	119,255	5,171,902	5,312,721
Business Loan	1,631,707	560,671	102,479,636	104,672,015
Personal Loan	-	-	17,904,952	17,904,952
Vehicle Loan	-	-	-	-
Microfinance Loan	10,834	59,093	15,343,897	15,413,824
<b>Total Closing ECL provision</b>	<b>1,664,104</b>	<b>739,019</b>	<b>140,900,388</b>	<b>143,303,511</b>

Particulars	F.Y. 2019-20			
	Stage 1	Stage 2	Stage 3	Total
Gold Loan	45,036	179,916	9,565,744	9,790,695
Business Loan	4,194,886	5,718,152	117,722,191	127,635,229
Personal Loan	4,068	1,216,960	347,991	1,569,019
Vehicle Loan	-	10,848	-	10,848
Microfinance Loan	1,087,501	63,754	16,996,867	18,148,122
<b>Total Closing ECL provision</b>	<b>5,331,491</b>	<b>7,189,630</b>	<b>144,632,793</b>	<b>157,153,914</b>

**Note 9 - Investments**

Particulars	As at March 31, 2021				
	Amortised Cost	at Fair Value		Others	Total
		Through other Comprehensive Income	Through profit/loss		
<b>(A) Equity instruments in subsidiaries</b>					
(i) Wholly owned subsidiary(Unquoted) 21,550 equity shares of Rs. 1,000/- each fully paid in KMLM Financial Services Limited	-	-	-	24,770,000	24,770,000
<b>Total (A) - Gross</b>				<b>24,770,000</b>	<b>24,770,000</b>
(i) Investments outside India	-	-	-	-	-
(ii) Investments in India	-	-	-	24,770,000	24,770,000
<b>Total (B) - Gross</b>	-	-	-	<b>24,770,000</b>	<b>24,770,000</b>
Less: Impairment loss allowance	-	-	-	-	-
<b>Total - Net</b>	-	-	-	<b>24,770,000</b>	<b>24,770,000</b>

**Note 10 - Other Financial Assets**

Particulars	As at March 31, 2021	As at March 31, 2020
(a) Interest accrued on fixed deposits	666,552	666,552
(b) Security Deposits	61,121,627	45,764,562
(c) Other Receivables		
<b>TOTAL</b>	<b>61,788,179</b>	<b>46,431,114</b>

**Note 11 - Current Tax Assets (Net)**

Particulars	As at March 31, 2021	As at March 31, 2020
Advance tax and tax deducted at source	43,883,299	-
<b>TOTAL</b>	<b>43,883,299</b>	<b>-</b>

**Note 12 - Deferred Tax**

Deferred Tax Assets/(Liabilities)	As at March 31, 2021	As at March 31, 2020
Fixed Asset : Timing difference on account of depreciation and amortisation	12,918,027	8,819,490
Impairment of financial instruments	36,066,631	39,552,500
Amortisation of expenses & income under effective interest rate method	-2,601,088	(1,425,750)
Total	46,383,569	46,946,240
<b>Net deferred tax asset</b>	<b>46,383,569</b>	<b>46,946,240</b>

**Note 15 - Other Non-Financial Assets**

Deferred Tax Assets/(Liabilities)	As at March 31, 2021	As at March 31, 2020
(a) Balance with revenue Authorities		
GST receivable	11,763,814	8,087,599
(b) Advances for land	70,641,635	70,632,635
(c) Other Advances	1,814,884	2,960,600
(d) Stock of Stationary	262,500	12,500
<b>TOTAL</b>	<b>84,482,833</b>	<b>81,693,334</b>

## Note 16 - Debt Securities

Particulars	As at March 31, 2021	As at March 31, 2020
<b>At Amortised Cost:</b>		
(a) Secured Non-Convertible Debentures - Privately Placed	113,880,000	157,430,000
(b) Secured Non-Convertible Debentures - Public Issue	2,425,760,931	1,583,550,902
<b>Total (A)</b>	<b>2,539,640,931</b>	<b>1,740,980,902</b>
Borrowings in India	2,539,640,931	1,740,980,902
Borrowings outside India	-	-
<b>TOTAL</b>	<b>2,539,640,931</b>	<b>1,740,980,902</b>

### Nature of Security :

Secured by way of first ranking pari passu charge on all movable assets and fixed assets, including book debts and receivables, cash and bank balances, loans and advances, both present and future of the Company and first ranking pari passu charge on the immovable property situated at Malligai Nagar, Kombai Village, Uthampalayam Taluk, Theni District, Tamil Nadu

### Extend of Security :

Equal to the value of one time (One Hundred percentage) of the NCDs Outstanding plus interest accrued thereon.

### 16.1 - Secured Non Convertible Debentures - Private Placement

Series wise classification of secured non convertible debentures

Particulars	As at March 31, 2021	As at March 31, 2020
Non Convertible Debentures 2018 - 19 Series	24,460,000	27,660,000
Non Convertible Debentures 2017 - 18 Series	72,810,000	96,720,000
Non Convertible Debentures 2016 - 17 Series	16,390,000	32,830,000
Non Convertible Debentures 2015 - 16 Series	220,000	220,000
<b>TOTAL</b>	<b>113,880,000</b>	<b>157,430,000</b>

Interest wise classification of secured non convertible debentures

Particulars	As at March 31, 2021	As at March 31, 2020
Non Convertible Debentures - 12.5%	15,150,000	29,060,000
Non Convertible Debentures - 12%	68,880,000	92,370,000
Non Convertible Debentures - < 12%	29,850,000	36,000,000
<b>TOTAL</b>	<b>113,880,000</b>	<b>157,430,000</b>

Maturity wise classification of secured non convertible debentures

Particulars	As at March 31, 2021	As at March 31, 2020
Non Convertible Debentures - 60 months maturity	111,150,000	151,550,000
Non Convertible Debentures - 36 months maturity	2,730,000	5,880,000
<b>TOTAL</b>	<b>113,880,000</b>	<b>157,430,000</b>

### 16.2 - Secured Non Convertible Debentures - Public Issue

Series wise classification of secured non convertible debentures

Particulars	As at March 31, 2021	As at March 31, 2020
Non Convertible Debentures 2020 - 21 Series (Public Issue III)	1,242,893,000	-
Non Convertible Debentures 2019 - 20 Series (Public Issue II)	618,520,000	938,338,000
Non Convertible Debentures 2018 - 19 Series (Public Issue I)	581,207,000	657,402,000
<b>Sub Total</b>	<b>2,442,620,000</b>	<b>1,595,740,000</b>
Less: EIR impact of transaction cost	16,859,069	12,189,098
<b>TOTAL</b>	<b>2,425,760,931</b>	<b>1,583,550,902</b>

Interest wise classification of secured non convertible debentures

Particulars	As at March 31, 2021	As at March 31, 2020
Non Convertible Debentures - > 12%	630,544,000	227,499,000
Non Convertible Debentures - 12%	334,700,000	300,680,000
Non Convertible Debentures - > 11.5% to 11.86%	1,010,815,000	402,041,000
Non Convertible Debentures - >11.25% to 11.5%	267,158,000	277,444,000
Non Convertible Debentures - 11% to 11.25%	199,403,000	388,076,000
<b>Sub Total</b>	<b>2,442,620,000</b>	<b>1,595,740,000</b>
Less: EIR impact of transaction cost	16,859,069	12,189,098
<b>TOTAL</b>	<b>2,425,760,931</b>	<b>1,583,550,902</b>

Maturity wise classification of secured non convertible debentures

Particulars	As at March 31, 2021	As at March 31, 2020
Non Convertible Debentures - 75 months maturity	216,810,000	82,370,000
Non Convertible Debentures - 72 months maturity	142,410,000	142,410,000
Non Convertible Debentures - 60 months maturity	776,665,000	526,047,000
Non Convertible Debentures - 45 months maturity	20,243,000	20,243,000
Non Convertible Debentures - 36 months maturity	541,511,000	306,105,000
Non Convertible Debentures - 24 months maturity	279,334,000	198,747,000
Non Convertible Debentures - 18 months maturity	128,606,000	-
Non Convertible Debentures - 13 months maturity	337,041,000	319,818,000
Non Convertible Debentures - 12 months maturity	-	-
<b>Sub Total</b>	<b>2,442,620,000</b>	<b>1,595,740,000</b>
Less: EIR impact of transaction cost	16,859,069	12,189,098
<b>TOTAL</b>	<b>2,425,760,931</b>	<b>1,583,550,902</b>

Note 17 - Borrowings (Other than Debt Securities)

Particulars	As at March 31, 2021	As at March 31, 2020
<b>At Amortised Cost:</b>		
(a) Term Loan		
Indian Rupee Loans from Banks (Secured)	3,122,491	1,841,373
(b) Loans repayable on demand		
Cash credit / overdraft facilities from banks (Secured)	98,916,600	99,935,266
<b>Total (A)</b>	<b>102,039,091</b>	<b>101,776,639</b>
Borrowings in India	102,039,091	101,776,639
Borrowings outside India	-	-
<b>TOTAL</b>	<b>102,039,091</b>	<b>101,776,639</b>

**Nature of Security :**

(a) Term loan from bank - Vehicle loan - The loans are secured by hypothecation of respective vehicles against which the loans have been availed.

## (b) Loans repayable on demand

Particulars	Primary	Collateral	Guarantors
South Indian Bank (Limit - Rs. 10 Crore)	All book debts and receivables of the Company.	<p>1. EM of land in the name of Josekutty Xavier admeasuring 22.91 cents under Sy No: 1160/6B, 1160/6A; 32.57 cents under Sy No: 1160/8, 1160/7; 20.35 cents under Sy No:1159/9 and 21.61 cents under Sy No:1159/9 in Kothamangalam Village, Ernakulam District</p> <p>2. EM of land admeasuring 19.224 cents with 23079 sq. ft. commercial building under Sy. No. 1267/9-2 with building no. 30/564 in Kothamangalam municipality, Kothamangalam taluk, Ernakulam District in the name of M/s KMLM Chits India Limited.</p> <p>3. EM of 8 cents of vacant land under Sy. No. I/4A, I/4B, Re. Sy.No. 26/2 in Edappally North Village, Kanayannur Taluk, Ernakulam District in the name of M/s KLM Axiva Finvest Limited.</p>	<p>1. Josekutty Xavier</p> <p>2. Shibu T. Varghese</p> <p>3. Biji Shibu</p> <p>4. James Joseph</p> <p>Armbankudiyil</p> <p><b>Corporate guarantee -</b></p> <p>1. M/s KMLM Chits India Limited</p>

**Note 18 - Subordinated Liabilities**

Particulars	As at March 31, 2021	As at March 31, 2020
<b>At Amortised Cost:</b>		
(a) Subordinated Debts	4,250,788,000	3,050,336,000
<b>Total (A)</b>	<b>4,250,788,000</b>	<b>3,050,336,000</b>
Subordinated liability in India	4,250,788,000	3,050,336,000
Subordinated liability outside India	-	-
<b>TOTAL</b>	<b>4,250,788,000</b>	<b>3,050,336,000</b>

**18.1 - Unsecured Subordinated Debt - Private Placement**

Series wise classification of unsecured subordinated debt

Particulars	As at March 31, 2021	As at March 31, 2020
Unsecured Subordinated Debt 2020 - 22 Series	1,200,452,000	-
Unsecured Subordinated Debt 2019 - 20 Series	1,159,333,000	1,159,333,000
Unsecured Subordinated Debt 2018 - 19 Series	835,422,000	835,422,000
Unsecured Subordinated Debt 2017 - 18 Series	949,467,000	949,467,000
Unsecured Subordinated Debt 2016 - 17 Series	106,114,000	106,114,000
<b>TOTAL</b>	<b>4,250,788,000</b>	<b>3,050,336,000</b>

Interest wise classification of unsecured subordinated debt

Particulars	As at March 31, 2021	As at March 31, 2020
Unsecured Subordinated Debt - >12.5%	189,787,000	174,712,000
Unsecured Subordinated Debt - 12.5%	203,977,000	191,302,000
Unsecured Subordinated Debt - 12.25%	37,413,000	37,413,000
Unsecured Subordinated Debt - 12%	851,687,000	726,947,000
Unsecured Subordinated Debt < 12%	2,967,924,000	1,919,962,000
<b>TOTAL</b>	<b>4,250,788,000</b>	<b>3,050,336,000</b>

Maturity wise classification of unsecured subordinated debt

Particulars	As at March 31, 2021	As at March 31, 2020
Unsecured Subordinated Debt - 5 to 6 years maturity	323,315,000	279,514,000
Unsecured Subordinated Debt - 5 years maturity	3,927,473,000	2,770,822,000
<b>TOTAL</b>	<b>4,250,788,000</b>	<b>3,050,336,000</b>



**Note 19 - Other Financial Liabilities**

Particulars	As at March 31, 2021	As at March 31, 2020
(a) Interest payable on debt securities	121,980,463	64,483,078
(b) Interest payable on subordinated debts	184,126,128	97,989,975
(c) Others	33,636,196	25,098,799
<b>TOTAL</b>	<b>339,742,787</b>	<b>187,571,852</b>

**Note 20 - Current Tax Liabilities (Net)**

Particulars	As at March 31, 2021	As at March 31, 2020
(a) Income tax provision (net of advance tax and tax deducted at source)	31,848,995	6,479,286
<b>TOTAL</b>	<b>31,848,995</b>	<b>6,479,286</b>

**Note 21 - Other Non-Financial Liabilities**

Particulars	As at March 31, 2021	As at March 31, 2020
(a) Statutory remittances	11,384,902	2,840,398
(b) Advance interest received on loans	-	9,824
<b>TOTAL</b>	<b>11,384,902</b>	<b>2,850,222</b>

**Note 22 - Equity Share Capital**

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

Particulars	As at March 31, 2021	As at March 31, 2020
<b>Authorised</b>		
7,50,00,000 (March 31, 2020 6,00,00,000.) equity Shares of '10/- each	750,000,000	600,000,000
	750,000,000	600,000,000
<b>Issued, Subscribed &amp; Fully Paid Up</b>		
6,79,28,228 (March 31, 2020: 5,31,28,228.) equity Shares of '10/- each	679,282,280	531,282,280
<b>TOTAL</b>	<b>679,282,280</b>	<b>531,282,280</b>

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

Particulars	In Numbers	Amount
<b>As at March 31, 2020</b>	<b>53,128,228</b>	<b>531,282,280</b>
Shares Issued during the Year	14,800,000	148,000,000
<b>As at March 31, 2021</b>	<b>67,928,228</b>	<b>679,282,280</b>

**ii. Terms / Rights attached to equity shares**

The Company has only one class of equity shares having a par value of '10/- per share. Each holder of equity shares is entitled to one vote per share.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts, if any. The distribution will be in proportion to the number of equity shares held by the shareholders.

**iii. Details of equity shareholders holding more than 5% Shares**

Name of shareholder	As at March 31, 2021		As at March 31, 2020	
	No: of shares	% of Holding	No: of shares	% of Holding
Shibu T Varghese	7,840,700	11.54	4,811,200	9.06
Aleyamma Varghese	5,841,450	8.60	3,756,450	7.07
Biji Shibu	4,926,300	7.25	3,190,300	6.00

**Note 23 - Other Equity**

Particulars	Amount
<b>Securities Premium</b>	
As at March 31, 2020	79,017,562
Add: Additions upon share issue	37,000,000
As at March 31, 2021	116,017,562
<b>Statutory Reserve</b>	
As at March 31, 2020	34,267,100
Add: Additions/(Deductions) during the year	14,116,743
As at March 31, 2021	48,383,843
<b>General Reserve</b>	
As at March 31, 2021	408,000
Utilised during the year	-
<b>Revaluation reserve</b>	
Add: Additions/(Deductions) during the year	109,856,310
As at March 31, 2021	109,856,310
<b>Retained Earnings</b>	
As at March 31, 2020	5,687,508
Add: Profit for the year	70,583,713
Less: Dividend	(53,128,228)
less: Transfer to statutory reserve	(14,116,743)
	9,026,251
<b>Total Other Equity</b>	
As at March 31, 2020	119,380,170
As at March 31, 2021	283,691,965

**Nature and purpose of Reserves****Securities premium**

This Reserve represents the premium on issue of equity shares. The reserve can be utilised only for the purposes in accordance with the provisions of the Companies Act, 2013.

**Statutory reserve**

Statutory Reserve is created as per the terms of section 45-IC(1) of the Reserve Bank of India Act, 1934. It requires every non banking finance institution which is a Company to create a reserve fund and transfer therein a sum not less than twenty percent of its net profit every year as disclosed in the statement of profit and loss before any dividend is declared. The Company has appropriated 20% of the Profit After Tax to the fund for the year.

**General reserve**

Under the erstwhile Companies Act 1956, general reserve was created through an annual transfer of profit for the period at a specified percentage in accordance with applicable regulations. After the introduction of Companies Act 2013, the requirement to mandatorily transfer a specified percentage of the net profit to general reserve has been withdrawn. However, the amount previously transferred to the general reserve can be utilised only in accordance with the specific requirements of the Companies Act, 2013.

**Revaluation reserve**

The revaluation reserves represents the gain/ loss attained by the company while revaluing its assets to fair market value. During the year, the company revalued some of its landed property and the gain/loss has been transferred to revaluation reserve.

**Retained earnings**

This reserve represents the cumulative profits of the Company.

**Note 24 - Interest Income**

Particulars	For the year ended	
	March 31, 2021	March 31, 2020
<b>On financial assets measured at amortised cost:</b>		
<b>(i) Interest on Loans</b>		
Gold Loan	773,509,962	458,000,727
Business Loan	337,246,943	386,877,526
Personal Loan	11,275,980	52,404,827
Vehicle Loan	24,550	691,292
Microfinance Loans	104,522,973	90,958,479
<b>(ii) Interest on deposit with banks</b>	10,826,422	5,199,784
<b>(iii) Other interest income</b>	209,043	1,526,355
<b>TOTAL</b>	<b>1,237,615,874</b>	<b>995,658,991</b>

**Note 25 - Other Income**

Particulars	For the year ended	
	March 31, 2021	March 31, 2020
Commission Income	26,595,497	25,636,076
Notice Charge	30,069	36,142
Miscellaneous Income	879,034	1,167,850
<b>TOTAL</b>	<b>27,504,600</b>	<b>26,840,068</b>

**Note 26 - Finance Cost**

Particulars	For the year ended	
	March 31, 2021	March 31, 2020
<b>On financial liabilities measured at amortised cost:</b>		
Interest on Borrowings (other than debt securities)	6,114,774	5,103,620
Interest on Subordinate Debt	413,873,189	289,083,089
Interest on Debenture	310,402,421	216,039,786
Others		
Interest on delayed payment of income tax	14,884	2,953,868
<b>TOTAL</b>	<b>730,405,267</b>	<b>513,180,363</b>

**Note 27 - Impairment on Financial Instruments**

Particulars	For the year ended	
	March 31, 2021	March 31, 2020
<b>On financial assets measured at amortised cost:</b>		
Loan Assets	-13,850,403	12,053,709
<b>TOTAL</b>	<b>-13,850,403</b>	<b>12,053,709</b>

**Note 28 - Employee benefits expenses**

Particulars	For the year ended	
	March 31, 2021	March 31, 2020
Salaries & Wages	173,504,558	178,130,167
Contributions to provident and other funds	14,319,380	11,288,757
<b>TOTAL</b>	<b>187,823,938</b>	<b>189,418,924</b>

**Note 29 - Depreciation, amortisation and impairment**

Particulars	For the year ended	
	March 31, 2021	March 31, 2020
Depreciation of tangible assets	37,312,186	32,407,248
Amortisation of intangible assets	2,206,586	1,369,759
<b>TOTAL</b>	<b>39,518,772</b>	<b>33,777,007</b>

**Note 30 - Other expenses**

Particulars	For the year ended	
	March 31, 2021	March 31, 2020
Advertisement	31,251,785	27,844,281
Audit Expenses	116,810	137,845
Audit Fee	817,500	750,000
Bank Charges	835,053	1,444,008
Bad Debts written off	817,500	6,444,995
Business Promotion	1,110,443	7,309,645
Canvassing Expenses	-	2,087,575
Celebration Expens	776,057	916,362
Collection Expenses	625,010	1,095,803
Computer & Software Expenses	1,016,719	1,146,102
Corporate social responsibility expenditure	724,715	1,674,109
Crisil rating expenses	-	354,098
Customer Meet expenses	19,078	1,203,983
Cibil Charges	266,773	-
Debenture Trustee Remuneration	110,000	120,000
Discount Given	3,706,630	1,001,618
Donation	-	28,841
Electricity Charges	5,577,809	4,797,499
Fuel Expenses	1,001,284	-
Inaugural Expense	244,565	367,334
Incentive	42,991,619	31,124,390
Insurance Charges	8,175,374	2,343,981
Internet Charges	2,370,640	2,042,209
Legal Expense	3,722,467	4,483,405
Loss on Auction Gold	3,555	2,390,972
Marketing Expenses	218,963	850,033
Meeting Expenses	1,632,355	2,538,660
Membership Fee	4,500	118,600
Miscellaneous Expense	7,798	242,531
Newspaper & Periodicals	165,356	93,330
Office Expense	8,707,503	12,332,919
Postage	980,109	1,167,737
Printing & Stationery	3,761,411	4,236,845
Professional Fee	2,664,129	6,995,862
Public Issue	4,139,587	3,167,257
Rates & Taxes	747,911	538,054
Rent	56,334,140	46,605,425
Repairs and Maintenance	764,655	661,460
Repairs and Maintenance-Building	337,812	463,421
ROC Filing Charge	1,410,980	42,911
Sitting Fees	135,000	230,000
Staff Training Expense	2,647,371	102,000
Telephone charges	4,123,109	3,546,035
Travelling expenses	8,546,551	8,928,005
GST & flood cess Paid	6,627,095	3,636,963
Vehicle Maintenance	447,586	1,318,093
Water Charges	276,714	241,099
<b>TOTAL</b>	<b>210,962,022</b>	<b>199,166,296</b>

**Note - 30.1****Payment to the auditors comprises :**

Particulars	For the year ended	
	March 31, 2021	March 31, 2020
As auditors - statutory audit	600,000	600,000
For taxation matters	150,000	150,000
<b>TOTAL</b>	<b>750,000</b>	<b>750,000</b>

**Note 31 - Income Tax**

The components of income tax expense for the year ended March 31, 2021 and year ended March 31, 2020 are:

Particulars	For the year ended	
	March 31, 2021	March 31, 2020
Current tax	31,848,995	37,531,600
Tax relating to prior years paid on settlement*	7,265,499	31,130,905
Deferred Tax	562,671	1,172,270
<b>Income tax expense reported in statement of profit and loss</b>	<b>39,677,164</b>	<b>69,834,775</b>

The Company has computed the tax expense of the current financial year as per the tax regime announced under section 115BAA of the Income Tax Act, 1961. Accordingly, tax expense for the year comprising current and deferred tax as per Indian Accounting Standards -12 Income Taxes have been recognised using the reduced tax rates applicable.

\* A search and seizure proceedings was initiated by the Income Tax Department under Section 132 of the Income-Tax Act, 1961 on October 5, 2015 in the business premises of the Company and other group Companies. Simultaneously, search was also conducted in the residential premises of the Directors. Further, a survey under section 133A of the Income Tax Act, 1961 was also conducted in the business premises of the branches of the Company. Pursuant to the IT Search and Seizure Proceedings, the Company received notices under section 148 of the Income Tax Act, 1961 issued by the Deputy Commissioner of Income Tax, Centre Circle, Kochi. It was alleged that the Company had generated undisclosed income and utilized the same over the period because of which the Company, subsequently, approached the Income Tax Settlement Commission, Chennai Bench ("The Commission"). The Company declared an additional income of ₹401.64 lakhs before the Settlement Commission for the assessment years 2013-14 to 2016-17. The Settlement Commission through its order dated December 28, 2017 allowed the settlement application of the Company. Further, The Commission, vide its order under section 245(D)4 of the Income Tax Act, 1961, dated May 24, 2019 settled the income for the assessment years which were subject matter of settlement and allowed the payment of tax including interest in six quarterly installments. The Assistant Commissioner of Income Tax, Central Circle - 1, Ernakulam, passed an order dated August 29, 2019 giving effect of the order of the Settlement Commission. The Company has as at March 31, 2021 paid off the entire tax liability including interest.

**Note 32 - Earnings per share**

Particulars	For the year ended	
	March 31, 2021	March 31, 2020
Net profit for calculation of basic earnings per share	70,583,713	5,067,984
Weighted average number of shares used as denominator for calculating basic and diluted earning per share	56,990,865	51,797,831
<b>Basic and diluted earnings per share (Rs.)</b>	<b>1.24</b>	<b>0.10</b>

Notes on Standalone Financial Statements for the year ended March 31, 2021  
**Note 13 - Property, Plant and Equipment**

Particulars	Land	Computers and data processing units	Electrical Installations and Equipment	Furniture and furnishings	Office Equipments	Motor Vehicles Total	Total
<b>Cost:</b>							
<b>Deemed cost as at 1st April 2020</b>	93,174,053	9,632,139	8,491,577	56,127,848	17,524,882	2,303,940	187,254,438
Additions	127,475,389	9,334,227	2,555,119	30,704,422	5,215,455	3,480,906	178,765,518
Disposals	-	-	-	-	-	-	-
<b>Depreciation:</b>							
Disposals	-	-	-	-	-	-	-
Depreciation charge for the year	-	6,174,987	2,154,539	24,047,071	3,435,709	1,499,880	37,312,186
<b>Carrying Amount:</b>							
As at 31st March 2020	93,174,053	9,632,139	8,491,577	56,127,848	17,524,882	2,303,940	187,254,438
As at 31st March 2021	220,649,442	12,791,379	8,892,157	62,785,199	19,304,628	4,284,966	328,707,771

**Note 14 - Other Intangible Assets**

Particulars	Computer Software
<b>Cost:</b>	
<b>Deemed cost as at 1st April 2020</b>	3,296,454
Additions	4,342,570
Disposals	-
<b>Accumulated Amortisation:</b>	
Disposals	-
Amortisation charge for the year	2,206,586
<b>Carrying Amount:</b>	
As at 31st March 2020	3,296,454
As at 31st March 2021	5,432,438



**Note 33 - Maturity analysis of assets and liabilities**

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled and considering contractual terms. For Loans and advances to customers, maturity analysis is based on expected repayment behaviour.

Particulars	As at March 31, 2021			As at March 31, 2020		
	Within 12 months	After 12 months Total	Total	Within 12 months	After 12 months Total	Total
<b>ASSETS</b>						
<b>Financial Assets</b>						
Cash and Cash Equivalents	313,113,858	-	313,113,858	361,816,424	-	361,816,424
Bank Balance Other than above		150,000	150,000		10,150,000	10,150,000
Loans	5,566,859,498	1,906,151,018	7,473,010,516	490,149,121	4,645,304,140	5,135,453,260
- Adjustment on account of EIR/ECL	-	(143,303,511)	(143,303,511)	-	(157,153,914)	(157,153,914)
Investments		24,770,000	24,770,000		24,770,000	24,770,000
Other Financial Assets	666,552	61,121,627	61,788,179	666,552	45,764,562	46,431,114
<b>Non-Financial Assets</b>						
Current Tax Assets (Net)	43,883,299	-	43,883,299	-	-	-
Deferred Tax Assets (Net)	-	46,383,569	46,383,569	-	46,946,240	46,946,240
Property, Plant and Equipment	-	328,707,771	328,707,771	-	187,254,438	187,254,438
Other Intangible Assets	-	5,432,438	5,432,438	-	3,296,454	3,296,454
Other Non-Financial Assets	82,405,449	2,077,384	84,482,833	9,383,643	72,309,691	81,693,334
<b>Total Assets</b>	<b>6,006,928,655</b>	<b>2,231,490,296</b>	<b>8,238,418,951</b>	<b>862,015,739</b>	<b>4,878,641,612</b>	<b>5,740,657,351</b>
<b>LIABILITIES</b>						
<b>Financial Liabilities</b>						
Payables	-	-	-	-	-	-
Debt Securities	733,451,000	1,823,049,000	2,556,500,000	400,343,000	1,352,827,000	1,753,170,000
- Adjustment on account of EIR	-	(16,959,069)	(16,859,069)	-	(12,189,098)	(12,189,098)
Borrowings (Other than Debt Securities)	98,916,600	3,122,491	102,039,091	101,080,254	696,385	101,776,639
Subordinated Liabilities	106,114,000	4,144,674,000	4,250,788,000	-	3,050,336,000	3,050,336,000
Other Financial liabilities	213,826,683	125,916,104	339,742,787	121,540,409	66,031,443	187,571,852
<b>Non-Financial Liabilities</b>						
Current Tax Liabilities (Net)	31,848,995	-	31,848,995	6,479,286	-	6,479,286
Other Non-Financial Liabilities	11,384,902	-	11,384,902	2,850,222	-	2,850,222
<b>Total Liabilities</b>	<b>1,195,542,180</b>	<b>6,079,802,526</b>	<b>7,275,444,706</b>	<b>632,293,171</b>	<b>4,457,701,730</b>	<b>5,089,994,901</b>
<b>Net</b>	<b>4,811,386,475</b>	<b>(3,848,312,229)</b>	<b>962,974,245</b>	<b>229,722,569</b>	<b>420,939,881</b>	<b>650,662,450</b>

### Note 34 - Risk Management

Risk is an integral part of the Company's business and sound risk management is critical to the success. As a financial lending institution, the Company is exposed to risks that are particular to its lending and the environment within which it operates. The Company has a risk management policy which covers risk associated with the financial assets and liabilities. The principal objective in Company's risk management processes is to measure and monitor the various risks that Company is subject to and to follow policies and procedures to address such risks.

The Company's Risk Management Committee of the Board of Directors constituted is responsible for the overall risk management approach, approving risk management strategies and principles.

The Risk Management Committee shall be responsible for the following:

1. Reviewing the operations of the organization followed by identifying potential threats to the organization and the likelihood of their occurrence, and then taking appropriate actions to address the most likely threats.
2. Identifying the risks an organization is subject to, deciding how to manage it, implementing the management technique, measuring the ongoing effectiveness of management and taking appropriate correction action and provide a framework that enables future activities to take place in a consistent & controlled manner.

The Company is generally exposed to credit risk, liquidity risk, market risk and operational risk.

#### I. Credit risk

Credit risk is the possibility of loss due to the failure of any counterparty abiding by the terms and conditions of any financial contract obligations resulting in financial loss to the Company. The Company's main income generating activity is lending to customers and therefore credit risk is a principal risk. Credit risk mainly arises from loans and advances.

The Company addresses credit risk through following processes:

1. Through a rigorous loan approval and collateral appraisal process, as well as a strong NPA monitoring and collection strategy.
2. Minimise losses due to defaults or untimely payments by borrowers
3. Credit risk on Gold loan is considerably reduced as collateral is in the form of Gold ornaments which can be easily liquidated and adequate margin of 25% or more is retained while disbursing the loan.

#### Classification of financial assets under various stages

The Company classifies its financial assets in three stages having the following characteristics:

Stage 1: unimpaired and without significant increase in credit risk since initial recognition on which a 12 month allowance for ECL is recognised;

Stage 2: a significant increase in credit risk since initial recognition on which a lifetime ECL is recognised;

Stage 3: objective evidence of impairment, and are therefore considered to be in default or otherwise credit impaired on which a lifetime ECL is recognised.

The Company considers a financial instrument as defaulted and therefore Stage 3 (credit-impaired) for Expected Credit Loss (ECL) calculations in all cases when the borrower becomes 90 days past due (DPD) on its contractual payments. All financial assets are deemed to have suffered a significant increase in credit risk when they are 30 DPD and are accordingly transferred from stage 1 to stage 2. For stage 1 an ECL allowance is calculated based on a 12 month Point in Time probability weighted probability of default (PD). For stage 2 and 3 assets a life time ECL is calculated based on a lifetime PD.

The Company has calculated ECL using three main components: a probability of default (PD), a loss given default (LGD) and the exposure at default (EAD).

### **Exposure at Default (EAD)**

The Exposure at Default is an estimate of the exposure at a future default date, considering expected changes in the exposure after the reporting date, whether scheduled by contract or otherwise.

### **Probability of default (PD)**

The Probability of Default is an estimate of the likelihood of default over a given time horizon. To calculate the ECL for a Stage 1 loan, the Company assesses the possible default events within 12 months for the calculation of the 12 month ECL. For Stage 2 and Stage 3 financial assets, the exposure at default is considered for events over the lifetime of the instruments. The Company uses historical information wherever available to determine PD.

### **Loss Given Default (LGD)**

LGD is the estimated loss that the Company might bear if the borrower defaults. The Company determines its recovery by analysing the recovery trends, borrower rating, collateral value and expected proceeds from sale of asset. In estimating LGD, the company reviews macro-economic developments taking place in the economy.

## **II. Liquidity risk**

Liquidity risk is the non-availability of cash to pay a liability that falls due. A company is deemed to be financially sound if it is in a position to carry on its business smoothly and meet all the obligations – both long term as well as short term – without strain. Liquidity Risk arises largely due to maturity mismatch associated with assets and liabilities of the Company. Liquidity risk stems from the inability of the Company to fund increase in assets, manage unplanned changes in funding sources and meet financial commitments when required.

Company has implemented liquidity management policy for reducing the risk relating to liquidity issues. Currently the policies relating to liquidity are as follows:

1. The Company is maintaining high capital adequacy ratio over and above limits prescribed by regulators.
2. The Company ensures to keep liquidity to cover unexpected repayment obligation.
3. Promoting fund infusion by way of Non-Convertible debentures and subordinated debts so that due date for interest and maturity can be pre known.
4. Funding from long terms sources and lending as short term loans.
5. Reducing the percentage of unsecured lending so that repayment up to a level is not affected.

### **Asset Liability Management (ALM)**

The table below shows the maturity pattern of significant financial assets and financial liabilities. In the case of loans, contracted tenor of gold loan is maximum of 12 months. However, on account of high incidence of prepayment before contracted maturity, the below maturity profile has been prepared by the management on the basis of historical pattern of repayments. In case of loans other than gold loan, the maturity profile is based on contracted maturity.

**Maturity pattern of assets and liabilities as on March 31, 2021:**

Particulars	Upto 1 month	1 to 2 months	2 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Not sensitive to ALM*	Total
<b>Financial Assets</b>										
Cash and Cash Equivalents	313,113,858	-	-	-	-	-	-	-	-	313,113,858
Bank Balance Other than Cash and Cash Equivalents	-	-	-	-	-	-	-	150,000	-	150,000
Loans	413,987,460	18,695,680	226,235,698	476,492,820	4,431,447,840	1,906,151,018	-	-	(143,303,511)	7,329,707,005
Investments	-	-	-	-	-	-	-	24,770,000	-	24,770,000
<b>Financial Liabilities</b>										
Debt Securities	-	-	-	337,261,000	396,190,000	997,362,000	691,247,000	134,440,000	(16,859,069)	2,539,640,931
Borrowings (Other than Debt Securities)	-	-	-	-	98,916,600	3,122,491	-	-	-	102,039,091
Subordinated Liabilities	-	-	-	-	106,114,000	1,784,889,000	1,960,457,000	399,328,000	-	4,250,788,000

\* represents adjustments on account of EIR/ECL

**III. Market risk**

Market risk refers to potential losses arising from the movement in market values of interest rates in the Company's line of business. The objective of market risk management is to avoid excessive exposure of our earnings to loss.

**Interest rate risk**

Interest rate risk is the risk where changes in the market interest rates might adversely affect the Company's financial condition. The interest rate risks are viewed from earning perspective and economic value perspective, respectively. Over the last several years, the Government of India has substantially deregulated the financial sector. As a result, interest rates are now primarily determined by the market, which has increased the interest rate risk exposure.

The results of the Company's operations are substantially dependent upon the level of the net interest margins. Interest rates are sensitive to many factors beyond the Company's control, including the RBI's monetary policies, domestic and international economic and political conditions and other factors. Rise in inflation, and consequent changes in the bank rates, repo rates and reserve repo rates by the RBI has led to an increase in interest rates on loans provided by banks and financial institutions.

In order to manage interest rate risk, the company seek to optimize borrowing profile between short-term and long-term loans and the company adopts funding strategies to ensure diversified resource-raising options to minimize cost and maximize stability of funds. The Company has Board Approved Asset Liability Management (ALM) policy for managing interest rate risk and policy for determining the interest rate to be charged on the loans given.

**IV. Operational risk**

Operational risk is broadly defined as the risk of direct or indirect loss due to the failure of systems, people or processes, or due to certain other external events. The Company has instituted a series of checks and balances, including an operating manual, and both internal and external audit reviews. Any loss on account of failure by employees to comply with defined appraisal mechanism is recovered out of their variable incentive. The Company also has detailed guidelines on movement and security measures of cash or gold. The Company cannot expect to eliminate all operational risks, but it endeavours to manage these risks through a control framework and by monitoring and responding to potential risks.

**Note 35 - Related party disclosures**

Names of Related Parties

**(A) Subsidiaries**

- 1) KMLM Financial Services Limited

**(B) Key Management Personnel**      **Designation**

- |                                  |                         |
|----------------------------------|-------------------------|
| 1) Shibu Thekkumpurathu Varghese | Whole-time Director     |
| 2) Josekutty Xavier              | Director                |
| 3) Thanish Dalee                 | Chief Financial Officer |
| 4) Srikanth G. Menon             | Company Secretary       |

**(C) Entities in which KMP / Relatives of KMP can exercise significant influence**

- 1) KLM Tiana Gold & Diamonds Private Limited
- 2) Payyoli Granites Private Limited

**(D) Relatives of Key Management Personnel**

Biji Shibu	w/o Shibu Thekkumpurathu Varghese
Elen Elu Shibu	d/o Shibu Thekkumpurathu Varghese
Aleyamma Varghese	Mother of Shibu Thekkumpurathu Varghese
Princy Josekutty	w/o Josekutty Xavier
Vithya Mathew	w/o Thanish Dalee
Lakshmi P. S.	w/o Srikanth G. Menon

**Related Party transactions during the year:**

Particulars	KMP		Relatives of KMP	
	As at March 31, 2021	As at March 31, 2020	As at March 31, 2021	As at March 31, 2020
Shares subscribed including share premium	25,000,000	30,000,000	75,000,000	7,200,000
Purchase of listed NCD of the Company	300,000	700,000.00	400,000	1,100,000
Purchase of sub-debts of the Company	-	-	-	225,000
Interest paid on listed NCD	67,778	38,079.00	101,422	59,938
Interest paid on subordinate debts	-	-	25,875	9,712
Remuneration paid	5,593,085	8,848,974	-	-
Professional consulting fees	550,000	600,000.00	-	-
Sitting Fees	55,000	80,000.00	55,000	40,000

Particulars	Subsidiary Company		Entities in which KMP / Relatives of KMP can exercise significant influence	
	As at March 31, 2021	As at March 31, 2020	As at March 31, 2021	As at March 31, 2020
Shares subscribed including share premium	-	-	-	-
Investment in equity shares	24,770,000	24,770,000	-	-
Purchase of listed NCD of the Company	-	-	-	-
Purchase of sub-debts of the Company	-	-	-	-
Interest paid on listed NCD	1,882,987	3,070,890	-	-
Interest paid on subordinate debts	-	-	-	-
Remuneration paid	-	-	-	-
Professional consulting fees	-	-	-	-
Sitting Fees	-	-	-	-

**Balance outstanding as at the year end: Asset/ (Liability)**

Particulars	KMP		Relatives of KMP	
	As at March 31, 2021	As at March 31, 2020	As at March 31, 2021	As at March 31, 2020
Investment in Subsidiary Company	-	-	-	-
Equity shares subscribed	(78,407,000)	(48,112,000)	(134,333,050)	(73,923,050)
NCD - Listed	(297,929)	(695,180)	(397,239)	(1,092,426)
Subordinate debt	-	-	(225,000)	(225,000)
Interest payable on NCD	(2,803)	(6,522)	(3,737)	(6,522)

Particulars	Subsidiary Company		Entities in which KMP/Relatives of KMP can exercise significant influence	
	As at March 31, 2021	As at March 31, 2020	As at March 31, 2021	As at March 31, 2020
Investment in Subsidiary Company	24,770,000	24,770,000	-	-
NCD - Listed	-	(24,835,019)	-	-
Interest payable on NCD	-	(1,233,390)	-	-

**Note:**

*Related parties have been identified on the basis of the declaration received by the management and other records available and the same has been relied upon by the auditors.*

**Note 36 - Capital  
Capital Management**

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

The Company's assessment of capital requirement is aligned to its planned growth which forms part of an annual operating plan which is approved by the Board and also a long range strategy. These growth plans are aligned to assessment of risks- which include credit, liquidity and interest rate. The Company monitors its capital to risk-weighted assets ratio (CRAR) on a regular basis through its Assets Liability Management Committee (ALCO).

**Regulatory Capital**

Particulars	March 31, 2021	March 31, 2020
Tier I Capital	801,301,928	600,419,756
Tier II Capital	463,475,058	305,541,369
<b>Total capital</b>	<b>1,264,776,986</b>	<b>905,961,125</b>
Risk Weighted Assets	7,873,339,086	5,323,779,723
Tier I CRAR	10.18%	11.28%
Tier II CRAR	5.89%	5.74%
Total capital ratio	16.06%	17.02%

Regulatory capital consists of Tier I capital, which comprises share capital, share premium, statutory reserve and retained earnings including current year profit. The other component of regulatory capital is other Tier 2 Capital Instruments.



**Note 38 - Disclosure with regard to dues to Micro Enterprises and Small Enterprises**

Based on the information available with the Company and has been relied upon by the auditors, none of the suppliers have confirmed to be registered under "The Micro, Small and Medium Enterprises Development ('MSMED') Act, 2006". Accordingly, no disclosures relating to principal amounts unpaid as at the period ended March 31, 2021 together with interest paid / payable are required to be furnished.

**Note 39 - Details of the Auctions conducted with respect to Gold Loan**

Year	Number of Loan Accounts	Amount due as on the date of auction	Value Fetched
3/31/2021	281	9,039,724	8,938,974
3/31/2020	710	26,954,466	24,563,494

**Note 40 - Disclosures required as per Reserve Bank of India Master Direction – Non-Banking Financial Company – Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016**

( ' in lakhs)

Sl. No.	Particulars		As at March 31, 2020	
			Amount out-standing	Amount overdue
	<b>Liabilities side :</b>			
1	<b>Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not paid:</b>			
	(a)	Debtures : Secured	25,396.41	-
		: Unsecured	-	-
		(other than falling within the meaning of public deposits)	-	-
	(b)	Deferred Credits	-	-
	(c)	Term Loans	31.22	-
	(d)	Inter-corporate loans and borrowing	-	-
	(e)	Commercial Paper	-	-
	(f)	Public Deposits	-	-
	(g)	Other Loans-	-	-
		Subordinated debt	42,507.88	-
		Cash credit / overdraft facilities from banks	989.17	-
2	<b>Break-up of (1)(f) above (Outstanding public deposits inclusive of interest accrued thereon but not paid):</b>			
	(a)	In the form of Unsecured debtures	-	-
	(b)	In the form of partly secured debtures i.e. debtures where there is a shortfall in the value of security	-	-
	(c)	Other public deposits	-	-
	<b>Assets side :</b>		<b>Amount out-standing</b>	
3	<b>Break-up of Loans and Advances including bills receivables [other than those included in (4) below] :</b>			
	(a)	Secured		67,899.99
	(b)	Unsecured		6,830.12
4	<b>Break up of Leased Assets and stock on hire and other assets counting towards asset financing activities</b>			
	(i)	Lease assets including lease rentals under sundry debtors :		
	(a)	Financial lease	-	
	(b)	Operating lease	-	
	(ii)	Stock on hire including hire charges under sundry debtors:		
	(a)	Assets on hire	-	
	(b)	Repossessed Assets	-	
	(iii)	Other loans counting towards asset financing activities		
	(a)	Loans where assets have been repossessed	-	
	(b)	Loans other than (a) above	-	

5	<b>Break-up of Investments</b>			
	Current Investments :			
1	Quoted :			
(i)	Share			
	(a) Equity		-	
	(b) Preference-			
(ii)	Debentures and Bonds		-	
(iii)	Units of mutual funds		-	
(iv)	Government Securities		-	
(v)	Others (please specify)		-	
2	Unquoted :			
(i)	Shares			
	(a) Equity		-	
	(b) Preference		-	
(ii)	Debentures and Bonds		-	
(iii)	Units of mutual funds		-	
(iv)	Government Securities		-	
(v)	Others (please specify)		-	
	Long Term investments :			
1	Quoted :			
(i)	Shares			
	(a) Equity		-	
	(b) Preference		-	
(ii)	Debentures and Bonds		-	
(iii)	Units of mutual funds		-	
(iv)	Government Securities		-	
(v)	Others (please specify)		-	
2	Unquoted :			
(i)	Shares			
	(a) Equity		247.70	
	(b) Preference		-	
(ii)	Debentures and Bonds		-	
(iii)	Units of mutual funds		-	
(iv)	Government Securities		-	
(v)	Others (please specify)		-	
6	<b>Borrower group-wise classification of assets financed as in (3) and (4) above :</b>			
	<b>Category</b>	<b>Amount net of provisions</b>		
		<b>Secured</b>	<b>Unsecured</b>	<b>Total</b>
1	Related Parties			
(a)	Subsidiaries	-	-	-
	(b) Companies in the same group	-	-	-
	(c) Other related parties	-	-	-
2	Other than related parties	67,899.99	6,830.12	74,730.11
7	<b>Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted)</b>			
	<b>Category</b>	<b>Market Value / Break up or fair value or NAV</b>	<b>Book Value (Net of Provisions)</b>	
1	Related Parties			
	(a) Subsidiaries		-	247.70
	(b) Companies in the same group		-	-
	(c) Other related parties		-	-
2	Other than related parties		-	-
	<b>Total</b>		-	<b>247.70</b>

8	<b>Other information</b>	
	<b>Particulars</b>	<b>Amount</b>
(b)	(i) Gross Non-Performing Assets*	
	(a) Related parties	-
	Other than related parties	4,904.84
	(ii) Net Non-Performing Assets*	
	(a) Related parties	-
	(b) Other than related parties	3,495.84
	(iii) Assets acquired in satisfaction of debt	-

\* Stage 3 loan assets under Ind AS

#### Note 40.2 - Capital

(' in lakhs)

Sl.	Particulars	As at March 31, 2021	As at March 31, 2020
1	CRAR (%)	16.06%	17.02%
2	CRAR - Tier I Capital (%)	10.18%	11.28%
3	CRAR - Tier II Capital (%)	5.89%	5.74%
4	Amount of subordinated debt raised as Tier - II capital	4,006.51	3,002.10
5	Amount raised by issue of perpetual debt instruments	-	-

#### Note 40.3 - Investments

(' in lakhs)

Sl. No.	Particulars	As at March 31, 2021	As at March 31, 2020
1	Value of Investments		
	(i) Gross Value of Investments		
	(a) In India	24,770,000.00	247.7
	(b) Outside India	-	-
	(ii) Provisions for Depreciation		
	(a) In India	-	-
	(b) Outside India	-	-
	(iii) Net Value of Investments		
	(a) In India	24,770,000.00	247.7
	(b) Outside India	-	-
2	Movement of provisions held towards depreciation on investments		
	(i) Opening balance	-	-
	(ii) Add : Provisions made during the year	-	-
	(iii) Less : Write off / write back of excess provisions during the year	-	-
	(iv) Closing balance	-	-

#### Note 40.4 - Ratings assigned by Credit rating Agencies

(' in lakhs)

Sl. No.	Particulars	As at March 31, 2021	As at March 31, 2020
1	Bank Loans - Cash Credit/overdraft	CRISIL BB+/ Stable; CARE BB+/Stable	CRISIL BB+/ Stable; CARE BB+/Stable
2	Non Convertible Debentures - Public issue	CARE BB+/ Stable	CARE BB+/ Stable

Migration in rating during the year - Change in outlook from CARE BB/Stable to CARE BB+/Stable.

#### Note 40.5 - Provisions and Contingencies

(' in lakhs)

Sl. No.	Break up of Provisions and Contingencies shown under the head Expenses in the Statement of Profit and Loss	As at March 31, 2021	As at March 31, 2020
1	Provisions for depreciation on Investment	-	-
2	Provision towards NPA (Expected Credit Loss)	-138.50	120.54
3	Provision made towards Income Tax	318.49	375.32
4	Other Provision and Contingencies (with details)	-	-
5	Provision for Standard Assets	-	-

**Note 40.6 - Concentration of Advances**

(‘ in lakhs)

Sl. No.	Particulars	As at March 31, 2021	As at March 31, 2020
1	Total Advances to twenty largest borrowers	7,956.82	6,410.88
2	Percentage of Advances to twenty largest borrowers to Total Advances of the NBFC	10.65%	12.48%

**Note 40.7 - Concentration of Exposures**

(‘ in lakhs)

Sl. No.	Particulars	As at March 31, 2021	As at March 31, 2020
1	Total Exposures to twenty largest borrowers/customers	7,956.82	6,410.88
2	Percentage of Exposures to twenty largest borrowers/Customers to Total Exposures of the NBFC on borrowers/Customers.	10.65%	12.48%

**Note 40.8 - Concentration of NPAs**

(‘ in lakhs)

Sl. No.	Particulars	As at March 31, 2021	As at March 31, 2020
1	Total Exposures to top four NPA accounts	76.47	1,066.06

**Note 40.9 - Sector wise NPAs**

Sl. No.	Sector	Percentage of NPAs to Total Advances in that sector	
		As at March 31, 2021	As at March 31, 2020
1	Agriculture & allied activities	-	-
2	MSME	12.27%	17.73%
3	Corporate borrowers	-	-
4	Services	-	-
5	Unsecured personal loans	-	-
6	Auto loans (vehicle loan)	-	-
7	Other loans	1.85%	3.55%

**Note 40.10 - Movement of NPAs**

Sl. No.	Particulars	As at March 31, 2021	As at March 31, 2020
(i)	Net NPAs* to Net Advances (%)	4.77%	6.14%
(ii)	Movement of NPAs* (Gross)		
	(a) Opening balance	451,205,447	605,911,019
	(b) Net additions during the year	39,278,915	-154,705,571
	(c) Closing balance	490,484,362	451,205,447
(iii)	Movement of Net NPAs*		
	(a) Opening balance	306,572,654	471,111,479
	(b) Net additions during the year	43,011,320	-164,538,824
	(c) Closing balance	349,583,974	306,572,654
(iv)	Movement of provisions for NPAs* (excluding Provisions on Standard Assets)		
	(a) Opening balance	144,632,793	134,799,540
	(b) Provisions made during the year	-	9,833,253
	(c) Write-off/ write-back of excess provisions	-3,732,405	-
	(d) Closing balance	140,900,388	144,632,793

\* Stage 3 loan assets under Ind AS.

**Note 41 - Disclosure required as per Reserve Bank of India Notification No. DOR (NBFC). CC . PD. No.109/22.10.106 /2019-20 dated March 13,2020**

A comparison between provisions required under Income recognition, asset classification and provisioning (IRACP) and impairment allowances as per Ind AS 109 - Financial instruments.

Asset Classification as per RBI Norms (1)	Asset Classification as per IND AS 109 (2)	Gross Carrying Amount as per IND AS (3)	Loss Allowances (Provisions) as required under IND AS 109 (4)	Net carrying Amount(5)=(3)- (4)	Provisions required as per IRACP norms(6)	Difference between IND AS 109 provisions and IRACP norms(7)=(4)-(6)
<b>Performing Assets</b>						
Standard Assets	Zero overdue Stage 1 Stage 2	6,447,537,529 483,672,849 51,315,776	- 1,664,104 739,019	6,447,537,529 482,008,745 50,576,757	25,790,150 1,934,691 205,263	(25,790,150) (270,587) 533,756
Subtotal		<b>6,982,526,154</b>	<b>2,403,123</b>	<b>6,980,123,031</b>	<b>27,930,105</b>	<b>(25,526,982)</b>
<b>Non-Performing Assets</b>						
Sub Standard	Stage 3	189,075,819	59,280,667	129,795,152	18,907,582	40,373,085
Doubtful- up to 1 year	Stage 3	95,457,549	33,410,142	62,047,407	19,091,510	14,318,632
1 to 3 years	Stage 3	205,950,994	48,209,579	157,741,415	61,785,298	(13,575,720)
More than 3 years	Stage 3	-	-	-	-	-
Subtotal for doubtful		<b>301,408,543</b>	<b>81,619,721</b>	<b>219,788,822</b>	<b>80,876,808</b>	<b>742,913</b>
Loss	Stage 3	-	-	-	-	-
Subtotal for NPA		<b>490,484,362</b>	<b>140,900,388</b>	<b>349,583,974</b>	<b>99,784,390</b>	<b>41,115,998</b>
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)	Stage 1 Stage 2  Stage 3	- -  -	- -  -	- -  -	- -  -	- -  -
Subtotal		-	-	-	-	-
<b>Total</b>	<b>Zero overdue Stage 1 Stage 2 Stage 3 Total</b>	<b>6,447,537,529 483,672,849 51,315,776 490,484,362 7,473,010,516</b>	<b>- 1,664,104 739,019 140,900,388 143,303,511</b>	<b>6,447,537,529 482,008,745 50,576,757 349,583,974 7,329,707,005</b>	<b>25,790,150 1,934,691 205,263 99,784,390 127,714,495</b>	<b>(25,790,150) (270,587) 533,756 41,115,998 15,589,016</b>

**Note 42 - Customer complaints**

(' in lakhs)

Sl. No.	Particulars	As at March 31, 2021	As at March 31, 2020
1	No. of complaints pending as at the beginning of the year	Nil	Nil
2	No. of complaints received during the year	Nil	Nil
3	No. of complaints redressed during the year	Nil	Nil
4	No. of complaints pending as at the end of the year	Nil	Nil

**Note 43 - Percentage of Loans granted against collateral of gold jewellery to total assets**

(' in lakhs)

Sl. No.	Particulars	As at March 31, 2021	As at March 31, 2020
1	Gold Loans granted against collateral of gold jewellery	3,787,122,458	2,554,040,423
2	Total Financial assets of the Company	7,729,529,041	5,421,466,885
3	Percentage of Gold Loans to Total Assets	49.00%	47.11%

**Note 44 - Previous year's figures have been regrouped/rearranged, wherever necessary to conform to current year's classifications/disclosure.**

As per our report of even date attached

For and on behalf of the Board of Directors

For **R.B Jain and Associates.,**  
Chartered Accountants  
(FRN: 103951W)

Sd/-  
**Shibu Thekkumpurathu Varghese**  
Whole-time Director (DIN: 02079917)

Sd/-  
**Biji Shibu**  
Director (DIN: 06484566)

Sd/-  
**K.J Thomas, BSc, FCA**  
Partner (M. No. 019454)  
**UDIN : 21019454AAAAUO2910**

Sd/-  
**Thanish Dalee**  
Chief Financial Officer

Place:Palarivattom  
Date: 09-06-2021

Sd/-  
**Srikanth G. Menon**  
Company Secretary



# **INDEPENDENT AUDITOR’S REPORT**

To the Members of **KLM AXIVA FINVEST LIMITED**

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

### **Opinion**

We have audited the accompanying consolidated financial statements of **KLM Axiva Finvest Limited** (hereinafter referred to as the “Holding Company”) and its subsidiaries (Holding Company and its subsidiaries together referred to as “the Group”), which comprise the consolidated balance sheet as at 31<sup>st</sup> March 2021, and the consolidated statement of profit and loss (including Other Comprehensive Income), the consolidated Statement of Changes in Equity and the consolidated cash flow statement 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 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 Group as at March 31, 2021, of consolidated profit/loss (including Other Comprehensive Income), consolidated changes in equity and its consolidated cash flows and the for the year ended on that date.

### **Basis for Opinion**

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

### **Emphasis Of Matter**

We draw attention to Note 3 to the consolidated Financial Statements, which describes that the Group has recognised impairment on financial assets to reflect the adverse business impact and uncertainties arising from the COVID-19 pandemic. Such estimates are based on current facts and circumstances and may not necessarily reflect the future uncertainties and events arising from the full impact of the COVID-19 pandemic.

Due to the Covid-19 pandemic, we were not able to visit the branches of the Holding Company and hence could not verify the underlying security in respect of gold loans. We are relying on the internal control system in force and management representation with respect to the same.

Our opinion is not modified in respect of these matters.

## Key Audit Matters

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

### Key audit matters with respect to the Holding Company.

<b>Key Audit Matter</b>	<b>How the matter was addressed in our audit</b>
<p><b>Provision for Expected Credit Losses (ECL) on Loans</b>As against the provisioning norms earlier prescribed by Reserve Bank of India and adopted by the Company in prior years, Ind-AS 109 (Financial Instruments) requires the Company to recognise Expected Credit Loss (ECL) and impairment loss allowances on financial assets. ECL involves an estimation of probability weighted loss on financial instruments over their life, considering reasonable and supportable information about past events, current conditions, and forecasts of future economic conditions which could impact the credit quality of the Company's loans and advances.</p> <p>In the process, a significant degree of judgment has been applied by the Management for:</p> <ul style="list-style-type: none"> <li>• Timely identification and classification of the impaired loans.</li> <li>• Staging of loans [i.e. classification in 'significant increase in credit risk' ('SICR') and 'default' categories].</li> <li>• Determination and calculation of probability of default / Loss given default.</li> <li>• Consideration of probability weighted scenarios and forward looking macro-economic factors for determining credit quality of receivables.</li> <li>• Estimation of losses for loan products with no/minimal historical defaultsThe outbreak of the COVID – 19 pandemic during the year has necessitated a high degree of Management's judgement to consider the possible impact of uncertainties associated with the same and the Management's judgement involved in estimation of ECL.</li> </ul>	<p>We examined Board Policy approving methodologies for computation of ECL that address policies, procedures and controls for assessing and measuring credit risk on all lending exposures, commensurate with the size, complexity and risk profile specific to the Company.</p> <p>We evaluated the design and operating effectiveness of controls across the processes relevant to ECL, including the judgements and estimates.</p> <p>These controls included, among others, controls over the allocation of assets into stages including management's monitoring of stage effectiveness, model monitoring including the need for post model adjustments and disclosures.</p> <p>We assessed the criteria for staging of loans based on their past-due status to check compliance with requirement of Ind AS 109. Tested a sample of performing (stage 1) loans to assess whether any SICR or loss indicators were present requiring them to be classified under stage 2 or 3.</p> <p>We tested the appropriateness of determining the Exposure At Default (EAD), Probability of Default (PD) and Loss Given Default (LGD) for a samples of exposure.</p> <p>We performed an overall assessment of the ECL provision levels at each stage including management's assessment on Covid-19 impact to determine if they were reasonable in considering the Company's portfolio, risk profile, credit risk management practices and the macroeconomic environment.</p> <p>We assessed disclosures included in the consolidated financial statements in respect of expected credit losses including the specific disclosures made with regards to the impact of COVID-19 on ECL estimation.</p>
<p><b>Information technology</b></p> <p>Financial accounting and reporting processes, are fundamentally reliant on IT systems and IT controls to process significant volumes of transaction. The Company's financial accounting and reporting processes are so highly dependent on the automated controls in information systems, that 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>From a financial reporting perspective the Company uses and we have tested the financial accounting and reporting system and loan management systems and other tools for its overall financial reporting.</p>	<p>We obtained an understanding of the Company's IT control environment and changes during the audit period that may be relevant to the audit.</p> <p>We tested a sample of key controls operating over the information technology in relation to financial accounting and reporting systems, including system access and system change management.</p> <p>We evaluated 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.</p>

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

The Holding Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the 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.

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.

## **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

The Holding Company's Board of Directors are responsible for the matters stated in section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance including other comprehensive income, consolidated changes in equity and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India, including the Indian accounting Standards 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 Group and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the 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 Directors of the Holding Company, as aforesaid.

In preparing the consolidated financial statements, the respective Board of Directors of the companies included in the Group are responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

The respective Board of Directors of the companies included in the Group are responsible for overseeing the financial reporting process of the Group.

## **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.

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 Companies Act, 2013, we are also responsible for expressing our opinion on whether the Holding Company and its subsidiary companies have adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group'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 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 Group 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 the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities included in the consolidated financial statements of which we are the independent auditors. For the other subsidiaries included in the consolidated financial statements, which has been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion.

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.

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.

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

1. As required by Section 143(3) of the Act, we report that:

(a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated 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 Cash Flow Statement dealt with by this Report are in agreement with the 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 Indian Accounting Standards specified under Section 133 of the Act, read with relevant rules issued there under. \**Except Ind AS-19 - Employee Benefits*

(e) On the basis of the written representations received from the directors of the Holding Company as on 31<sup>st</sup> March, 2021 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors of its subsidiary company, none of the directors of the Group companies are disqualified as on 31<sup>st</sup> March, 2021 from being appointed as a director in terms of Section 164(2) of the Act.

(f) With respect to the adequacy of the internal financial controls over financial reporting of the Group and the operating effectiveness of such controls, refer to our separate Report in "Annexure A".

(g) 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 Group does not have any pending litigations which would impact its financial position.
- ii. The Group did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
- iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Group.

**For R.B Jain and Associates,**

Chartered Accountants

*(FRN 103951W)*

Sd/-

**K.J Thomas, FCA**

Partner (M. No. 019454)

**UDIN : 21019454AAAAUU5129**

Palarivattom,

09.06.2021



## **“Annexure A” to the Independent Auditor’s Report of even date on the Consolidated Financial Statements of KLM Axiva Finvest Limited**

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

In conjunction with our audit of the consolidated Ind AS financial statements of the Company as of and for the year ended March 31, 2021, we have audited the internal financial controls with reference to financial statements of KLM Axiva Finvest Limited (hereinafter referred to as “the Holding Company”) and its subsidiary company, as of that date.

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

The respective Board of Directors of the of the Holding company and its subsidiary company are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Holding Company and its subsidiary company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to 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 Act.

#### **Auditors’ Responsibility**

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

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

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

## **Meaning of Internal Financial Controls Over Financial Reporting**

A Company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with 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.

## **Inherent Limitations of Internal Financial Controls Over Financial Reporting**

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

## **Opinion**

In our opinion, the the Holding Company and its subsidiary company, have, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2021, based on the internal control over financial reporting criteria established by the Holding Company and its subsidiary company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

**For R.B Jain and Associates,**  
Chartered Accountants  
(FRN 103951W)

Sd/-

**K.J Thomas, FCA**  
Partner (M. No. 019454)  
**UDIN : 21019454AAAAUU5129**

Palarivattom,  
09.06.2021

**Consolidated Balance Sheet as at March 31, 2021**

<b>SI no:</b>	<b>PARTICULARS</b>	<b>Note no:</b>	<b>As at March 31, 2021</b>	<b>As at March 31, 2020</b>
	<b>ASSETS</b>			
1	<b>Financial Assets</b>			
(a)	Cash and Cash Equivalents	8	341,262,919	363,593,482
(b)	Bank Balance Other than (a) above	9	150,000	10,150,000
(c)	Loans	10	7,329,707,005	4,978,299,347
(e)	Other Financial Assets	11	61,788,179	46,431,114
2	<b>Non-Financial Assets</b>			
(a)	Current Tax Assets (Net)	12	43,883,299	-
(b)	Deferred Tax Assets (Net)	13	46,383,569	46,946,240
(c)	Property, Plant and Equipment	14	328,707,771	187,254,438
(d)	Other Intangible Assets	15	5,432,438	3,296,454
(e)	Other Non-Financial Assets	16	84,482,833	81,693,334
	<b>TOTAL</b>		<b>8,241,798,013</b>	<b>5,717,664,408</b>
	<b>LIABILITIES AND EQUITY</b>			
1	<b>Financial Liabilities</b>			
(a)	Payables		-	-
(b)	Debt Securities	17	2,539,640,931	1,715,980,902
(c)	Borrowings (Other than Debt Securities)	18	102,039,091	101,776,639
(d)	Subordinated Liabilities	19	4,250,788,000	3,050,336,000
(e)	Other Financial liabilities	20	339,774,412	186,924,212
2	<b>Non-Financial Liabilities</b>			
(a)	Current Tax Liabilities (Net)	21	32,190,005	6,954,730
(b)	Other Non-Financial Liabilities	22	11,384,902	2,850,222
3	<b>EQUITY</b>			
(a)	Equity Share Capital	23	679,282,280	531,282,280
(b)	Other Equity	24	286,698,392	121,559,424
	<b>TOTAL</b>		<b>8,241,798,013</b>	<b>5,717,664,408</b>

See accompanying notes forming part of the standalone financial statements

**As per our report of even date attached**

**For R.B Jain and Associates.,**

Chartered Accountants

**(FRN: 103951W)**

Sd/-

**K.J Thomas, BSc, FCA**

Partner (M. No. 019454)

**UDIN : 21019454AAAAUU5129**

**Place:Palarivattom**

**Date: 09-06-2021**

**For and on behalf of the Board of Directors**

Sd/-

**Shibu Thekkumpurathu Varghese**

Whole-time Director (DIN: 02079917)

Sd/-

**Biji Shibu**

Director (DIN: 06484566)

Sd/-

**Thanish Dalee**

Chief Financial Officer

Sd/-

**Srikanth G. Menon**

Company Secretary

**Consolidated Statement of Profit and Loss for the year ended March 31, 2021**

<b>Sl no:</b>	<b>PARTICULARS</b>	<b>Note no:</b>	<b>Year ended March 31, 2021</b>	<b>Year ended March 31, 2020</b>
<b>I</b>	<b>Revenue From Operations</b>			
	Interest Income	25	1,237,731,182	995,697,439
<b>II</b>	<b>Other Income</b>	26	27,504,600	26,840,068
<b>III</b>	<b>Total income (I+II)</b>		<b>1,265,235,782</b>	<b>1,022,537,507</b>
	<b>EXPENSES</b>			
	Finance Costs	27	728,723,395	511,985,421
	Impairment on Financial Instruments	28	-13,850,403	12,053,709
	Employee benefits expenses	29	188,371,141	189,793,424
	Depreciation, amortization and impairment	30	39,518,772	33,777,007
	Other expenses	31	211,043,816	199,305,886
<b>IV</b>	<b>Total expenses</b>		<b>1,153,806,721</b>	<b>946,915,447</b>
<b>V</b>	<b>Profit/(Loss) before Tax (III-IV)</b>		<b>111,429,061</b>	<b>75,622,060</b>
<b>VI</b>	<b>Tax Expense:</b>	32		
	1. Current Tax		32,190,005	38,007,044
	2. Deferred Tax		562,671	1,172,270
	3. Tax relating to prior years paid on settlement		7,265,499	31,130,905
<b>VII</b>	<b>Profit/(Loss) for the Period (V-VI)</b>		<b>71,410,886</b>	<b>5,311,841</b>
<b>VIII</b>	<b>Other Comprehensive Income</b>		-	-
<b>IX</b>	<b>Total Comprehensive Income (VII+VIII)</b>		<b>71,410,886</b>	<b>5,311,841</b>
<b>X</b>	<b>Earnings per Equity Share</b>	33		
	Basic & Diluted (Rs.)		1.25	0.10

See accompanying notes forming part of the standalone financial statements

**As per our report of even date attached**

**For R.B Jain and Associates.,**  
Chartered Accountants  
(FRN: 103951W)

Sd/-

**K.J Thomas, BSc, FCA**  
Partner (M. No. 019454)

**UDIN : 21019454AAAAUU5129**

Place:Palarivattom  
Date: 09-06-2021

**For and on behalf of the Board of Directors**

Sd/-

**Shibu Thekkumpurathu Varghese**  
Whole-time Director (DIN: 02079917)

Sd/-

**Biji Shibu**  
Director (DIN: 06484566)

Sd/-

**Thanish Dalee**  
Chief Financial Officer

Sd/-

**Srikanth G. Menon**  
Company Secretary

**A. Equity Share Capital**

Equity Shares of '10 each issued, subscribed and fully paid

Particulars	Nos.	Amount
<b>As at March 31, 2020</b>	53,128,228	531,282,280
Issued during the year	14,800,000	148,000,000
<b>As at March 31, 2021</b>	67,928,228	679,282,280

**B. Other Equity**

Particulars	Reserves and Surplus						Revaluation Reserve	Other comprehensive Income	Total
	Statutory Reserve	Securities Premium	Debtenture Redemption Reserve	General Reserve	Capital Reserve	Retained Earnings			
<b>As at March 31, 2020</b>	34,267,100	79,017,562	-	408,000	855,063	7,011,699	-	121,559,424	
Dividends	-	-	-	-	-	-53,128,228	-	-53,128,228	
Transfer to/from Retained Earnings	14,116,743	-	-	-	-	(14,116,743)	-	-	
<b>Other Additions/Deductions during the year</b>	-	37,000,000	-	-	-	-	-	37,000,000	
Securities premium received during the year	-	-	-	-	-	-	-	109,856,310	
Net impact of assets revalued during the year	-	-	-	-	-	71,410,886	-	71,410,886	
Profit for the year (net of taxes)	-	-	-	-	-	11,177,614	-	286,698,392	
<b>As at March 31, 2021</b>	48,383,843	116,017,562	-	408,000	109,856,310	11,177,614	-	286,698,392	

As per our report of even date attached

For and on behalf of the Board of Directors

**For R.B Jain and Associates.,**  
Chartered Accountants  
(FRN: 103951W)

Sd/-

**Shibu Thekkumpurathu Varghese**  
Whole-time Director (DIN: 02079917)

Sd/-

**Thanish Dalee**  
Chief Financial Officer

Sd/-

**K.J Thomas, BSc, FCA**  
Partner (M. No. 019454)

Sd/-

**Biji Shibu**  
Director (DIN: 06484566)

Sd/-

**Srikanth G. Menon**  
Company Secretary

**UDIN : 21019454AAAAUU5129**

Place:Palarivattom  
Date: 09-06-2021

Consolidated Cash Flow Statement for the year ended March 31, 2021

SI no:	PARTICULARS	Year ended March 31, 2021	Year ended March 31, 2020
A.	<b>CASH FLOW FROM OPERATING ACTIVITIES :</b>		
	<b>Net profit Before Taxation</b>	111,429,061	75,622,060
	<i>Adjustments for:</i>		
	Depreciation and amortisation	39,518,772	33,777,007
	Finance costs	728,622,704	509,031,553
	Interest on income tax	100,691	2,953,868
	Impairment on financial instruments	(13,850,403)	12,053,709
	<b>Operating Profit before Working Capital Changes</b>	<b>865,820,825</b>	<b>633,438,197</b>
	(Increase)/Decrease in Loans & Advances -Financial Assets	(2,337,557,256)	(1,320,366,716)
	(Increase)/Decrease in Other financial Assets	(15,357,065)	(18,153,734)
	(Increase)/Decrease in Other non financial Assets	(2,789,499)	(56,397,506)
	Increase/(Decrease) in Other financial liabilities	152,850,200	35,484,442
	Increase/(Decrease) in Other Non financial liabilities	8,534,680	(4,710,659)
	<b>Cash from operations</b>	<b>(1,328,498,114)</b>	<b>(730,705,977)</b>
	Net income tax paid	(58,103,527)	(47,383,423)
	<i>Net Cash From Operating Activities</i>	<b>(1,386,601,642)</b>	<b>(778,089,400)</b>
B.	<b>CASH FLOW FROM INVESTING ACTIVITIES :</b>		
	Capital Expenditure	(73,251,778)	(94,382,777)
	Acquisition of Subsidiary	-	1,167,160
	Bank balances not considered as cash and cash equivalents	10,000,000	126,348
	<i>Net Cash From Investing Activities</i>	<b>(63,251,778)</b>	<b>(93,089,268)</b>
C.	<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>		
	Proceeds from issuance of equity shares	148,000,000	16,350,000
	Share Premium on issue of equity shares	37,000,000	3,270,000
	Proceeds from issue of Debentures	823,660,028	312,260,102
	Proceeds from issue of Subordinate debts	1,200,452,000	1,159,333,000
	(Repayment)/ Increase in long-term borrowings	262,452	53,626,926
	Dividend Paid	(53,128,228)	-
	Changes in ownership interest in a subsidiary		1,080,334
	Finance cost	(728,723,395)	(509,031,553)
	<i>Net Cash From Financing Activities</i>	<b>1,427,522,858</b>	<b>1,036,888,809</b>
	<b>NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (A+B+C)</b>	<b>(22,330,562)</b>	<b>165,710,141</b>
	<b>OPENING CASH AND CASH EQUIVALENTS</b>	<b>363,593,481</b>	<b>197,883,340</b>
	<b>CLOSING CASH AND CASH EQUIVALENTS</b>	<b>341,262,919</b>	<b>363,593,481</b>

As per our report of even date attached

**For R.B Jain and Associates.,**  
Chartered Accountants  
(FRN: 103951W)

Sd/-  
**K.J Thomas, BSc, FCA**  
Partner (M. No. 019454)  
**UDIN : 21019454AAAAUU5129**

Place:Palarivattom  
Date: 09-06-2021

For and on behalf of the Board of Directors

Sd/-  
**Shibu Thekkumpurathu Varghese**  
Whole-time Director (DIN: 02079917)

Sd/-  
**Biji Shibu**  
Director (DIN: 06484566)

Sd/-  
**Thanish Dalee**  
Chief Financial Officer

Sd/-  
**Srikanth G. Menon**  
Company Secretary



## ***Notes to the Consolidated financial statements for the year ended March 31, 2021***

### **1. CORPORATE INFORMATION**

KLM Axiva Finvest Limited, (the Company), is a Public limited company, incorporated on 28 April 1997. The Company was a Non-Systemically important Non-Banking Financial Company (“NBFC”) registered with the Reserve Bank of India (RBI) under section 45-IA of the Reserve Bank of India Act, 1934 and primarily engaged in lending and related activities. The Company has received the certificate of registration 09.00006 on 13th December, 1997 enabling the Company to carry on business as Non-Banking Financial Company.

The Company offers broad suite of lending and other financial products such as mortgage loan, gold loan, loan against securities etc.

The registered office of the Company is at Door No. 3-3-408/1, First Floor, RTC Colony, Opposite SBI Bank, LB Nagar, Mansoorabad, Hyderabad, Rangareddi, Telangana – 500074.

The Company has a subsidiary KMLM Financial Services Limited. The Company along with the Subsidiary is collectively referred to as the “Group”. KMLM Financial Services Limited is a public limited company and was incorporated on November 9, 2011.

### **2. BASIS OF PREPARATION AND PRESENTATION**

The consolidated financial statements of the Group have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time). The consolidated financial statements have been prepared under the historical cost convention, as modified by the application of fair value measurements required or allowed by relevant Accounting Standards. Accounting policies have been consistently applied to all periods presented, unless otherwise stated.

The above financial statements have been prepared in accordance with the Indian Accounting Standards prescribed read with relevant rules issued there under and other accounting principles generally accepted in India mainly considering the Master Directions issued by the Reserve Bank of India (“RBI”) as applicable to Non-Banking Financial Company - Systemically Important Non-Deposit taking Company.

The preparation of financial statements requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosed amount of contingent liabilities. Areas involving a higher degree of judgement or complexity, or areas where assumptions are significant to the Group are discussed in Note 7 - Significant accounting judgements, estimates and assumptions.

The financial statements are presented in Indian Rupees (INR) which is the Group’s functional currency. All financial information presented in INR has been rounded off to the nearest two decimals, unless otherwise stated.

#### **PRESENTATION OF FINANCIAL STATEMENT**

The consolidated financial statements of the Group are presented as per Schedule III (Division III) of the Companies Act, 2013 applicable to NBFCs, as notified by the Ministry of Corporate Affairs (MCA). Financial assets and financial liabilities are generally reported on a gross basis except when, there is an unconditional legally enforceable right to offset the recognised amounts without being contingent on a future event and the parties intend to settle on a net basis.

#### **STATEMENT OF COMPLIANCE**

These consolidated financial statements of the Group have been prepared in accordance with Indian Accounting Standards as per the Companies (Indian Accounting Standards) Rules, 2015 as amended and notified under Section 133 of the Companies Act, 2013 and the generally accepted accounting principles as referred to above.

### **3. IMPACT OF COVID-19**

The COVID-19 outbreak is on-going and the actual extent of its impact on the economy globally in general and in India, in particular remains uncertain. The outbreak has contributed to a significant decline and volatility in the global and Indian financial markets and slowdown in the economic activities. The Reserve Bank of India (RBI) has issued guidelines relating to COVID-19 Regulatory Package dated March 27, 2020, April 17, 2020 and May 23, 2020 and in accordance therewith, the Holding Company has offered an optional moratorium of six months on the

payment of all principal instalments and/or interest, as applicable, falling due between March 1, 2020 and August 31, 2020 to all eligible borrowers classified as standard, even if overdue as on 29 February 2020. For all such accounts where the moratorium is granted, the asset classification shall remain stand still during the moratorium period.

Further, the Group has, based on current available information and based on the policy approved by the board, determined the prudential estimate of provision for impairment of financial asset as at March 31, 2021. Based on the current indicators of future economic conditions, the Group considers this provision to be adequate.

#### **4. BASIS OF CONSOLIDATION**

The consolidated financial statements comprise the financial statements of the Company and its subsidiary as at March 31, 2021. The Company consolidates a subsidiary when it controls it. Control is achieved when the Group:

- Has power over the investee,
- Has exposure or rights to variable return from its involvement with the investee, and
- Has the ability to use its power over the investee to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the above three elements of control.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- Contractual arrangement with the other vote holders of the investee,
- Rights arising from other contractual arrangements,
- The Group's voting rights and potential voting rights and
- Size of the Group's holding of voting rights relative to the size and dispersion of holdings of other investees with voting rights.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

If an entity of the Group uses accounting policies other than those adopted in the consolidated financial statements, for like transactions and other events in similar circumstances appropriate adjustments are made to that entity's financial statements in preparing the consolidated financial statements to ensure conformity with the Group's accounting policies.

The financial statements of all entities used for the purpose of consolidation are drawn up to same reporting date as that of the parent company, i.e., year ended on March 31.

Consolidation procedure followed is as under:

- Items of assets, liabilities, equity, income, expenses and cash flows of the parent with those of its subsidiaries are combined like to like basis. For this purpose, income and expenses of the subsidiary are based on the amounts of the assets and liabilities recognized in the consolidated financial statements at the acquisition date.
- The difference between carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary is subject to adjustment of goodwill.
- Intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated subject to impact of deferred taxes.

Profit or loss and each component of other comprehensive income (OCI) are attributable to equity holders of the parent of the Group and to the non-controlling interest (NCI), even if this results in the NCI having deficit balance.

## 5. BUSINESS COMBINATION

The Group applies Ind AS 103, Business Combinations, to business combinations. In accordance with Ind AS 103, the Group accounts for these business combinations using the acquisition method when control is transferred to the Group. The consideration transferred for the business combination is generally measured at fair value as at the date the control is acquired (acquisition date), as are the net identifiable assets acquired.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identified assets acquired and the liabilities assumed.

In case of a bargain purchase, before recognising a gain in respect thereof, the Group determines whether there exists clear evidence of the underlying reasons for classifying the business combination as a bargain purchase. Thereafter, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities that are identified in that reassessment. The Group then reviews the procedures used to measure the amounts that Ind AS requires for that purposes of calculating the bargain purchase. If the gain remains after this reassessment and review, the Group recognises it in Other Comprehensive Income and accumulates the same in equity as capital reserve. If there does not exist clear evidence of the underlying assets for classifying the business combination as a bargain purchase, the Group recognises the gain, after reassessing and reviewing (as described above), directly in equity as capital reserve.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in the statement of profit and loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

When a business combination is achieved in stages, the Group's previously held equity interest of the acquirer in the acquiree is remeasured to its acquisition date fair value and any resulting gain or loss is recognised in the Statement of Profit and Loss or OCI, as appropriate

## 6. SIGNIFICANT ACCOUNTING POLICIES

### 6.1. Financial Instruments

#### (I) Financial Assets

##### a) Initial recognition

All financial assets are recognised initially at fair value. In case of financial assets which are not recorded at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial assets, are adjusted to the fair value on initial recognition.

##### b) Subsequent measurement

The Group classifies its financial assets into the following measurement categories depending on the contractual terms of the financial assets' cash flows and the Group's business model for managing financial assets:

- a. **Financial assets measured at amortised cost** - A financial asset is measured at Amortised Cost if it is held within a business model whose objective is to hold the asset in order 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.
- b. **Financial assets measured at fair value through other comprehensive income (FVOCI)** - A financial asset is measured at FVOCI if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and contractual terms of financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- c. **Financial assets measured at fair value through profit or loss (FVTPL)** - A financial asset which is not classified in any of the above categories is measured at FVTPL.

### c) Other Equity Investments

All other equity investments are measured at fair value, with value changes recognised in Statement of Profit and Loss, except for those equity investments for which the Group has elected to present the changes in fair value through other comprehensive income (FVOCI).

## (II) Financial Liabilities

### a) Initial recognition

All financial liabilities are recognized initially at fair value and, in the case of borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, non-convertible debentures, loans and borrowings including bank overdrafts.

### b) Subsequent measurement

Financial liabilities are subsequently carried at amortized cost using the effective interest method.

## 6.2. Derecognition of financial assets and liabilities

### (I) Financial Assets

The Group derecognizes a financial asset when the contractual cash flows from the asset expire or it transfers its rights to receive contractual cash flows from the financial asset in a transaction in which substantially all the risks and rewards of ownership are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

### (II) Financial Liability

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as de-recognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

## 6.3. Impairment of financial assets

### I. Overview of the Expected Credit Loss (ECL) model

The Group recognises impairment allowance for expected credit loss on financial assets held at amortised cost. The Group recognises loss allowances (provisions) for expected credit losses on its financial assets (including non-fund exposures) that are measured at amortised costs or at fair value through other comprehensive income account.

The ECL provision is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss), 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. The 12-month ECL is the portion of the lifetime ECL that represent the ECLs that result from default events on financial assets that are possible within 12 months after the reporting date.

The Group performs 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.

The Group applies a three-stage approach to measuring expected credit losses (ECLs).

#### Stage 1: 12-months ECL

For financial assets where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognised.

#### Stage 2: Lifetime ECL – not credit impaired

For financial assets where there has been a significant increase in credit risk since initial recognition but are not credit impaired, a lifetime ECL (i.e. reflecting the remaining life time of the financial asset) is recognised.

#### Stage 3: Lifetime ECL – credit impaired

Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For financial assets that have become credit impaired, a lifetime ECL is recognised and interest revenue is calculated by applying the effective interest rate to the amortised cost (net of provision) rather than the gross carrying amount.

The Group has identified a zero bucket for financial assets that are not overdue.

## **II. Estimation of Expected Credit Loss**

The Group has calculated ECL using three main components: a probability of default (PD), a loss given default (LGD) and the exposure at default (EAD). ECL is calculated by multiplying the PD, LGD and EAD and adjusted for time value of money using a rate which is a reasonable approximation of EIR.

**Probability of Default (PD)** - The Probability of Default is an estimate of the likelihood of default over a given time horizon. The Group uses historical information where available to determine PD.

**Exposure at Default (EAD)** - The Exposure at Default is an estimate of the exposure at a future default date, considering expected changes in the exposure after the reporting date, whether scheduled by contract or otherwise, expected draw downs on committed facilities.

**Loss Given Default (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.

### **6.4. Offsetting of financial instruments**

Financial assets and financial liabilities are generally reported gross in the balance sheet. Financial assets and financial liabilities are offset and the net amount is reported in the Balance Sheet only if there is an enforceable legal right to offset the recognised amounts with an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

### **6.5. Cash and cash equivalents**

Cash and cash equivalents include cash on hand and other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above.

### **6.6. Property, Plant and Equipment**

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. The cost of an item of property, plant and equipment comprises the cost of materials and direct labour, any other costs directly attributable to bringing the item to working condition for its intended use, and estimated costs of dismantling and removing the item and restoring the site on which it is located.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Advances paid towards the acquisition of fixed assets, outstanding at each reporting date are shown under other non-financial assets. The cost of property, plant and equipment not ready for its intended use at each reporting date are disclosed as capital work-in-progress.

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

Property plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in other income /expense in the statement of profit and loss in the year the asset is derecognised. The date of disposal of an item of property, plant and equipment is the date the recipient obtains control of that item in accordance with the requirements for determining when a performance obligation is satisfied in Ind AS 115.

### **6.7. Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of an intangible asset

comprises its purchase price including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, any directly attributable cost of bringing the item to its working condition for its intended use. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets are amortized on a straight line basis over the estimated useful economic life.

Gains or losses from de-recognition of intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognised in the Statement of Profit or Loss when the asset is derecognised.

## 6.8. Depreciation and Amortisation

Depreciation is calculated on cost of items of property, plant and equipment less their estimated residual values over their estimated useful lives using the written down value method. Freehold land is not depreciated.

The estimated useful lives of items of property, plant and equipment for the current period are as follows:

<b>Asset</b>	<b>Useful life</b>
Building	30-60Years
Computers and servers	3-6 Years
Office equipment	5 Years
Furniture and fixtures	10 Years
Vehicles	8-10 Years

\* Depreciation on additions (disposals) is provided on a pro-rata basis i.e. from (upto) the date on which asset is ready for use (disposed of).

Intangible Assets are amortised on a Straight Line basis over the estimated useful economic life. Computer Software which is not an integral part of the related hardware is classified as an intangible asset, and amortised over a period of five years, being its estimated useful life.

## 6.9. Impairment of non-financial assets

At Balance Sheet date, an assessment is done to determine whether there is any indication of impairment in the carrying amount of the Group's assets. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

An assessment is also done at each Balance Sheet date whether there is any indication that an impairment loss recognised for an asset in prior accounting periods may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. The carrying amount of the fixed asset is increased to the revised estimate of its recoverable amount but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss is recognised in the Statement of Profit and Loss for the year.

After recognition of impairment loss or reversal of impairment loss as applicable, the depreciation charge for the fixed asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on written down value basis over its remaining useful life.

## 6.10. Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

### (I) Interest Income

The Group recognises Interest income by applying the effective interest rate (EIR) to the gross carrying amount



of a financial asset except for purchased or originated credit-impaired financial assets and other credit-impaired financial assets. For purchased or originated credit-impaired financial assets, the Group applies the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. Such interests, where instalments are overdue in respect of non-performing assets are recognised on realization basis.

The EIR in case of a financial asset is computed

- a) As the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of a financial asset
- b) By considering all the contractual terms of the financial instrument in estimating the cash flows
- c) Including all fees received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Interest income on all trading assets and financial assets required to be measured at FVTPL is recognised using the contractual interest rate as net gain on fair value changes.

**Other Income:** In respect of the other heads of income, the Group accounts the same on accrual basis.

## **(II) Recognition of revenue from sale of goods or services**

Revenue (other than for Financial Instruments within the scope of Ind AS 109) is measured at an amount that reflects the considerations, to which an entity expects to be entitled in exchange for transferring goods or services to customer, excluding amounts collected on behalf of third parties. 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

Processing fee which is not form part of effective interest rate has been recognised as and when it is accrued.

## **(III) Dividend Income**

Dividend income is recognised when the Group's right to receive the payment is established. This is established when it is probable that the economic benefits associated with the dividend will flow to the entity and the amount of the dividend can be measured reliably.

### **6.11. Finance cost**

Finance costs represents Interest expense recognised by applying the Effective Interest Rate (EIR) to the gross carrying amount of financial liabilities other than financial liabilities classified as FVTPL.

The EIR in case of a financial liability is computed

- a) As the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the gross carrying amount of the amortised cost of a financial liability.
- b) By considering all the contractual terms of the financial instrument in estimating the cash flows

- c) Including all fees paid between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Interest expense includes issue costs that are initially recognised as part of the carrying value of the financial liability and amortised over the expected life using the effective interest method. These include fees and commissions payable to advisers and other expenses such as external legal costs, Rating Fee etc, provided these are incremental costs that are directly related to the issue of a financial liability.

## 6.12. Employee Benefits

**Short Term Employee Benefits:** All employee benefits payable wholly within twelve months of rendering the service are classified as short term employee benefits and they are recognized in the period in which the employee renders the related service. The Group recognizes the undiscounted amount of short term employee benefits expected to be paid in exchange for services rendered as a liability (accrued expense)

### Defined Contribution Plan

Eligible employees of the Group receive benefits from provident fund, which is a defined contribution plan. Both the eligible employees and the Group make monthly contributions to the Government administered provident fund scheme equal to a specified percentage of the eligible employee's salary. Amounts collected under the provident fund plan are deposited with in a government administered provident fund.

The Group's contribution to employee state insurance scheme is considered as defined contribution plans and is 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.

The Group has no further obligation to the plan beyond its monthly contributions.

## 6.13. Income taxes

Income tax comprises current and deferred income tax.

Current income tax for current year and prior periods is recognised at the amount expected to be paid or recovered from the tax authorities, using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Current income tax relating to items recognised outside profit or loss is recognised outside profit or loss i.e., either in other comprehensive income or in equity. Current tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax assets and liabilities are recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred income tax assets and liabilities are measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of changes in tax rates on deferred income tax assets and liabilities is recognised as income or expense in the period that includes the enactment or substantive enactment date. A deferred income tax asset is recognised to the extent it is probable that future taxable income will be available against which the deductible temporary timing differences and tax losses can be utilised. The Group offsets income-tax assets and liabilities, where it has a legally enforceable right to set off the recognised amounts and where it intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

#### **6.14. Earnings per share**

The Group reports basic and diluted earnings per share in accordance with Ind AS 33 on Earnings per share. Basic EPS is calculated by dividing the net profit or loss for the year attributable to equity shareholders (after attributable taxes) by the weighted average number of equity shares outstanding during the year.

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the period, unless they have been issued at a later date. In computing the dilutive earnings per share, only potential equity shares that are dilutive and that either reduces the earnings per share or increases loss per share are included.

#### **6.15. Provisions**

Provisions are recognised when there is a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and there is a reliable estimate of the amount of the obligation.

When the effect of the time value of money is material, the enterprise 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.

#### **6.16. Contingent liabilities**

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Group does not recognize a contingent liability but discloses its existence in the financial statements.

#### **6.17. Cash flow statement**

Cash flows are reported using the indirect method, whereby profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating, investing and financing activities of the Group are segregated.

#### **6.18. Segment Reporting**

The Group is engaged in the business segment of Financing, whose operating results are regularly reviewed by the Board of Directors, which has been identified as being the chief operating decision maker, to make decisions about resources to be allocated and to assess its performance, and for which discrete financial information is available. The Group has concluded that the business of lending finance is the only reportable segment.

#### **6.19. Leases**

With effect from April 1, 2019, the Group has applied Ind AS 116 'Leases' to all lease contracts existing on April 01, 2019 by adopting the modified retrospective approach. Accordingly, the comparative information is not required to be restated.

The Group evaluates each contract or arrangement, whether it qualifies as lease as defined under Ind AS 116. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset.

##### **The Group as a lessee**

The Group has elected not to recognise right-of use assets and lease liabilities for short term leases that have a lease term of less than or equal to 12 months and leases with low value assets. The Group determines the lease term as the non-cancellable period of a lease, together with periods covered by an option to extend the lease, where the Group is reasonably certain to exercise that option.

The Group recognises the lease payments associated with these leases as an expense in Statement of Profit and

Loss on a straight-line basis over the lease term or another systematic basis if that basis is more representative of the pattern of the lessee's benefit. The related cash flows are classified as operating activities.

Wherever the above exception permitted under Ind AS 116 is not applicable, the Group at the time of initial recognition:

- measures lease liability as present value of all lease payments discounted using the Group's incremental cost of borrowing and directly attributable costs. Subsequently, the lease liability is increased by interest on lease liability, reduced by lease payments made and remeasured to reflect any reassessment or lease modifications specified in Ind AS 116 'Leases', or to reflect revised fixed lease payments.
- measures 'Right-of-use assets' as present value of all lease payments discounted using the Group's incremental cost of borrowing and any initial direct costs. Subsequently, 'Right-of-use assets' is measured using cost model i.e. at cost less any accumulated depreciation (depreciated on straight line basis over the lease period) and any accumulated impairment losses adjusted for any remeasurement of the lease liability specified in Ind AS 116 'Leases'

## **7. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of financial statements in conformity with the Ind AS requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the accompanying disclosure and the disclosure of contingent liabilities, at the end of the reporting period. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and future periods are affected. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

### **7.1. Business Model Assessment**

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

### **7.2. Fair value measurement**

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using various valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

### **7.3. Impairment of loans portfolio**

The measurement of impairment losses across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

It has been the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

### **7.4. Effective Interest Rate (EIR) method**

The Group's EIR methodology recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected behavioural life of loans given and recognises the effect of potentially different interest rates at various stages and other characteristics of the product life cycle (including prepayments and penalty interest and charges).

This estimation, by nature, requires an element of judgement regarding the expected behaviour and life-cycle of the instruments, probable fluctuations in collateral value as well as expected changes to India's base rate and other fee income/expense that are integral parts of the instrument.

### **7.5. Other estimates**

These include contingent liabilities, useful lives of tangible and intangible assets etc.

Note 8 - Cash and Cash Equivalents

Sl. No.	Particulars	As at March 31, 2021	As at March 31, 2020
(a)	Cash on hand	48,430,346	46,508,149
(b)	Balance with banks		
	In current accounts	230,502,573	192,085,332
	Cheque in Hand	9,730,000	-
	In fixed deposits (with maturity of less than 3 months)	52,600,000	125,000,000
	<b>TOTAL</b>	<b>341,262,919</b>	<b>363,593,482</b>

Note 9 - Bank Balance Other Than Above

Sl. No.	Particulars	As at March 31, 2021	As at March 31, 2020
(a)	Balance deposits with maturity more than 3 months	150,000	10,150,000
(b)	On Escrow Accounts		
	Unpaid Dividend account	-	-
	<b>TOTAL</b>	<b>150,000</b>	<b>10,150,000</b>

Note 10 - Loans

Particulars	As at March 31, 2021				Total
	at Fair Value				
	Amortised Cost	Through other Comprehensive Income	Through profit/loss	Designated at fair value through profit or loss	
<b>Loans</b>					
<b>(A)</b>					
Gold Loan	3,787,122,458	-	-	-	3,787,122,458
Business Loan	2,883,344,438	-	-	-	2,883,344,438
Personal Loan	119,366,346	-	-	-	119,366,346
Vehicle Loan	165,440	-	-	-	165,440
Microfinance Loan	683,011,833	-	-	-	683,011,833
<b>Total (A) - Gross</b>	<b>7,473,010,516</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,473,010,516</b>
Less: Impairment loss allowance	143,303,511	-	-	-	143,303,511
<b>Total (A) - Net</b>	<b>7,329,707,005</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,329,707,005</b>
<b>(B)</b>					
(i) Secured by tangible assets	6,789,998,683	-	-	-	6,789,998,683
(ii) Covered by Bank/ Government guarantees	-	-	-	-	-
(ii) Unsecured	683,011,833	-	-	-	683,011,833
<b>Total (B) - Gross</b>	<b>7,473,010,516</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,473,010,516</b>
Less: Impairment loss allowance	143,303,511	-	-	-	143,303,511
<b>Total (B) - Net</b>	<b>7,329,707,005</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,329,707,005</b>
<b>(C)</b>					
<b>Loans in India</b>					
(i) Public Sector	-	-	-	-	-
(ii) Others	7,473,010,516	-	-	-	7,473,010,516
<b>Total (C) - Gross</b>	<b>7,473,010,516</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,473,010,516</b>
Less: Impairment loss allowance	143,303,511	-	-	-	143,303,511
<b>Total (C) - Net</b>	<b>7,329,707,005</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,329,707,005</b>



Particulars	As at March 31, 2020				Total
	at Fair Value				
	Amortised Cost	Through other Comprehensive Income	Through profit/loss	Designated at fair value through profit or loss	
<b>Loans</b>					
<b>(A)</b>					
Gold Loan	2,554,040,423	-	-	-	2,554,040,423
Business Loan	1,897,468,431	-	-	-	1,897,468,431
Personal Loan	243,725,413	-	-	-	243,725,413
Vehicle Loan	728,590	-	-	-	728,590
Microfinance Loan	439,490,403	-	-	-	439,490,403
<b>Total (A) - Gross</b>	<b>5,135,453,260</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,135,453,260</b>
Less: Impairment loss allowance	157,153,914	-	-	-	157,153,914
<b>Total (A) - Net</b>	<b>4,978,299,347</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,978,299,347</b>
<b>(B)</b>					
(i) Secured by tangible assets	4,695,962,857	-	-	-	4,695,962,857
(ii) Covered by Bank/ Government guarantees	-	-	-	-	-
(ii) Unsecured	439,490,403	-	-	-	439,490,403
<b>Total (B) - Gross</b>	<b>5,135,453,260</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,135,453,260</b>
Less: Impairment loss allowance	157,153,914	-	-	-	157,153,914
<b>Total (B) - Net</b>	<b>4,978,299,347</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,978,299,347</b>
<b>(C)</b>					
<b>Loans in India</b>					
(i) Public Sector	-	-	-	-	-
(ii) Others	5,135,453,260	-	-	-	5,135,453,260
<b>Total (C) - Gross</b>	<b>5,135,453,260</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,135,453,260</b>
Less: Impairment loss allowance	157,153,914	-	-	-	157,153,914
<b>Total (C) - Net</b>	<b>4,978,299,347</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,978,299,347</b>

#### Summary of ECL provisions

Particulars	F.Y. 2020-21			
	Stage 1	Stage 2	Stage 3	Total
Gold Loan	21,563	119,255	5,171,902	5,312,721
Business Loan	1,631,707	560,671	102,479,636	104,672,015
Personal Loan	-	-	17,904,952	17,904,952
Vehicle Loan	-	-	-	-
Microfinance Loan	10,834	59,093	15,343,897	15,413,824
<b>Total Closing ECL provision</b>	<b>1,664,104</b>	<b>739,019</b>	<b>140,900,388</b>	<b>143,303,511</b>

Particulars	F.Y. 2019-20			
	Stage 1	Stage 2	Stage 3	Total
Gold Loan	45,036	179,916	9,565,744	9,790,695
Business Loan	4,194,886	5,718,152	117,722,191	127,635,229
Personal Loan	4,068	1,216,960	347,991	1,569,019
Vehicle Loan	-	10,848	-	10,848
Microfinance Loan	1,087,501	63,754	16,996,867	18,148,122
<b>Total Closing ECL provision</b>	<b>5,331,491</b>	<b>7,189,630</b>	<b>144,632,793</b>	<b>157,153,914</b>

**Note 11 - Other Financial Assets**

Particulars	As at March 31, 2021	As at March 31, 2020
(a) Interest accrued on fixed deposits	666,552	666,552
(b) Security Deposits	61,121,627	45,764,562
(c) Other Receivables	-	-
<b>TOTAL</b>	<b>61,788,179</b>	<b>46,431,114</b>

**Note 12 - Current Tax Assets (Net)**

Particulars	As at March 31, 2021	As at March 31, 2020
Advance tax and tax deducted at source	43,883,299	-
<b>TOTAL</b>	<b>43,883,299</b>	<b>-</b>

**Note 13 - Deferred Tax**

Deferred Tax Assets/(Liabilities)	As at March 31, 2021	As at March 31, 2020
Fixed Asset : Timing difference on account of depreciation and amortisation	12,918,027	8,819,490
Impairment of financial instruments	36,066,631	39,552,500
Amortisation of expenses & income under effective interest rate method	-2,601,088	(1,425,750)
Total	46,383,569	46,946,240
<b>Net deferred tax asset</b>	<b>46,383,569</b>	<b>46,946,240</b>

**Note 16 - Other Non-Financial Assets**

Particulars	As at March 31, 2021	As at March 31, 2020
(a) Balance with revenue Authorities		
GST receivable	11,763,814	8,087,599
(b) Advances for land	70,641,635	70,632,635
(c) Other Advances	1,814,884	2,960,600
(d) Stock of Stationary	262,500	12,500
<b>TOTAL</b>	<b>84,482,833</b>	<b>81,693,334</b>

**Note 17 - Debt Securities**

Particulars	As at March 31, 2021	As at March 31, 2020
<b>At Amortised Cost:</b>		
(a) Secured Non-Convertible Debentures - Privately Placed	113,880,000	157,430,000
(b) Secured Non-Convertible Debentures - Public Issue	2,425,760,931	1,558,550,902
<b>Total (A)</b>	<b>2,539,640,931</b>	<b>1,715,980,902</b>
Borrowings in India	2,539,640,931	1,715,980,902
Borrowings outside India	-	-
<b>TOTAL</b>	<b>2,539,640,931</b>	<b>1,715,980,902</b>

**Nature of Security :**

Secured by way of first ranking pari passu charge on all movable assets and fixed assets, including book debts and receivables, cash and bank balances, loans and advances, both present and future of the Company and first ranking pari passu charge on the immovable property situated at Malligai Nagar, Kombai Village, Uthampalayam Taluk, Theni District, Tamil Nadu.

**Extend of Security :**

Equal to the value of one time (One Hundred percentage) of the NCDs Outstanding plus interest accrued thereon.

### 17.1 - Secured Non Convertible Debentures - Private Placement

Series wise classification of secured non convertible debentures

Particulars	As at March 31, 2021	As at March 31, 2020
Non Convertible Debentures 2018 - 19 Series	24,460,000	27,660,000
Non Convertible Debentures 2017 - 18 Series	72,810,000	96,720,000
Non Convertible Debentures 2016 - 17 Series	16,390,000	32,830,000
Non Convertible Debentures 2015 - 16 Series	220,000	220,000
<b>TOTAL</b>	<b>113,880,000</b>	<b>157,430,000</b>

Interest wise classification of secured non convertible debentures

Particulars	As at March 31, 2021	As at March 31, 2020
Non Convertible Debentures - 12.5%	15,150,000	29,060,000
Non Convertible Debentures - 12%	68,880,000	92,370,000
Non Convertible Debentures - < 12%	29,850,000	36,000,000
<b>TOTAL</b>	<b>113,880,000</b>	<b>157,430,000</b>

Maturity wise classification of secured non convertible debentures

Particulars	As at March 31, 2021	As at March 31, 2020
Non Convertible Debentures - 60 months maturity	111,150,000	151,550,000
Non Convertible Debentures - 36 months maturity	2,730,000	5,880,000
<b>TOTAL</b>	<b>113,880,000</b>	<b>157,430,000</b>

### 17.2 - Secured Non Convertible Debentures - Public Issue

Series wise classification of secured non convertible debentures

Particulars	As at March 31, 2021	As at March 31, 2020
Non Convertible Debentures 2020 - 21 Series (Public Issue III)	1,242,893,000	-
Non Convertible Debentures 2019 - 20 Series (Public Issue II)	618,520,000	938,338,000
Non Convertible Debentures 2018 - 19 Series (Public Issue I)	581,207,000	632,402,000
<b>Sub Total</b>	<b>2,442,620,000</b>	<b>1,570,740,000</b>
Less: EIR impact of transaction cost	16,859,069	12,189,098
<b>TOTAL</b>	<b>2,425,760,931</b>	<b>1,558,550,902</b>

Interest wise classification of secured non convertible debentures

Particulars	As at March 31, 2021	As at March 31, 2020
Non Convertible Debentures - > 12%	630,544,000	202,499,000
Non Convertible Debentures - 12%	334,700,000	300,680,000
Non Convertible Debentures - > 11.5% to 11.86%	1,010,815,000	402,041,000
Non Convertible Debentures - >11.25% to 11.5%	267,158,000	277,444,000
Non Convertible Debentures - 11% to 11.25%	199,403,000	388,076,000
<b>Sub Total</b>	<b>2,442,620,000</b>	<b>1,570,740,000</b>
Less: EIR impact of transaction cost	16,859,069	12,189,098
<b>TOTAL</b>	<b>2,425,760,931</b>	<b>1,558,550,902</b>

Maturity wise classification of secured non convertible debentures

Particulars	As at March 31, 2021	As at March 31, 2020
Non Convertible Debentures - 75 months maturity	216,810,000	82,370,000
Non Convertible Debentures - 72 months maturity	142,410,000	142,410,000
Non Convertible Debentures - 60 months maturity	776,665,000	501,047,000
Non Convertible Debentures - 45 months maturity	20,243,000	20,243,000
Non Convertible Debentures - 36 months maturity	541,511,000	306,105,000
Non Convertible Debentures - 24 months maturity	279,334,000	198,747,000
Non Convertible Debentures - 18 months maturity	128,606,000	-
Non Convertible Debentures - 13 months maturity	337,041,000	319,818,000
Non Convertible Debentures - 12 months maturity	-	-
<b>Sub Total</b>	<b>2,442,620,000</b>	<b>1,570,740,000</b>
Less: EIR impact of transaction cost	16,859,069	12,189,098
<b>TOTAL</b>	<b>2,425,760,931</b>	<b>1,558,550,902</b>

Note 18 - Borrowings (Other than Debt Securities)

Particulars	As at March 31, 2021	As at March 31, 2020
<b>At Amortised Cost:</b>		
(a) Term Loan		
Indian Rupee Loans from Banks (Secured)	3,122,491	1,841,373
(b) Loans repayable on demand		
Cash credit / overdraft facilities from banks (Secured)	98,916,600	99,935,266
<b>Total (A)</b>	<b>102,039,091</b>	<b>101,776,639</b>
Borrowings in India	102,039,091	101,776,639
Borrowings outside India	-	-
<b>TOTAL</b>	<b>102,039,091</b>	<b>101,776,639</b>

Nature of Security :

- (a) Term loan from bank - Vehicle loan - The loans are secured by hypothecation of respective vehicles against which the loans have been availed.
- (b) Loans repayable on demand

Particulars	Primary	Collateral	Guarantors
South Indian Bank (Limit-Rs. 10 Crore)	All book debts and receivables of the Company.	1. EM of land in the name of Josekutty Xavier admeasuring 22.91 cents under Sy No: 1160/6B, 1160/6A; 32.57 cents under Sy No: 1160/8, 1160/7; 20.35 cents under Sy No:1159/9 and 21.61 cents under Sy No:1159/9 in Kothamangalam Village, Ernakulam District. 2. EM of land admeasuring 19.224 cents with 23079 sq. ft. commercial building under Sy. No. 1267/9-2 with building no. 30/564 in Kothamangalam municipality, Kothamangalam taluk, Ernakulam District in the name of M/s KMLM Chits India Limited. 3. EM of 8 cents of vacant land under Sy. No. I/4A, I/4B, Re. Sy.No. 26/2 in Edappally North Village, Kanayannur Taluk, Ernakulam District in the name of M/s KLM Axiva Finvest Limited.	1. Josekutty Xavier 2. Shibu T. Varghese 3. Biji Shibu 4. James Joseph Armbankudiyil <b>Corporate guarantee</b> -1. M/s KMLM Chits India Limited

**Note 19 - Subordinated Liabilities**

Particulars	As at March 31, 2021	As at March 31, 2020
<b>At Amortised Cost:</b>		
(a) Subordinated Debts	4,250,788,000	3,050,336,000
<b>Total (A)</b>	<b>4,250,788,000</b>	<b>3,050,336,000</b>
Subordinated liability in India	4,250,788,000	3,050,336,000
Subordinated liability outside India	-	-
<b>TOTAL</b>	<b>4,250,788,000</b>	<b>3,050,336,000</b>

**19.1 - Unsecured Subordinated Debt - Private Placement**

Series wise classification of unsecured subordinated debt

Particulars	As at March 31, 2021	As at March 31, 2020
Unsecured Subordinated Debt 2020 - 22 Series	1,200,452,000	-
Unsecured Subordinated Debt 2019 - 20 Series	1,159,333,000	1,159,333,000
Unsecured Subordinated Debt 2018 - 19 Series	835,422,000	835,422,000
Unsecured Subordinated Debt 2017 - 18 Series	949,467,000	949,467,000
Unsecured Subordinated Debt 2016 - 17 Series	106,114,000	106,114,000
<b>TOTAL</b>	<b>4,250,788,000</b>	<b>3,050,336,000</b>

Interest wise classification of unsecured subordinated debt

Particulars	As at March 31, 2021	As at March 31, 2020
Unsecured Subordinated Debt - >12.5%	189,787,000	174,712,000
Unsecured Subordinated Debt - 12.5%	203,977,000	191,302,000
Unsecured Subordinated Debt - 12.25%	37,413,000	37,413,000
Unsecured Subordinated Debt - 12%	851,687,000	726,947,000
Unsecured Subordinated Debt < 12%	2,967,924,000	1,919,962,000
<b>TOTAL</b>	<b>4,250,788,000</b>	<b>3,050,336,000</b>

Maturity wise classification of unsecured subordinated debt

Particulars	As at March 31, 2021	As at March 31, 2020
Unsecured Subordinated Debt - 5 to 6 years maturity	323,315,000	279,514,000
Unsecured Subordinated Debt - 5 years maturity	3,927,473,000	2,770,822,000
<b>TOTAL</b>	<b>4,250,788,000</b>	<b>3,050,336,000</b>

**Note 20 - Other Financial Liabilities**

Particulars	As at March 31, 2021	As at March 31, 2020
(a) Interest payable on debt securities	121,980,463	63,249,688
(b) Interest payable on subordinated debts	184,126,128	97,989,975
(c) Others	33,667,821	25,684,549
	<b>339,774,412</b>	<b>186,924,212</b>

**Note 21 - Current Tax Liabilities (Net)**

Particulars	As at March 31, 2021	As at March 31, 2020
(a) Income tax provision (net of advance tax and tax deducted at source)	32,190,005	6,954,730
<b>TOTAL</b>	<b>32,190,005</b>	<b>6,954,730</b>

**Note 22 - Other Non-Financial Liabilities**

Particulars	As at March 31, 2021	As at March 31, 2020
(a) Statutory remittances	11,384,902	2,840,398
(b) Advance interest received on loans	-	9,824
<b>TOTAL</b>	<b>11,384,902</b>	<b>2,850,222</b>

**Note 23 - Equity Share Capital**

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

Particulars	As at March 31, 2021	As at March 31, 2020
<b>Authorised</b>		
7,50,00,000 (March 31, 2020 6,00,00,000.) equity Shares of '10/- each	750,000,000	600,000,000
	750,000,000	600,000,000
<b>Issued, Subscribed &amp; Fully Paid Up</b>		
6,79,28,228 (March 31, 2020: 5,31,28,228.) equity Shares of '10/- each	679,282,280	531,282,280
<b>TOTAL</b>	<b>679,282,280</b>	<b>531,282,280</b>

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

Particulars	As at March 31, 2021	As at March 31, 2020
As at March 31, 2020	53,128,228	531,282,280
Shares Issued during the Year	14,800,000	148,000,000
As at March 31, 2021	67,928,228	679,282,280

**ii. Terms / Rights attached to equity shares**

The Company has only one class of equity shares having a par value of '10/- per share. Each holder of equity shares is entitled to one vote per share.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts, if any. The distribution will be in proportion to the number of equity shares held by the shareholders.

**iii. Details of equity shareholders holding more than 5% Shares**

Name of shareholderAs at	March 31, 2021		As at March 31, 2020	
	No: of shares	% of Holding	No: of shares	% of Holding
Shibu T Varghese	7,840,700	11.54	4,811,200	9.06
Aleyamma Varghese	5,841,450	8.60	3,756,450	7.07
Biji Shibu	4,926,300	7.25	3,190,300	6.00



**Note 24 - Other Equity**

	<b>Particulars Amount</b>
<b>Securities Premium</b>	
As at March 31, 2020	79,017,562
Add: Additions upon share issue	37,000,000
As at March 31, 2021	116,017,562
<b>Statutory Reserve</b>	
As at March 31, 2020	34,267,100
Add: Additions/(Deductions) during the year	14,116,743
As at March 31, 2021	48,383,843
<b>General Reserve</b>	
As at March 31, 2020	408,000
Utilised during the year	-
As at March 31, 2021	408,000
<b>Capital Reserve</b>	
As at March 31, 2020	855,063
Add: Additions/(Deductions) during the year	-
As at March 31, 2021	855,063
<b>Revaluation reserve</b>	
Add: Additions/(Deductions) during the year	109,856,310
As at March 31, 2021	109,856,310
<b>Retained Earnings</b>	
As at March 31, 2020	7,011,699
Add: Profit for the year	71,410,886
Less: Dividend	(53,128,228)
less: Transfer to statutory reserve	(14,116,743)
As at March 31, 2021	11,177,614
<b>Total Other Equity</b>	
As at March 31, 2020	121,559,424
As at March 31, 2021	286,698,392

**Nature and purpose of Reserves****Securities premium**

This Reserve represents the premium on issue of equity shares. The reserve can be utilised only for the purposes in accordance with the provisions of the Companies Act, 2013.

**Statutory reserve**

Statutory Reserve is created as per the terms of section 45-IC(1) of the Reserve Bank of India Act, 1934. It requires every non banking finance institution which is a Company to create a reserve fund and transfer therein a sum not less than twenty percent of its net profit every year as disclosed in the statement of profit and loss before any dividend is declared. The Company has appropriated 20% of the Profit After Tax to the fund for the year.

**General reserve**

Under the erstwhile Companies Act 1956, general reserve was created through an annual transfer of profit for the period at a specified percentage in accordance with applicable regulations. After the introduction of Companies Act 2013, the requirement to mandatorily transfer a specified percentage of the net profit to general reserve has been withdrawn. However, the amount previously transferred to the general reserve can be utilised only in accordance with the specific requirements of the Companies Act, 2013.

**Capital reserve**

This reserve represents the reserve created pursuant to the business combination.

**Revaluation reserve**

The revaluation reserves represents the gain/ loss attained by the company while revaluing its assets to fair market value. During the year, the company revalued some of its landed property and the gain/loss has been transferred to revaluation reserve.

## Retained earnings

This reserve represents the cumulative profits of the Company.

### Note 25 - Interest Income

Particular	For the year ended	
	March 31, 2021	March 31, 2020
<b>On financial assets measured at amortised cost:</b>		
<b>(i) Interest on Loans</b>		
Gold Loan	773,509,962	458,000,727
Business Loan	337,246,943	386,877,526
Personal Loan	11,275,980	52,404,827
Vehicle Loan	24,550	691,292
Microfinance Loans	104,522,973	90,958,479
<b>(ii) Interest on deposit with banks</b>	10,941,730	5,199,784
<b>(iii) Other interest income</b>	209,043	1,526,355
<b>On financial assets measured at fair value through OCI:</b>		
<b>(i) Interest income</b>		38,448
<b>TOTAL</b>	<b>1,237,731,182</b>	<b>995,697,439</b>

### Note 26 - Other Income

Particular	For the year ended	
	March 31, 2021	March 31, 2020
Commission Income	26,595,497	25,636,076
Notice Charge	30,069	36,142
Miscellaneous Income	879,034	1,167,850
<b>TOTAL</b>	<b>27,504,600</b>	<b>26,840,068</b>

### Note 27 - Finance Cost

Particular	For the year ended	
	March 31, 2021	March 31, 2020
<b>On financial liabilities measured at amortised cost:</b>		
Interest on Borrowings (other than debt securities)	6,114,774	5,103,620
Interest on Subordinate Debt	413,873,189	289,083,089
Interest on Debenture	308,634,742	214,844,843
Others		
Interest on delayed payment of income tax	100,691	2,953,868
<b>TOTAL</b>	<b>728,723,395</b>	<b>511,985,421</b>

**Note 28 - Impairment on Financial Instruments**

Particular	For the year ended	
	March 31, 2021	March 31, 2020
<b>On financial assets measured at amortised cost:</b>		
Loan Assets	-13,850,403	12,053,709
<b>TOTAL</b>	<b>-13,850,403</b>	<b>12,053,709</b>

**Note 29 - Employee benefits expenses**

Particular	For the year ended	
	March 31, 2021	March 31, 2020
Salaries & Wages	174,051,761	178,504,667
Contributions to provident and other funds	14,319,380	11,288,757
<b>TOTAL</b>	<b>188,371,141</b>	<b>189,793,424</b>

**Note 30 - Depreciation, amortisation and impairment**

Particular	For the year ended	
	March 31, 2021	March 31, 2020
Depreciation of tangible assets	37,312,186	32,407,248
Amortisation of intangible assets	2,206,586	1,369,759
<b>TOTAL</b>	<b>39,518,772</b>	<b>33,777,007</b>

**Note 31 - Other expenses**

Particular	For the year ended	
	March 31, 2021	March 31, 2020
Advertisement	31,251,785	27,844,28
Audit Expenses	116,810	137,845
Audit Fee	847,250	779,750
Bank Charges	835,053	1,444,008
Bad Debts written off	817,500	6,444,995
Business Promotion	1,110,443	7,309,645
Canvassing Expenses	-	2,087,575
Celebration Expense	776,057	916,362
Collection Expenses	625,010	1,095,803
Computer & Software Expenses	1,016,719	1,146,102
Corporate social responsibility expenditure	724,715	1,674,109
Crisil rating expenses	-	354,098
Customer Meet expenses	19,078	1,203,983
Cibil Charges	266,773	-
Debenture Trustee Remuneration	110,000	120,000
Discount Given	3,706,630	1,001,618
Donation	-	28,841
Electricity Charges	5,577,809	4,797,499
Fuel Expenses	1,001,284	-
Inaugural Expense	244,565	367,334
Incentive	42,991,619	31,124,390
Insurance Charges	8,175,374	2,343,981
Internet Charges	2,370,640	2,042,209
Legal Expense	3,722,467	4,483,405
Loss on Auction Gold	3,555	2,390,972
Marketing Expenses	218,963	850,033
Meeting Expenses	1,632,355	2,538,660
Membership Fee	4,500	118,600
Miscellaneous Expense	7,798	242,531
Newspaper & Periodicals	165,356	93,330
Office Expense	8,753,447	12,332,919
Postage	980,109	1,167,737
Printing & Stationery	3,761,411	4,236,845
Professional Fee	2,664,129	6,995,862

Particular	For the year ended	
	March 31, 2021	March 31, 2020
Public Issue	4,139,587	3,167,257
Rates & Taxes	747,911	538,054
Rent	56,334,140	46,705,425
Repairs and Maintenance	764,655	661,460
Repairs and Maintenance-Building	337,812	463,421
ROC Filing Charge	1,417,080	52,751
Sitting Fees	135,000	230,000
Staff Training Expense	2,647,371	102,000
Telephone charges	4,123,109	3,546,035
Travelling expenses	8,546,551	8,928,005
GST & flood cess Paid	6,627,095	3,636,963
Vehicle Maintenance	447,586	1,318,093
Water Charges	276,714	241,099
<b>TOTAL</b>	<b>211,043,816</b>	<b>199,305,886</b>

**Note - 31.1**

Payment to the auditors comprises :

Particular	For the year ended	
	March 31, 2021	March 31, 2020
As auditors - statutory audit	697,250	629,750
For taxation matters	150,000	150,000
<b>TOTAL</b>	<b>847,250</b>	<b>779,750</b>

**Note 32 - Income Tax**

The components of income tax expense for the year ended March 31, 2021 and year ended March 31, 2020 are:

Particular	For the year ended	
	March 31, 2021	March 31, 2020
Current tax	32,190,005	38,007,044
Tax relating to prior years paid on settlement*	7,265,499	31,130,905
Deferred Tax	562,671	1,172,270
Income tax expense reported in statement of profit and loss	<b>40,018,175</b>	<b>70,310,219</b>

The Company has computed the tax expense of the current financial year as per the tax regime announced under section 115BAA of the Income Tax Act, 1961. Accordingly, tax expense for the year comprising current and deferred tax as per Indian Accounting Standards -12 Income Taxes have been recognised using the reduced tax rates applicable.

\* A search and seizure proceedings was initiated by the Income Tax Department under Section 132 of the Income-Tax Act, 1961 on October 5, 2015 in the business premises of the Company and other group Companies. Simultaneously, search was also conducted in the residential premises of the Directors. Further, a survey under section 133A of the Income Tax Act, 1961 was also conducted in the business premises of the branches of the Company. Pursuant to the IT Search and Seizure Proceedings, the Company received notices under section 148 of the Income Tax Act, 1961 issued by the Deputy Commissioner of Income Tax, Centre Circle, Kochi. It was alleged that the Company had generated undisclosed income and utilized the same over the period because of which the Company, subsequently, approached the Income Tax Settlement Commission, Chennai Bench ("The Commission"). The Company declared an additional income of ₹401.64 lakhs before the Settlement Commission for the assessment years 2013-14 to 2016-17. The Settlement Commission through its order dated December 28, 2017 allowed the settlement application of the Company. Further, The Commission, vide its order under section 245(D)4 of the Income Tax Act, 1961, dated May 24, 2019 settled the income for the assessment years which were subject matter of settlement and allowed the payment of tax including interest in six quarterly installments. The Assistant Commissioner of Income Tax, Central Circle - 1, Ernakulam, passed an order dated August 29, 2019 giving effect of the order of the Settlement Commission. The Company has as at March 31, 2021 paid off the entire tax liability including interest.

**Note 33 - Earnings per share**

Particular	For the year ended	
	March 31, 2021	March 31, 2020
Net profit for calculation of basic earnings per share	71,410,886	5,290,644
Weighted average number of shares used as denominator for calculating\ basic and diluted earning per share	56,990,865	51,797,831
Basic and diluted earnings per share (Rs.)	1.25	0.10

**Note 34 - Maturity analysis of assets and liabilities**

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled and considering contractual terms. For Loans and advances to customers, maturity analysis is based on expected repayment behaviour, historical pattern and experience of management.

Particulars	As at March 31, 2021			As at March 31, 2020		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
<b>ASSETS</b>						
<b>Financial Assets</b>						
Cash and Cash Equivalents	341,262,919	-	341,262,919	363,593,482	-	363,593,482
Bank Balance Other than above	-	150,000	150,000	10,150,000	-	10,150,000
Loans	5,566,859,498	1,906,151,018	7,473,010,516	4,645,304,140	490,149,121	5,135,453,260
- Adjustment on account of EIR/ECL	-	-143,303,511	(143,303,511)	-	-157,153,914	(157,153,914)
Other Financial Assets	666,552	61,121,627	61,788,179	666,552	45,764,562	46,431,114
<b>Non-Financial Assets</b>						
Current Tax Assets (Net)	43,883,299	-	43,883,299	-	-	-
Deferred Tax Assets (Net)	-	46,383,569	46,383,569	46,946,240	-	46,946,240
Property, Plant and Equipment	-	328,707,771	328,707,771	-	187,254,438	187,254,438
Other Intangible Assets	-	5,432,438	5,432,438	-	3,296,454	3,296,454
Other Non-Financial Assets	82,405,449	2,077,384	84,482,833	9,383,643	72,309,691	81,693,334
<b>Total Assets</b>	<b>6,035,077,716</b>	<b>2,206,720,296</b>	<b>8,241,798,013</b>	<b>5,076,044,056</b>	<b>641,620,353</b>	<b>5,717,664,408</b>
<b>LIABILITIES</b>						
<b>Financial Liabilities</b>						
Payables	-	-	-	-	-	-
Debt Securities	733,451,000	1,823,049,000	2,556,500,000	1,327,827,000	1,728,170,000	3,055,997,000
- Adjustment on account of EIR	-	-16,859,069	(16,859,069)	-	-12,189,098	-12,189,098
Borrowings (Other than Debt Securities)	98,916,600	3,122,491	102,039,091	101,080,254	696,385	101,776,639
Subordinated Liabilities	106,114,000	4,144,674,000	4,250,788,000	-	3,050,336,000	3,050,336,000
Other Financial liabilities	213,858,308	125,916,104	339,774,412	120,892,769	66,031,443	186,924,212
<b>Non-Financial Liabilities</b>						
Current Tax Liabilities (Net)	32,190,005	-	32,190,005	6,954,730	-	6,479,286
Other Non-Financial Liabilities	11,384,902	-	11,384,902	2,850,222	-	2,850,222
<b>Total Liabilities</b>	<b>1,195,914,816</b>	<b>6,079,902,526</b>	<b>7,275,817,341</b>	<b>1,559,604,975</b>	<b>4,833,044,731</b>	<b>6,392,174,261</b>
<b>Net</b>	<b>4,839,162,901</b>	<b>(3,873,182,230)</b>	<b>965,980,671</b>	<b>3,516,439,081</b>	<b>(4,191,424,378)</b>	<b>-674,509,852</b>

## **Note 35 - Risk Management**

Risk is an integral part of the Company's business and sound risk management is critical to the success. As a financial lending institution, the Company is exposed to risks that are particular to its lending and the environment within which it operates. The Company has a risk management policy which covers risk associated with the financial assets and liabilities. The principal objective in Company's risk management processes is to measure and monitor the various risks that Company is subject to and to follow policies and procedures to address such risks.

The Company's Risk Management Committee of the Board of Directors constituted is responsible for the overall risk management approach, approving risk management strategies and principles.

The Risk Management Committee shall be responsible for the following:

1. Reviewing the operations of the organization followed by identifying potential threats to the organization and the likelihood of their occurrence, and then taking appropriate actions to address the most likely threats.
2. Identifying the risks an organization is subject to, deciding how to manage it, implementing the management technique, measuring the ongoing effectiveness of management and taking appropriate correction action and provide a framework that enables future activities to take place in a consistent & controlled manner.

The Company is generally exposed to credit risk, liquidity risk, market risk and operational risk.

### **I. Credit risk**

Credit risk is the possibility of loss due to the failure of any counterparty abiding by the terms and conditions of any financial contract obligations resulting in financial loss to the Company. The Company's main income generating activity is lending to customers and therefore credit risk is a principal risk. Credit risk mainly arises from loans and advances.

The Company addresses credit risk through following processes:

1. Through a rigorous loan approval and collateral appraisal process, as well as a strong NPA monitoring and collection strategy.
2. Minimise losses due to defaults or untimely payments by borrowers.
3. Credit risk on Gold loan is considerably reduced as collateral is in the form of Gold ornaments which can be easily liquidated and adequate margin of 25% or more is retained while disbursing the loan.

### ***Classification of financial assets under various stages***

The Company classifies its financial assets in three stages having the following characteristics:

Stage 1: unimpaired and without significant increase in credit risk since initial recognition on which a 12 month allowance for ECL is recognised;

Stage 2: a significant increase in credit risk since initial recognition on which a lifetime ECL is recognised;

Stage 3: objective evidence of impairment, and are therefore considered to be in default or otherwise credit impaired on which a lifetime ECL is recognised.

The Company considers a financial instrument as defaulted and therefore Stage 3 (credit-impaired) for Expected Credit Loss (ECL) calculations in all cases when the borrower becomes 90 days past due (DPD) on its contractual payments. All financial assets are deemed to have suffered a significant increase in credit risk when they are 30 DPD and are accordingly transferred from stage 1 to stage 2. For stage 1 an ECL allowance is calculated based on a 12 month Point in Time probability weighted probability of default (PD). For stage 2 and 3 assets a life time ECL is calculated based on a lifetime PD.

The Company has calculated ECL using three main components: a probability of default (PD), a loss given default (LGD) and the exposure at default (EAD).



**Exposure at Default (EAD)**

The Exposure at Default is an estimate of the exposure at a future default date, considering expected changes in the exposure after the reporting date, whether scheduled by contract or otherwise.

**Probability of default (PD)**

The Probability of Default is an estimate of the likelihood of default over a given time horizon. To calculate the ECL for a Stage 1 loan, the Company assesses the possible default events within 12 months for the calculation of the 12 month ECL. For Stage 2 and Stage 3 financial assets, the exposure at default is considered for events over the lifetime of the instruments. The Company uses historical information wherever available to determine PD.

**Loss Given Default (LGD)**

LGD is the estimated loss that the Company might bear if the borrower defaults. The Company determines its recovery by analysing the recovery trends, borrower rating, collateral value and expected proceeds from sale of asset. In estimating LGD, the company reviews macro-economic developments taking place in the economy.

**II. Liquidity risk**

Liquidity risk is the non-availability of cash to pay a liability that falls due. A company is deemed to be financially sound if it is in a position to carry on its business smoothly and meet all the obligations – both long term as well as short term – without strain. Liquidity Risk arises largely due to maturity mismatch associated with assets and liabilities of the Company. Liquidity risk stems from the inability of the Company to fund increase in assets, manage unplanned changes in funding sources and meet financial commitments when required.

Company has implemented liquidity management policy for reducing the risk relating to liquidity issues. Currently the policies relating to liquidity are as follows:1. The Company is maintaining high capital adequacy ratio over and above limits prescribed by regulators.

2. The Company ensures to keep liquidity to cover unexpected repayment obligation.
3. Promoting fund infusion by way of Non-Convertible debentures and subordinated debts so that due date for interest and maturity can be pre known.
4. Funding from long terms sources and lending as short term loans.
5. Reducing the percentage of unsecured lending so that repayment up to a level is not affected.

**Asset Liability Management (ALM)**

The table below shows the maturity pattern of significant financial assets and financial liabilities. In the case of loans, contracted tenor of gold loan is maximum of 12 months. However, on account of high incidence of prepayment before contracted maturity, the below maturity profile has been prepared by the management on the basis of historical pattern of repayments. In case of loans other than gold loan, the maturity profile is based on contracted maturity.

**Maturity pattern of assets and liabilities as on March 31, 2021:**

Particulars	Upto 1 month	1 to 2 months	2 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Not sensitive to ALM*	Total
<b>Financial Assets</b>										
Cash and Cash Equivalents	341,262,919	-	-	-	-	-	-	-	-	341,262,919
Bank Balance Other than Cash and Cash Equivalents	-	-	-	-	-	-	-	150,000	-	150,000
Loan	413,987,460	18,695,680	226,235,698	476,492,820	4,431,447,840	1,906,151,018	-	-	(143,308,511)	7,329,707,005
<b>Financial Liabilities -</b>										
Debt Securities	-	-	-	337,261,000	396,190,000	997,362,000	691,247,000	134,440,000	(16,859,069)	2,539,640,931
Borrowings (Other than Debt Securities)	-	-	-	-	98,916,600	3,122,491	-	-	-	102,039,091
Subordinated Liabilities	-	-	-	-	106,114,000	1,784,889,000	1,960,457,000	399,328,000	-	4,250,788,000

\* represents adjustments on account of EIR/ECL

**III. Market risk**

Market risk refers to potential losses arising from the movement in market values of interest rates in the Company's line of business. The objective of market risk management is to avoid excessive exposure of our earnings to loss.

**Interest rate risk**

Interest rate risk is the risk where changes in the market interest rates might adversely affect the Company's financial condition. The interest rate risks are viewed from earning perspective and economic value perspective, respectively. Over the last several years, the Government of India has substantially deregulated the financial sector. As a result, interest rates are now primarily determined by the market, which has increased the interest rate risk exposure.

The results of the Company's operations are substantially dependent upon the level of the net interest margins. Interest rates are sensitive to many factors beyond the Company's control, including the RBI's monetary policies, domestic and international economic and political conditions and other factors. Rise in inflation, and consequent changes in the bank rates, repo rates and reserve repo rates by the RBI has led to an increase in interest rates on loans provided by banks and financial institutions.

In order to manage interest rate risk, the company seek to optimize borrowing profile between short-term and long-term loans and the company adopts funding strategies to ensure diversified resource-raising options to minimize cost and maximize stability of funds. The Company has Board Approved Asset Liability Management (ALM) policy for managing interest rate risk and policy for determining the interest rate to be charged on the loans given.

**IV. Operational risk**

Operational risk is broadly defined as the risk of direct or indirect loss due to the failure of systems, people or processes, or due to certain other external events. The Company has instituted a series of checks and balances, including an operating manual, and both internal and external audit reviews. Any loss on account of failure by employees to comply with defined appraisal mechanism is recovered out of their variable incentive. The Company also has detailed guidelines on movement and security measures of cash or gold. The Company cannot expect to eliminate all operational risks, but it endeavours to manage these risks through a control framework and by monitoring and responding to potential risks.

**Note 36 - Related party disclosures**

Names of Related Parties

**(A) Subsidiaries**

- 1) KMLM Financial Services Limited

**(B) Key Management Personnel**

**Designation**

- |                                  |   |
|----------------------------------|---|
| 1) Shibu Thekkumpurathu Varghese | Whole-time Director   |
| 2) Josekutty Xavier              | Whole-time Director (Change in designation to Director w.e.f. October 28, 2019) |
| 3) Thanish Dalee                 | Chief Financial Officer   |
| 4) Srikanth G. Menon             | Company Secretary   |

**(C) Entities in which KMP / Relatives of KMP can exercise significant influence**

- 1) KLM Tiana Gold & Diamonds Private Limited  
2) Payyoli Granites Private Limited

**(D) Relatives of Key Management Personnel**

- |                   |   |
|-------------------|---|
| Biji Shibu        | w/o Shibu Thekkumpurathu Varghese       |
| Elen Elu Shibu    | d/o Shibu Thekkumpurathu Varghese       |
| Aleyamma Varghese | Mother of Shibu Thekkumpurathu Varghese |

- |                  |                       |
|------------------|-----------------------|
| Princy Josekutty | w/o Josekutty Xavier  |
| Vithya Mathew    | w/o Thanish Dalee     |
| Lakshmi P. S.    | w/o Srikanth G. Menon |

**Related Party transactions during the year:**

Particulars	KMP		Relatives of KMP	
	As at March 31, 2021	As at March 31, 2020	As at March 31, 2021	As at March 31, 2020
Shares subscribed including share premium	25,000,000	30,000,000	75,000,000	7,200,000
Purchase of listed NCD of the Company	300,000	700,000.00	400,000	1,100,000
Purchase of sub-debts of the Company	-	-	-	225,000
Interest paid on listed NCD	67,778	38,079.00	101,422	59,938
Interest paid on subordinate debts	-	-	25,875	9,712
Remuneration paid	5,593,085	8,848,974	-	-
Professional consulting fees	550,000	600,000.00	-	-
Sitting Fees	55,000	80,000.00	55,000	40,000

Particulars	Subsidiary Company		Entities in which KMP / Relatives of KMP can exercise significant influence	
	As at March 31, 2021	As at March 31, 2020	As at March 31, 2021	As at March 31, 2020
Shares subscribed including share premium	-	-	-	-
Investment in equity shares	-	-	-	-
Purchase of listed NCD of the Company	-	-	-	-
Purchase of sub-debts of the Company	-	-	-	-
Interest paid on listed NCD	-	-	-	-
Interest paid on subordinate debts	-	-	-	-
Remuneration paid	-	-	-	-
Professional consulting fees	-	-	-	-
Sitting Fees	-	-	-	-

**Balance outstanding as at the year end: Asset/ (Liability)**

Particulars	KMP		Relatives of KMP	
	As at March 31, 2021	As at March 31, 2020	As at March 31, 2021	As at March 31, 2020
Equity shares subscribed	(78,407,000)	(48,112,000)	(134,333,050)	(73,923,050)
NCD - Listed	(297,929)	(695,180)	(397,239)	(1,092,426)
Subordinate debt	-	-	(225,000)	(225,000)
Interest payable on NCD	(2,803)	(6,522)	(3,737)	-14,856

Particulars	Subsidiary Company		Entities in which KMP / Relatives of KMP can exercise significant influence	
	As at March 31, 2021	As at March 31, 2020	As at March 31, 2021	As at March 31, 2020
Investment in Subsidiary Company	-	-	-	-
Equity shares subscribed	-	-	-	-
NCD - Listed	-	-	-	-
Subordinate debt	-	-	-	-
Interest payable on NCD	-	-	-	-

**Note:**

*Related parties have been identified on the basis of the declaration received by the management and other records available and the same has been relied upon by the auditors.*

**Note 14 - Property, Plant and Equipment**

Particulars	Land	Computers and data processing units	Electrical Installations and Equipment	Furniture and furnishings	Office Equipments	Motor Vehicles	Total
<b>Cost:</b>							
Deemed cost as at 1st April 2020	93,174,053	9,632,139	8,491,577	56,127,848	17,524,882	2,303,940	187,254,438
Additions	127,475,389	9,334,227	2,555,119	30,704,422	5,215,455	3,480,906	178,765,518
Disposals	-	-	-	-	-	-	-
<b>Depreciation:</b>							
Disposals	-	-	-	-	-	-	-
Depreciation charge for the year	-	6,174,987	2,154,539	24,047,071	3,435,709	1,499,880	37,312,186
<b>Carrying Amount:</b>							
As at 31st March 2020	93,174,053	9,632,139	8,491,577	56,127,848	17,524,882	2,303,940	187,254,438
As at 31st March 2021	220,649,442	12,791,379	8,892,157	62,785,199	19,304,628	4,284,966	328,707,771

**Note 15 - Other Intangible Assets**

Particulars	Computer Software
<b>Cost:</b>	
Deemed cost as at 1st April 2020	3,296,454
Additions	4,342,570
Disposals	-
<b>Accumulated Amortisation:</b>	
Disposals	-
Amortisation charge for the year	2,206,586
<b>Carrying Amount:</b>	
As at 31st March 2020	3,296,454
As at 31st March 2021	5,432,438

**Note 37 - Disclosure with regard to dues to Micro Enterprises and Small Enterprises**

Based on the information available with the Group and has been relied upon by the auditors, none of the suppliers have confirmed to be registered under "The Micro, Small and Medium Enterprises Development ('MSMED') Act, 2006". Accordingly, no disclosures relating to principal amounts unpaid as at the period ended March 31, 2020 together with interest paid /payable are required to be furnished.

**Note 38 - Previous year's figures have been regrouped/rearranged, wherever necessary to conform to current year's classifications/disclosure.**

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As per our report of even date attached

For and on behalf of the Board of Directors

**For R.B Jain and Associates.,**  
Chartered Accountants  
**(FRN: 103951W)**

Sd/-  
**Shibu Thekkumpurathu Varghese**  
Whole-time Director (DIN: 02079917)

Sd/-  
**Biji Shibu**  
Director (DIN: 06484566)

**K.J Thomas, BSc, FCA**  
Partner (M. No. 019454)  
**UDIN : 21019454AAAAUU5129**

Sd/-  
**Thanish Dalee**  
Chief Financial Officer

Sd/-  
**Srikanth G. Menon**  
Company Secretary

**Place:Palarivattom**  
**Date: 09-06-2021**



Dear Sir/Madam

Pursuant to the green initiative in the Corporate Governance initiated by the Ministry of Corporate Affairs, our company has proposed to send the Notice / Annual Report / documents through electronic mode to the shareholders.

This, you will appreciate, would facilitate fast, secured communication and contribute towards improved environment.

Shareholders, who are holding the shares in Physical Form, are requested to send the following details to our Company for sending the future communication through Email

Name of the Shareholder	
Folio Number	
Email ID	
Mobile Number	
PAN	

In case you wish to get the Hard copies of Notices/Documents/Reports, you need not send the above details. Company will send the Notices/Documents/Reports to the Registered address of the shareholders.



**22<sup>ND</sup>  
FOUNDATION  
DAY**

Film Star and KLM brand ambassador Ms. Manju Warriar lighting the lamp at the inauguration of the 22<sup>nd</sup> Foundational day celebration of KLM Axiva Finvest Ltd., at Hotel Holiday Inn, Cochin.



**Investors Meet**

KLM Axiva Chairman Dr. J. Alexander IAS (Retd.) lighting the lamp at the inauguration of the Investors Meet celebration of KLM Axiva Finvest Ltd., at Hotel Monsoon Empress, Kochi.





**വ്യാപാര സഹായി  
ഗോൾഡ് ലോൺ**

Film Star and KLM brand Ambassador Ms. Manju Warriar unveiling the 'Vyapari Sahayi Gold scheme' at KLM Corporate Office, Palarivattom. It is a comprehensive loan scheme intended to provide a helping hand to traders/businessmen during these pandemic times.



**BRANCH  
INAUGURATION**

Member of Parliament Shri. Hibi Eden lighting the lamp at the inauguration of the 248<sup>th</sup> branch of KLM Axiva Finvest Ltd at Palarivattom.






## KLM FOUNDATION

KLM Foundation is a non-profit Organization, providing community services in the field of quality education, medicare, unemployment and youth welfare, guided by the belief that every life has equal value. KLM Foundation works to help all people lead healthy productive lives.



 KLM Axiva Executive Director Shri. Shibu Thekkumpuram lighting the lamp at the launch of 'Vidyajyothi' an initiative under the auspices of the KLM foundation to aid children belonging to financially backward families.



 A Collage of "Niracharthu" - an initiative under the aegis of KLM foundation, to promote and develop young artistic talents.



# KLM TOWER

HEADQUARTERS, KOTHAMANGALAM



**KLM GOLD LOAN**

**Axiva Microfin**

**MONEY TRANSFER**

**KLM foreXX**

**Health Insurance**

HEAD QUARTERS

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