PROSPECTUS
Dated March 20, 2021
Please read Section 32 of the Companies Act, 2013
Book Built Issue

SURYODAY
A BANK OF SMILES

SURYODAY SMALL FINANCE BANK LIMITED

Our Bank was originally incorporated as Suryoday Micro Finance Private Limited at Chennai, Tamil Nadu, as a private limited company under the Companies Act, 1956 pursuant to the certificate of incorporation dated November 10, 2008 issued by the Assistant Registrar of Companies, Tamil Nadu, Andaman and Nicobar Islands at Chennai. Subsequently, our Bank was converted into a public limited company and the name of our Bank was changed to Suryoday Micro Finance Limited, and a fresh certificate of incorporation dated June 16, 2015 was issued by the RoC. Our Bank was granted the in-principle and final approval to establish a small finance bank ("**SFB**") by the RBI, pursuant to its letters dated October 7, 2015 and August 26, 2016, respectively. Pursuant to our Bank being established as an SFB, the name of our Bank was changed to Suryoday Small Finance Bank Limited and a fresh certificate of incorporation was issued by the RoC on January 13, 2017. Our Bank commenced its business with effect from January 23, 2017 and was included in the second schedule to the RBI Act pursuant to a notification dated July 24, 2017 issued by the RBI and published in the Gazette of India on September 2, 2017. For further details, see "*History and Certain Corporate Matters*" beginning on page 182.

Registered and Corporate Office: Unit No. 1101, Sharda Terraces, Plot No. 65, Sector 11, CBD Belapur, Navi Mumbai 400 614, Maharashtra, India;
Tel: +91 22 4043 5800; **Website**: www.suryodaybank.com; **Contact Person**: Geeta Krishnan, Company Secretary and Compliance Officer; **E-mail**: company.secretary@suryodaybank.com;
Corporate Identity Number: U65923MH2008PLC261472

OUR PROMOTERS: BASKAR BABU RAMACHANDRAN, P. SURENDRA PAI, P. S. JAGDISH AND G. V. ALANKARA

INITIAL PUBLIC OFFER OF 19,093,070* EQUITY SHARES OF FACE VALUE OF ₹10 EACH ("EQUITY SHARES") OF SURYODAY SMALL FINANCE BANK LIMITED ("BANK" OR "ISSUER") FOR CASH AT A PRICE OF ₹ 305 PER EQUITY SHARE (INCLUDING A SHARE PREMIUM OF ₹ 295 PER EQUITY SHARE) AGGREGATING TO ₹ 5,808.39* MILLION (THE "ISSUE") COMPRISING A FRESH ISSUE OF 8,150,000 EQUITY SHARES AGGREGATING TO ₹ 2,479.35* MILLION (THE "FRESH ISSUE") AND AN OFFER FOR SALE OF 10,943,070* EQUITY SHARES AGGREGATING TO ₹ 3,329.04* MILLION ("THE OFFER FOR SALE"), COMPRISING 4,387,888* EQUITY SHARES AGGREGATING TO ₹ 1,334.86* MILLION BY INTERNATIONAL FINANCE CORPORATION, 2,021,952* EQUITY SHARES AGGREGATING TO ₹ 615.11* MILLION BY GAJA CAPITAL FUND II LIMITED, 1,889,845* EQUITY SHARES AGGREGATING TO ₹ 574.92* MILLION BY DWM (INTERNATIONAL) MAURITIUS LTD, 750,000* EQUITY SHARES AGGREGATING TO ₹ 228.16* MILLION BY HDFC HOLDINGS LIMITED, 1,500,000* EQUITY SHARES AGGREGATING TO ₹ 456.32* MILLION BY IDFC FIRST BANK LIMITED, 100,000 EQUITY SHARES AGGREGATING TO ₹ 30.42* MILLION BY AMERICORP VENTURES LIMITED, 186,966* EQUITY SHARES AGGREGATING TO ₹ 56.88* MILLION BY KOTAK MAHINDRA LIFE INSURANCE COMPANY LIMITED AND 106,419* EQUITY SHARES AGGREGATING TO ₹ 32.37* MILLION BY GAJA CAPITAL INDIA AIF TRUST (REPRESENTED BY ITS TRUSTEE, GAJA TRUSTEE COMPANY PRIVATE LIMITED) (COLLECTIVELY, REFERRED TO AS THE "SELLING SHAREHOLDERS" AND SUCH EQUITY SHARES THE "OFFERED SHARES").**

THE ISSUE INCLUDED A RESERVATION OF 500,000* EQUITY SHARES, AGGREGATING TO ₹ 137.50* MILLION (CONSTITUTING 0.47% OF THE POST-ISSUE PAID-UP EQUITY SHARE CAPITAL), FOR SUBSCRIPTION BY ELIGIBLE EMPLOYEES (THE "EMPLOYEE RESERVATION PORTION"). THE ISSUE LESS THE EMPLOYEE RESERVATION PORTION IS HEREINAFTER REFERRED TO AS "NET ISSUE". THE ISSUE AND NET ISSUE CONSTITUTE 17.99% AND 17.52%, RESPECTIVELY, OF THE POST-ISSUE PAID-UP EQUITY SHARE CAPITAL OF OUR BANK. OUR BANK AND THE SELLING SHAREHOLDERS IN CONSULTATION WITH THE BOOK RUNNING LEAD MANAGERS, HAVE OFFERED A DISCOUNT OF ₹ 30 PER EQUITY SHARE ON THE ISSUE PRICE TO ELIGIBLE EMPLOYEES BIDDING IN THE EMPLOYEE RESERVATION PORTION ("EMPLOYEE DISCOUNT").

* *Subject to finalization of Basis of Allotment*
OUR BANK HAS UNDERTAKEN A PRE-IPO PLACEMENT OF 5,208,226 EQUITY SHARES COMPRISING (I) A PRIVATE PLACEMENT OF 3,084,833 EQUITY SHARES TO SBI LIFE INSURANCE COMPANY LIMITED FOR CASH AT A PRICE OF ₹ 291.75 PER EQUITY SHARE AGGREGATING TO APPROXIMATELY ₹ 900.00 MILLION; (II) A PRIVATE PLACEMENT OF 1,713,795 EQUITY SHARES TO AXIS FLEXI CAP FUND FOR CASH AT A PRICE OF ₹ 291.75 PER EQUITY SHARE AGGREGATING TO APPROXIMATELY ₹ 499.99 MILLION; (III) A PRIVATE PLACEMENT OF 342,760 EQUITY SHARES TO AXIS EQUITY HYBRID FUND FOR CASH AT A PRICE OF ₹ 291.75 PER EQUITY SHARE AGGREGATING TO APPROXIMATELY ₹ 100.00 MILLION; AND (IV) A PRIVATE PLACEMENT OF 66,838 EQUITY SHARES TO KIRAN VYAPAR LIMITED FOR CASH AT A PRICE OF ₹ 291.75 PER EQUITY SHARE AGGREGATING TO APPROXIMATELY ₹ 19.50 MILLION PURSUANT TO SHAREHOLDERS' RESOLUTION DATED FEBRUARY 13, 2021 AND THE RESOLUTION OF THE BOARD DATED FEBRUARY 23, 2021; (TOGETHER, THE "PRE-IPO PLACEMENT"). THE SIZE OF THE FRESH ISSUE WAS REDUCED BY 5,208,226 EQUITY SHARES PURSUANT TO THE PRE-IPO PLACEMENT. FURTHER, PURSUANT TO THE RESOLUTION OF THE BOARD DATED MARCH 2, 2021, OUR BANK HAS ALSO INCREASED THE FRESH ISSUE SIZE BY 1,763,226 EQUITY SHARES (WITHIN THE LIMITS FOR FRESH ISSUE APPROVED BY OUR SHAREHOLDERS ON JULY 27, 2020). ACCORDINGLY, THE FRESH ISSUE SIZE WAS 8,150,000 EQUITY SHARES.

THE FACE VALUE OF EQUITY SHARES IS ₹10 EACH. THE ISSUE PRICE IS 30.5 TIMES THE FACE VALUE OF THE EQUITY SHARES. THE ANCHOR INVESTOR ISSUE PRICE IS ₹ 305 PER EQUITY SHARE. THE PRICE BAND, THE EMPLOYEE DISCOUNT AND THE MINIMUM BID LOT WERE DECIDED BY OUR BANK AND THE SELLING SHAREHOLDERS, IN CONSULTATION WITH THE BOOK RUNNING LEAD MANAGERS AND WERE ADVERTISED IN ALL EDITIONS OF FINANCIAL EXPRESS, AN ENGLISH NATIONAL DAILY NEWSPAPER, ALL EDITIONS OF JANSATTA, A HINDI NATIONAL DAILY NEWSPAPER AND MUMBAI EDITION OF NAVSHAKTI, A MARATHI NEWSPAPER, MARATHI BEING THE REGIONAL LANGUAGE OF MAHARASHTRA, WHERE OUR REGISTERED AND CORPORATE OFFICE IS LOCATED, WITH WIDE CIRCULATION, AT LEAST TWO WORKING DAYS PRIOR TO THE BID/ISSUE OPENING DATE AND WERE MADE AVAILABLE TO THE BSE LIMITED ("BSE") AND THE NATIONAL STOCK EXCHANGE OF INDIA LIMITED ("NSE", AND TOGETHER WITH BSE, THE "STOCK EXCHANGES") FOR THE PURPOSE OF UPLOADING ON THEIR RESPECTIVE WEBSITES IN ACCORDANCE WITH SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2018, AS AMENDED (THE "SEBI ICDR REGULATIONS").

The Issue was made through the Book Building Process, in terms of Rule 19(2)(b) of the Securities Contracts (Regulation) Rules, 1957, as amended ("**SCRR**") read with Regulation 31 of the SEBI ICDR Regulations and in compliance with Regulation 6(1) of the SEBI ICDR Regulations, wherein not more than 50% of the Net Issue was made available for allocation on a proportionate basis to Qualified Institutional Buyers ("**QIBs**", the "**QIB Portion**"). Our Bank and the Selling Shareholders, in consultation with the Book Running Lead Managers, have allocated 60% of the QIB Portion to Anchor Investors on a discretionary basis in accordance with the SEBI ICDR Regulations ("**Anchor Investor Portion**"), of which one-third was reserved for domestic Mutual Funds, subject to valid Bids having been received from domestic Mutual Funds at or above the Anchor Investor Allocation Price. Further, 5% of the Net QIB Portion was made available for allocation on a proportionate basis only to Mutual Funds, and the remainder of the Net QIB Portion was made available for allocation on a proportionate basis to all QIBs, including Mutual Funds, subject to valid Bids having been received at or above the Issue Price. Further, not less than 15% of the Net Issue was made available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Net Issue was made available for allocation to Retail Individual Bidders in accordance with the SEBI ICDR Regulations, subject to valid Bids having been received at or above the Issue Price. All potential Bidders (except Anchor Investors) were required to mandatorily utilise the Application Supported by Blocked Amount ("**ASBA**") process providing details of their respective ASBA accounts, and UPI ID in case of RIBs using the UPI Mechanism, if applicable, in which the corresponding Bid Amounts was blocked by the SCSBs or under the UPI Mechanism, as the case may be, to the extent of respective Bid Amounts. Anchor Investors were not permitted to participate in the Issue through the ASBA process. For details, see "*Issue Procedure*" beginning on page 377.

RISKS IN RELATION TO THE FIRST ISSUE

This being the first public issue of our Bank, there has been no formal market for the Equity Shares of our Bank. The face value of the Equity Shares is ₹10. The Issue Price should not be considered to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active or sustained trading in the Equity Shares nor regarding the price at which the Equity Shares will be traded after listing.

GENERAL RISK

Investments in equity and equity-related securities involve a degree of risk and investors should not invest any funds in the Issue unless they can afford to take the risk of losing their entire investment. Investors are advised to read the risk factors carefully before taking an investment decision in the Issue. For taking an investment decision, investors must rely on their own examination of our Bank and the Issue, including the risks involved. The Equity Shares in the Issue have not been recommended or approved by the Securities and Exchange Board of India ("**SEBI**"), nor does SEBI guarantee the accuracy or adequacy of the contents of this Prospectus. Specific attention of the investors is invited to "*Risk Factors*" beginning on page 22.

ISSUER'S AND THE SELLING SHAREHOLDERS' ABSOLUTE RESPONSIBILITY

Our Bank, having made all reasonable inquiries, accepts responsibility for and confirms that this Prospectus contains all information with regard to our Bank and the Issue, which is material in the context of the Issue, that the information contained in this Prospectus is true and correct in all material aspects and is not misleading in any material respect, that opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this Prospectus as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect. Further, the Selling Shareholders, severally and not jointly, accept responsibility for and confirm only the statements made by such Selling Shareholders in this Prospectus to the extent of information specifically pertaining to them and/ or their respective portions of the Offered Shares and assume responsibility that such statements are true and correct in all material respects and not misleading in any material respect. However, each Selling Shareholder, severally and not jointly, does not assume any responsibility for any other statements, including without limitation, any and all of the statements made by or in relation to our Bank or the other Selling Shareholders in this Prospectus.

LISTING

The Equity Shares offered through the Red Herring Prospectus and this Prospectus are proposed to be listed on the Stock Exchanges. Our Bank has received 'in-principle' approvals from BSE and NSE for the listing of the Equity Shares pursuant to letters dated November 13, 2020 and December 10, 2020, respectively. For the purposes of the Issue, the Designated Stock Exchange is NSE. A signed copy of the Red Herring Prospectus has been and a signed copy of this Prospectus shall be filed with the RoC in accordance with Section 26(4) and 32 of the Companies Act 2013. For details of the material contracts and documents that were made available for inspection from the date of the Red Herring Prospectus up to the Bid/Issue Closing Date, see "*Material Contracts and Documents for Inspection*" beginning on page 438.

BOOK RUNNING LEAD MANAGERS				REGISTRAR TO THE ISSUE
AXIS CAPITAL	ICICI Securities	IIFL SECURITIES	SBI Capital Markets Limited	KFINTECH
Axis Capital Limited 1st floor, Axis House C-2 Wadia International Centre P.B. Marg, Worli Mumbai 400 025 Maharashtra, India Tel: +91 22 4325 2183 E-mail: suryoday.ipo@axiscap.in Website: www.axiscapital.co.in Investor Grievance ID: complaints@axiscap.in Contact Person: Mayuri Arya SEBI Registration Number: INM000012029	**ICICI Securities Limited** ICICI Centre H. T. Parekh Marg Churchgate Mumbai 400 020 Maharashtra, India Tel: +91 22 2288 2460 E-mail: suryoday.ipo@icicisecurities.com Website: www.icicisecurities.com Investor Grievance ID: customercare@icicisecurities.com Contact Person: Rishi Tiwari/ Nidhi Wangnoo SEBI Registration Number: INM000011179	**IIFL Securities Limited** 10th Floor, IIFL Centre Kamala City, Senapati Bapat Marg Lower Parel (West) Mumbai 400 013 Maharashtra, India Tel: +91 22 4646 4600 E-mail: suryoday.ipo@iiflcap.com Website: www.iiflcap.com Investor Grievance ID: ig.ib@iiflcap.com Contact Person: Ujjaval Kumar/ Vishal Bangard SEBI Registration Number: INM000010940	**SBI Capital Markets Limited** 202, Maker Tower 'E' Cuffe Parade Mumbai 400 005 Maharashtra, India Tel: +91 22 2217 8300 E-mail: suryoday.ipo@sbicaps.com Website: www.sbicaps.com Investor Grievance ID: investor.relations@sbicaps.com Contact Person: Sambit Rath/ Janardhan Wagle SEBI Registration Number: INM000003531	**Kfin Technologies Private Limited** (*formerly known as Karvy Fintech Private Limited*) Selenium, Tower B, Plot No. - 31 and 32 Financial District Nanakramguda, Serilingampally Hyderabad, Rangareddi 500 032 Telangana, India Tel: +91 40 6716 2222 E-mail: suryodayasfb.ipo@kfintech.com Website: www.kfintech.com Investor grievance ID: einward.ris@kfintech.com Contact Person: M. Murali Krishna SEBI Registration Number: INR000000221

BID/ISSUE PROGRAMME

BID/ISSUE OPENED ON*	Wednesday, March 17, 2021
BID/ISSUE CLOSED ON	Friday, March 19, 2021

* *The Anchor Investor Bid/Issue Period was on March 16, 2021, one Working Day prior to the Bid/Issue Opening Date.*

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TABLE OF CONTENTS

SECTION I: GENERAL

DEFINITIONS AND ABBREVIATIONS

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

The words and expressions used in this Prospectus but not defined herein shall have, to the extent applicable, the same meaning ascribed to such terms under the SEBI ICDR Regulations, the Companies Act, the SCRA, the Depositories Act and the rules and regulations made thereunder. Notwithstanding the foregoing, the terms used in "Industry Overview", "Key Regulations and Policies", "Statement of Special Tax Benefits", "Financial Information", "Basis for Issue Price", "Selected Statistical Information", "Outstanding Litigation and Material Developments" and "Main Provisions of the Articles of Association" beginning on pages 112, 172, 109, 241, 106, 211, 337 and 394, respectively, shall have the meaning ascribed to them in the relevant section.

General Terms

Term	Description
"our Bank", "the Bank", "the Issuer"	Suryoday Small Finance Bank Limited, a public limited company incorporated under the Companies Act, 1956 and having its registered and corporate office at Unit No.1101, Sharda Terraces, Plot No. 65, Sector 11, CBD Belapur, Navi Mumbai 400 614, Maharashtra, India
"we", "us" or "our"	Unless the context otherwise indicates or implies, refers to our Bank

Bank Related Terms

Term	Description
"Articles of Association" or "AoA"	Articles of association of our Bank, as amended
Audit Committee	Audit committee of our Board, constituted in accordance with the applicable provisions of the Companies Act, 2013, the SEBI Listing Regulations and guidelines issued by the RBI from time to time
"Auditors" or "Statutory Auditors"	MSKC & Associates, Chartered Accountants (formerly known as R. K. Kumar & Co., Chartered Accountants), the current statutory auditors of our Bank
"Board" or "Board of Directors"	Board of directors of our Bank or a duly constituted committee thereof
Company Secretary or Compliance Officer	The company secretary and compliance officer of our Bank, Geeta Krishnan. For details, see "*Our Management*" beginning on page 188
Corporate Social Responsibility Committee	Corporate social responsibility committee of our Bank constituted in accordance with the applicable provisions of the Companies Act, 2013
CRISIL or CRISIL Research	CRISIL Limited
CRISIL Report	Report titled "Report on Small Finance Banks and various loan products" dated September, 2020, issued by CRISIL
DEG	DEG – Deutsche Investitions – Und Entwicklungsgesellschaft MBH
Director(s)	Directors on our Board
Equity Shares	Equity shares of face value of ₹10 each of our Bank
ESOP 2010	Suryoday ESOP Scheme, 2010
ESOP 2014	Suryoday ESOP Scheme, 2014
ESOP 2016	Suryoday ESOP Scheme, 2016
ESOP 2019	Suryoday ESOP Scheme, 2019
Executive Director	Executive director on our Board
IFC	International Finance Corporation
Independent Directors	Independent directors on our Board
Investor Directors	Investor directors on our Board
IPO Committee	IPO committee of our Board
"Key Managerial Personnel" or "KMP"	Key managerial personnel of our Bank shall have the meaning as set out under Regulation 2(1)(bb) of the SEBI ICDR Regulations as described in "*Our Management – Key Managerial Personnel*" beginning on page 201
Managing Director and Chief Executive Officer	Managing director and chief executive officer of our Bank, Baskar Babu Ramachandran
"Memorandum of Association" or "MoA"	Memorandum of association of our Bank, as amended
Nomination and Remuneration Committee	Nomination and remuneration committee of our Bank, constituted in accordance with the applicable provisions of the Companies Act, 2013, the SEBI Listing Regulations and guidelines issued by the RBI from time to time
Non-Executive Directors	Non-executive directors on our Board
Part-time Chairperson	Part-time chairperson of our Bank, Ramachandran Rajaraman

Term	Description
Promoter Group	Persons and entities constituting the promoter group of our Bank in terms of Regulation 2(1)(pp) of the SEBI ICDR Regulations, as disclosed in "*Our Promoters and Promoter Group*" beginning on page 205
Promoters	The promoters of our Bank, namely Baskar Babu Ramachandran, P. Surendra Pai, P. S. Jagdish and G. V. Alankara. For details, see "*Our Promoters and Promoter Group*" beginning on page 205
RBI Final Approval	RBI letter dated August 26, 2016 bearing no. DBR.NBD.(SFB-Suryoday) No. 2489/16.13.216/2016-17, pursuant to which the RBI granted license no. MUM:120 to our Bank to carry on the SFB business in terms of Section 22 of the Banking Regulation Act
RBI In-Principle Approval	RBI letter dated October 7, 2015 bearing no. DBR.PSBD.NBC (SFB-SMFPL). No. 4920/16.13.216/2015-16, pursuant to which the RBI granted an in-principal approval to our Bank in order to establish an SFB under Section 22 of the Banking Regulation Act
Registered Office / Corporate Office	Unit No.1101, Sharda Terraces, Plot No. 65, Sector 11, CBD Belapur, Navi Mumbai 400 614, Maharashtra, India
"Registrar of Companies" or "RoC"	Registrar of Companies, Maharashtra at Mumbai
Restated Financial Statements	Restated financial statements of our Bank as at and for the nine months ended December 31, 2020 and December 31, 2019, for the Fiscals 2020, 2019 and 2018 which comprises the restated summary statement of assets and liabilities as at December 31, 2020, December 31, 2019, March 31, 2020, March 31, 2019 and March 31, 2018, the restated summary statements of profit and loss and the restated summary statement of cash flows for the nine months ended December 31, 2020 and December 31, 2019, for the years ended March 31, 2020, March 31, 2019 and March 31, 2018 and notes thereto prepared in terms of the requirements of Section 26 of Part I of Chapter III of the Companies Act, the SEBI ICDR Regulations and the Guidance Note on Reports in Company Prospectuses (Revised 2019) issued by the ICAI, as amended from time to time
Selling Shareholders	IFC, Gaja Capital Fund II Limited, DWM (International) Mauritius Ltd, HDFC Holdings Limited, IDFC FIRST Bank Limited, Americorp Ventures Limited, Kotak Mahindra Life Insurance Company Limited and Gaja Capital India AIF Trust (represented by its trustee, Gaja Trustee Company Private Limited)
Selling Shareholders' Consent Letters	Consent letters issued by each of the Selling Shareholders, pursuant to the notice for Offer of Sale dated July 7, 2020, read with extensions granted by our emails dated July 24, 2020, August 12, 2020 and August 25, 2020 issued by our Bank to our Shareholders whose names appeared in the records of the depository as on July 3, 2020, inviting them to participate in the Issue and setting out the related terms and conditions. For details on authorizations of the Selling Shareholders in relation to the Offered Shares, see "*Other Regulatory and Statutory Disclosures*" beginning on page 344
"Shareholders' Agreement" or "SHA"	Shareholders' agreement dated March 20, 2019 entered into by and amongst, Sarva Capital LLC, HDFC Holdings Limited, HDFC Life Insurance Company Limited, Jhelum Investment Fund I, International Finance Corporation, DWM (International) Mauritius Ltd, ResponsAbility Participations Mauritius, ASK Pravi Private Equity Opportunities Fund, IDFC FIRST Bank Limited, Polaris Banyan Holding Private Limited, Kiran Vyapar Limited, Dr. Aravind Srinivasan, Gaja Capital India AIF Trust (represented by its trustee, Gaja Trustee Company Private Limited), Gaja Capital Fund II Limited, Evolvence India Fund II Ltd, TVS Shriram Growth Fund, Lok Capital Growth Fund, Americorp Ventures Limited, DEG – Deutsche Investitions – Und Entwicklungsgesellschaft, Kotak Mahindra Life Insurance Company Limited, TVS Shriram Growth Fund 3, a scheme of TVS Shriram Growth AIF Trust, Teachers Insurance and Annuity Association of America, our Promoters and our Bank read along with amendments to the Shareholders' agreement dated December 16, 2019 and the Shareholders' Second Amendment Agreement.
"Shareholders' Second Amendment Agreement"	The second amendment agreement dated September 28, 2020 to the Shareholders' Agreement
Shareholders	Holders of Equity Shares of our Bank from time to time
Stakeholders' Relationship Committee	Stakeholders' relationship committee of our Bank, constituted in accordance with the applicable provisions of the Companies Act, 2013 and the SEBI Listing Regulations
TVS Entities	TVS Shriram Growth Fund and TVS Shriram Growth Fund 3, a scheme of TVS Shriram Growth AIF Trust

Issue Related Terms

Term	Description
Addendum	The addendum to the Draft Red Herring Prospectus dated February 8, 2021
"Allot" or "Allotment" or "Allotted"	Unless the context otherwise requires, the allotment of Equity Shares pursuant to the Fresh Issue and transfer of the Offered Shares pursuant to the Offer for Sale to the successful Bidders
Allotment Advice	A note or advice or intimation of Allotment, sent to the successful Bidders who have been or are to be Allotted the Equity Shares after the Basis of Allotment has been approved by the Designated Stock Exchange
Allottee	A successful Bidder to whom the Equity Shares are Allotted
Anchor Investor	A Qualified Institutional Buyer, who applied under the Anchor Investor Portion in accordance with the requirements specified in the SEBI ICDR Regulations and this Prospectus and who had Bid for an amount of at least ₹100 million
Anchor Investor Allocation Price	The price at which Equity Shares were allocated to the Anchor Investors, being ₹ 305 per Equity Share in terms of the Red Herring Prospectus and this Prospectus, which was decided by our Bank and the Selling Shareholders, in consultation with the Book Running Lead Managers

Term	Description
Anchor Investor Application Form	The application form used by an Anchor Investor to make a Bid in the Anchor Investor Portion and which was considered as an application for Allotment in terms of the Red Herring Prospectus and this Prospectus
Anchor Investor Bid/Issue Period	March 16, 2021, being one Working Day prior to the Bid/ Issue Opening Date, on which Bids by Anchor Investors were submitted and allocation to the Anchor Investors was completed
Anchor Investor Issue Price	The final price at which the Equity Shares will be Allotted to the Anchor Investors in terms of the Red Herring Prospectus and this Prospectus, being ₹ 305 per Equity Share The Anchor Investor Issue Price was decided by our Bank and the Selling Shareholders, in consultation with the Book Running Lead Managers
Anchor Investor Portion	60% of the QIB Portion, consisting of 5,577,920* Equity Shares, which have been allocated by our Bank and the Selling Shareholders, in consultation with the Book Running Lead Managers, to the Anchor Investors on a discretionary basis in accordance with the SEBI ICDR Regulations. One-third of the Anchor Investor Portion was reserved for domestic Mutual Funds, subject to valid Bids having been received from domestic Mutual Funds at or above the Anchor Investor Allocation Price, in accordance with the SEBI ICDR Regulations * *Subject to finalisation of Basis of Allotment*
"Application Supported by Blocked Amount" or "ASBA"	An application, whether physical or electronic, used by ASBA Bidders to make a Bid and authorizing an SCSB to block the Bid Amount in the ASBA Account and which includes applications made by RIBs using the UPI Mechanism where the Bid Amount was blocked upon acceptance of UPI Mandate Request by RIBs using the UPI Mechanism
ASBA Account	A bank account maintained with an SCSB by an ASBA Bidder, as specified in the ASBA Form submitted by ASBA Bidders for blocking the Bid Amount mentioned in the relevant ASBA Form and includes the account of an RIB which was blocked upon acceptance of a UPI Mandate Request made by the RIBs using the UPI Mechanism
ASBA Bid	A Bid made by an ASBA Bidder
ASBA Bidders	All Bidders except Anchor Investors
ASBA Form	An application form, whether physical or electronic, used by ASBA Bidders to submit Bids, which was considered as the application for Allotment in terms of the Red Herring Prospectus and this Prospectus
Axis	Axis Capital Limited
Bankers to the Issue	Collectively, Escrow Collection Bank, Public Issue Bank, Sponsor Bank and Refund Bank, as the case may be
Basis of Allotment	Basis on which Equity Shares will be Allotted to successful Bidders under the Issue and which is described in "*Issue Procedure*" beginning on page 377
Bid	An indication to make an offer during the Bid/ Issue Period by a Bidder (other than an Anchor Investor) pursuant to submission of the ASBA Form, or during the Anchor Investor Bid/ Issue Period by an Anchor Investor, pursuant to submission of the Anchor Investor Application Form, to subscribe to or purchase the Equity Shares at a price within the Price Band. The term "Bidding" shall be construed accordingly
Bid Amount	The highest value of optional Bids indicated in the Bid cum Application Form and, in the case of RIBs Bidding at the Cut off Price, the Cap Price multiplied by the number of Equity Shares Bid for by such RIBs and mentioned in the Bid cum Application Form and payable by the Bidder or blocked in the ASBA Account of the ASBA Bidder, as the case may be, upon submission of the Bid which is net of the Employee Discount, as applicable. However, Eligible Employees who applied in the Employee Reservation Portion could apply at the Cut-off Price and the Bid amount is Cap Price net of Employee Discount, multiplied by the number of Equity Shares Bid for by such Eligible Employee and mentioned in the Bid cum Application Form
Bid cum Application Form	Anchor Investor Application Form or the ASBA Form, as the context requires
Bid Lot	49 Equity Shares and in multiples of 49 Equity Shares thereafter
Bid/Issue Closing Date	Except in relation to any Bids received from the Anchor Investors, the date after which the Designated Intermediaries did not accept any Bids, being, March 19, 2021 which was published in all editions of Financial Express, an English national daily newspaper, all editions of Jansatta, a Hindi national daily newspaper and Mumbai edition of Navshakti, a Marathi newspaper, Marathi being the regional language of Maharashtra, where our Registered and Corporate Office is located, each with wide circulation.
Bid/ Issue Opening Date	Except in relation to any Bids received from the Anchor Investors, the date on which the Designated Intermediaries started accepting Bids, being March 17, 2021 which was published in all editions of Financial Express, an English national daily newspaper, all editions of Jansatta, a Hindi national daily newspaper and Mumbai edition of Navshakti, a Marathi newspaper, Marathi being the regional language of Maharashtra, where our Registered and Corporate Office is located, each with wide circulation
Bid/ Issue Period	Except in relation to Anchor Investors, the period between March 17, 2021 and March 19, 2021 , inclusive of both days, during which Bidders could submit their Bids
Bidder	Any investor who made a Bid pursuant to the terms of the Red Herring Prospectus and the Bid cum Application Form and unless otherwise stated or implied, includes an Anchor Investor
Bidding Centres	The centres at which the Designated Intermediaries accepted the Bid cum Application Forms, i.e., Designated Branches for SCSBs, Specified Locations for the Syndicate, Broker Centres for Registered Brokers, Designated RTA Locations for RTAs and Designated CDP Locations for CDPs
Book Building Process	Book building process, as provided in Part A of Schedule XIII of the SEBI ICDR Regulations, in terms of which the Issue was made

Term	Description
"Book Running Lead Managers" or "BRLMs"	The book running lead managers to the Issue, namely, Axis Capital Limited, ICICI Securities Limited, IIFL Securities Limited and SBI Capital Markets Limited
Broker Centres	The broker centres notified by the Stock Exchanges where Bidders could submit the ASBA Forms to a Registered Broker. The details of such Broker Centres, along with the names and the contact details of the Registered Brokers are available on the respective websites of the Stock Exchanges (www.bseindia.com and www.nseindia.com)
"CAN/ Confirmation of Allocation Note"	Notice or intimation of allocation of the Equity Shares sent to Anchor Investors, who have been allocated the Equity Shares, on or after the Anchor Investor Bid/ Issue Period
Cap Price	The higher end of the Price Band, i.e. ₹ 305 per Equity Share, above which the Issue Price and the Anchor Investor Issue Price were not finalised and above which no Bids were accepted
Cash Escrow and Sponsor Bank Agreement	Agreement dated March 9, 2021 entered amongst our Bank, the Selling Shareholders, the Book Running Lead Managers, the Bankers to the Issue and Registrar to the Issue, *inter alia*, for collection of the Bid Amounts from Anchor Investors, transfer of funds to the Public Issue Account and where applicable, remitting refunds of the amounts collected from Anchor Investors, on the terms and conditions thereof
Client ID	The client identification number maintained with one of the Depositories in relation to demat account
"Collecting Depository Participant" or "CDP"	A depository participant as defined under the Depositories Act registered with SEBI and who is eligible to procure Bids from relevant Bidders at the Designated CDP Locations in terms of the SEBI circular number CIR/CFD/POLICYCELL/11/2015 dated November 10, 2015 issued by SEBI as per the list available on the websites of BSE and NSE, as updated from time to time
Cut-off Price	The Issue Price, i.e., ₹ 305 per Equity Share finalised by our Bank and the Selling Shareholders, in consultation with the Book Running Lead Managers. Only Retail Individual Bidders Bidding in the Retail Portion, Eligible Employees under the Employee Reservation Portion were entitled to Bid at the Cut-off Price. QIBs and Non-Institutional Bidders were not entitled to Bid at the Cut-off Price
Demographic Details	Details of the Bidders including the Bidders' address, name of the Bidders' father/husband, investor status, occupation, bank account details and UPI ID, wherever applicable
Designated Branches	Such branches of the SCSBs which collected the ASBA Forms, a list of which was available on the website of SEBI at https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognised=yes or at such other website as may be prescribed by SEBI from time to time
Designated CDP Locations	Such locations of the CDPs where Bidders could submit the ASBA Forms. The details of such Designated CDP Locations, along with names and contact details of the CDPs eligible to accept ASBA Forms were available on the respective websites of the Stock Exchanges (www.bseindia.com and www.nseindia.com), as updated from time to time
Designated Date	The date on which the Escrow Collection Bank transfers funds from the Escrow Account to the Public Issue Account or the Refund Account, as the case may be, and the instructions are issued to the SCSBs (in case of RIBs using UPI Mechanism, instruction issued through the Sponsor Bank) for the transfer of amounts blocked by the SCSBs in the ASBA Accounts to the Public Issue Account or the Refund Account, as the case may be, in terms of the Red Herring Prospectus and this Prospectus following which Equity Shares will be Allotted in the Issue
Designated Intermediary(ies)	In relation to ASBA Forms submitted by RIBs by authorising an SCSB to block the Bid Amount in the ASBA Account, Designated Intermediaries shall mean SCSBs. In relation to ASBA Forms submitted by RIBs where the Bid Amount was blocked upon acceptance of UPI Mandate Request by such RIB using the UPI Mechanism, Designated Intermediaries shall mean Syndicate, sub-syndicate/agents, Registered Brokers, CDPs, SCSBs and RTAs. In relation to ASBA Forms submitted by QIBs and non-institutional Bidders, Designated Intermediaries shall mean Syndicate, Sub-Syndicate/ agents, SCSBs, Registered Brokers, the CDPs and RTAs
Designated RTA Locations	Such locations of the RTAs where Bidders could submit the ASBA Forms to RTAs. The details of such Designated RTA Locations, along with names and contact details of the RTAs eligible to accept ASBA Forms are available on the respective websites of the Stock Exchanges (www.bseindia.com and www.nseindia.com), as updated from time to time
Designated Stock Exchange	NSE
"Draft Red Herring Prospectus" or "DRHP"	The draft red herring prospectus dated September 30, 2020 filed with SEBI and issued in accordance with the SEBI ICDR Regulations, which does not contain complete particulars of the price at which the Equity Shares will be Allotted and the size of the Issue, read with the Addendum
Eligible Employee(s)	All or any of the following: (a) a permanent employee of our Bank (excluding such employees who are not eligible to invest in the Issue under applicable laws) as of the date of filing of the Red Herring Prospectus with the RoC and who continued to be a permanent employee of our Bank, until the submission of the Bid cum Application Form; and (b) a Director of our Bank, whether whole time or not, who was eligible to apply under the Employee Reservation Portion under applicable law as on the date of filing of the Red Herring Prospectus with the RoC and who continued to be a Director of our Bank, until the submission of the Bid cum Application Form, but not including Directors who either themselves or through their relatives

Term	Description
	or through any body corporate, directly or indirectly, held more than 10% of the outstanding Equity Shares of our Bank. The maximum Bid Amount under the Employee Reservation Portion by an Eligible Employee could not exceed ₹ 500,000 (net of Employee Discount). However, the initial Allotment to an Eligible Employee in the Employee Reservation Portion could not exceed ₹ 200,000. Only in the event of under-subscription in the Employee Reservation Portion, the unsubscribed portion was permitted to be available for allocation and Allotment, proportionately to all Eligible Employees who have Bid in excess of ₹ 200,000, subject to the maximum value of Allotment made to such Eligible Employee not exceeding ₹ 500,000 (net of Employee Discount)
Eligible NRI(s)	NRI(s) from jurisdictions outside India where it is not unlawful to make an offer or invitation under the Issue and in relation to whom the Bid cum Application Form and the Red Herring Prospectus constituted an invitation to subscribe to or to purchase the Equity Shares
Employee Discount	Our Bank and the Selling Shareholders, in consultation with the Book Running Lead Managers, offered a discount of ₹ 30 per Equity Share to Eligible Employees and which was announced at least two Working Days prior to the Bid / Issue Opening Date
Employee Reservation Portion	The portion of the Issue being 500,000* Equity Shares, aggregating to ₹ 137.50* million available for allocation to Eligible Employees, on a proportionate basis, constituting 0.47% of the post-Issue paid-up Equity Share capital of our Bank Further, a discount of ₹ 30 per Equity Share was offered to Eligible Employees, bidding in the Employee Reservation Portion in accordance with the SEBI ICDR Regulations and details of which were announced at least two Working Days prior to the Bid / Issue Opening Date * *Subject to finalisation of Basis of Allotment*
Escrow Account(s)	The account(s) opened with the Escrow Collection Bank and in whose favour the Anchor Investors transferred money through NACH/direct credit/NEFT/RTGS in respect of the Bid Amount when submitting a Bid
Escrow Collection Bank	Bank which is a clearing member and registered with SEBI as a banker to an issue under the SEBI BTI Regulations and with whom the Escrow Account(s) has been opened, in this case being ICICI Bank Limited
First Bidder or Sole Bidder	Bidder whose name is mentioned in the Bid cum Application Form or the Revision Form and in case of joint Bids, whose name also appears as the first holder of the beneficiary account held in joint names
Floor Price	The lower end of the Price Band, being ₹ 303 per Equity Share, not being less than the face value of Equity Shares, at or above which the Issue Price and the Anchor Investor Issue Price was finalised and below which no Bids were accepted
Fresh Issue	Fresh issue of 8,150,000*# Equity Shares aggregating to ₹ 2,479.35* million by our Bank. #Our Bank has undertaken a Pre-IPO placement of 5,208,226 Equity Shares comprising (i) a private placement of 3,084,833 Equity Shares to SBI Life Insurance Company Limited for cash at a price of ₹ 291.75 per Equity Share aggregating to approximately ₹ 900.00 million; (ii) a private placement of 1,713,795 Equity Shares to Axis Flexi Cap Fund for cash at a price of ₹ 291.75 per Equity Share aggregating to approximately ₹ 499.99 million; (iii) a private placement of 342,760 Equity Shares to Axis Equity Hybrid Fund for cash at a price of ₹ 291.75 per Equity Share aggregating to approximately ₹ 100.00 million; and (iv) a private placement of 66,838 Equity Shares to Kiran Vyapar Limited for cash at a price of ₹ 291.75 per Equity Share aggregating to approximately ₹ 19.50 million pursuant to shareholders' resolution dated February 13, 2021 and the resolution of the board dated February 23, 2021. The size of the Fresh Issue was reduced by 5,208,226 Equity Shares pursuant to the Pre-IPO Placement. Further, pursuant to the resolution of the Board dated March 2, 2021, our Bank has also increased the Fresh Issue size by 1,763,226 Equity Shares (within the limits for Fresh Issue approved by our shareholders on July 27, 2020). Accordingly, the Fresh Issue size was 8,150,000 Equity Shares. * *Subject to finalisation of Basis of Allotment*
Fugitive Economic Offender	An individual who is declared a fugitive economic offender under Section 12 of the Fugitive Economic Offenders Act, 2018
"General Information Document" or "GID"	The General Information Document for investing in public issues prepared and issued in accordance with the SEBI circular no. SEBI/HO/CFD/DIL1/CIR/P/2020/37 dated March 17, 2020 and the UPI Circulars, as amended from time to time. The General Information Document shall be available on the websites of the Stock Exchanges and the BRLMs
IA Termination Letters	Termination letters dated March 1, 2021, March 1, 2021and March 2, 2021 issued by Apneet Kahlon, Chintan Harkantbhai Trivedi and Polaris Banyan Holding Private Limited, respectively, to the Bank, the Selling Shareholders and the Book Running Lead Managers, terminating the Issue Agreement solely in respect of themselves pursuant to the Withdrawal Letters
ICICI	ICICI Securities Limited
IIFL	IIFL Securities Limited
Issue	The initial public offer of Equity Shares comprising the Fresh Issue# and the Offer for Sale. The Issue comprises the Net Issue and Employee Reservation Portion. #Our Bank has undertaken a Pre-IPO placement of 5,208,226 Equity Shares comprising (i) a private placement of 3,084,833 Equity Shares to SBI Life Insurance Company Limited for cash at a price of ₹ 291.75 per Equity Share aggregating to approximately ₹ 900.00 million; (ii) a private placement of

Term	Description
	1,713,795 Equity Shares to Axis Flexi Cap Fund for cash at a price of ₹ 291.75 per Equity Share aggregating to approximately ₹ 499.99 million; (iii) a private placement of 342,760 Equity Shares to Axis Equity Hybrid Fund for cash at a price of ₹ 291.75 per Equity Share aggregating to approximately ₹ 100.00 million; and (iv) a private placement of 66,838 Equity Shares to Kiran Vyapar Limited for cash at a price of ₹ 291.75 per Equity Share aggregating to approximately ₹ 19.50 million pursuant to shareholders' resolution dated February 13, 2021 and the resolution of the board dated February 23, 2021. The size of the Fresh Issue was reduced by 5,208,226 equity shares pursuant to the Pre-IPO Placement. Further, pursuant to the resolution of the Board dated March 2, 2021, our Bank has also increased the Fresh Issue size by 1,763,226 Equity Shares (within the limits for Fresh Issue approved by our Shareholders on July 27, 2020). Accordingly, the Fresh Issue size was 8,150,000 Equity Shares
Issue Agreement	Agreement dated September 30, 2020 entered amongst our Bank, the Selling Shareholders, Apneet Kahlon, Chintan Harkantbhai Trivedi and Polaris Banyan Holding Private Limited and the Book Running Lead Managers, pursuant to which certain arrangements have been agreed to in relation to the Issue read with the amendment to the Issue Agreement dated March 3, 2021 between our Bank, the Selling Shareholders and the Book Running Lead Managers read with the IA Termination Letters
Issue Price	The final price at which Equity Shares will be Allotted to ASBA Bidders in terms of the Red Herring Prospectus and this Prospectus. Equity Shares will be Allotted to Anchor Investors at the Anchor Investor Issue Price, which was decided by our Bank and the Selling Shareholders, in consultation with the Book Running Lead Managers, in terms of the Red Herring Prospectus and this Prospectus. The Issue Price was decided by our Bank and the Selling Shareholders, in consultation with the Book Running Lead Managers, on the Pricing Date in accordance with the Book Building Process and the Red herring Prospectus and this Prospectus. A discount of ₹ 30 per Equity Share was offered to Eligible Employees bidding in the Employee Reservation Portion. This Employee Discount was decided by our Bank and the Selling Shareholders, in consultation with the Book Running Lead Managers
Issue Proceeds	The proceeds of the Fresh Issue which shall be available to our Bank and the proceeds of the Offer for Sale which shall be available to the Selling Shareholders. For further information about use of the Issue Proceeds, see "*Objects of the Issue*" beginning on page 103
Mutual Fund Portion	5% of the Net QIB Portion, or 185,931* Equity Shares which was made available for allocation to Mutual Funds only on a proportionate basis, subject to valid Bids having been received at or above the Issue Price * *Subject to finalisation of Basis of Allotment*
Net Issue	The Issue less the Employee Reservation Portion
Net Proceeds	Proceeds of the Fresh Issue less our Bank's share of the Issue expenses. For further details regarding the use of the Net Proceeds and the Issue expenses, see "*Objects of the Issue*" beginning on page 103
Net QIB Portion	The portion of the QIB Portion less the number of Equity Shares Allotted to the Anchor Investors
Non-Institutional Bidders	All Bidders that are not QIBs or Retail Individual Bidders and who have Bid for Equity Shares for an amount of more than ₹200,000 (but not including NRIs other than Eligible NRIs)
Non-Institutional Portion	The portion of the Issue being not less than 15% of the Net Issue consisting of 2,788,961* Equity Shares which was made available for allocation on a proportionate basis to Non-Institutional Bidders, subject to valid Bids having been received at or above the Issue Price * *Subject to finalisation of Basis of Allotment*
Non-Resident	Person resident outside India, as defined under FEMA and includes a non-resident Indian, FVCIs and FPIs
Offer for Sale	The offer for sale of 10,943,070* Equity Shares aggregating to ₹ 3,329.04* million by the Selling Shareholders in the Issue * *Subject to finalisation of Basis of Allotment*
Offered Shares	10,943,070* Equity Shares aggregating to ₹ 3,329.04* million being offered by the Selling Shareholders in the Offer for Sale * *Subject to finalisation of Basis of Allotment*
Pre-IPO Placement	A pre-IPO placement of 5,208,226 Equity Shares by our Bank for cash consideration aggregating ₹ 1,519.50 million, in consultation with the Book Running Lead Managers. Our Bank has undertaken a Pre-IPO Placement of 5,208,226 Equity Shares comprising (i) a private placement of 3,084,833 Equity Shares to SBI Life Insurance Company Limited for cash at a price of ₹ 291.75 per Equity Share aggregating to approximately ₹ 900.00 million; (ii) a private placement of 1,713,795 Equity Shares to Axis Flexi Cap Fund for cash at a price of ₹ 291.75 per Equity Share aggregating to approximately ₹ 499.99 million; (iii) a private placement of 342,760 Equity Shares to Axis Equity Hybrid Fund for cash at a price of ₹ 291.75 per Equity Share aggregating to approximately ₹ 100.00 million; and (iv) a private placement of 66,838 Equity Shares to Kiran Vyapar Limited for cash at a price of ₹ 291.75 per Equity Share aggregating to approximately ₹ 19.50 million pursuant to shareholders' resolution dated February 13, 2021 and the resolution of the board dated February 23, 2021. The size of the Fresh Issue was reduced by 5,208,226 Equity Shares pursuant to the Pre-IPO Placement.
Price Band	The price band of a minimum price of ₹ 303 per Equity Share (Floor Price) and the maximum price of ₹ 305 per Equity Share (Cap Price). The Price Band, the Employee Discount and the minimum Bid Lot size for the Issue were decided by our Bank and Selling Shareholders, in consultation with the Book Running Lead Managers, and were advertised, at least two Working Days prior to the Bid/ Issue Opening Date, in all editions of Financial

Term	Description
	Express, an English national daily newspaper, all editions of Jansatta, a Hindi national daily newspaper and Mumbai edition of Navshakti, a Marathi newspaper, Marathi being the regional language of Maharashtra, where our Registered and Corporate Office is located, each with wide circulation and were made available to the Stock Exchanges for the purpose of uploading on their respective websites.
Pricing Date	The date on which our Bank and the Selling Shareholders, in consultation with the Book Running Lead Managers, finalised the Issue Price, being March 20, 2021
Prospectus	This prospectus dated March 20, 2021 to be filed with the RoC on or after the Pricing Date in accordance with Section 26 of the Companies Act, 2013 and the SEBI ICDR Regulations containing, *inter alia*, the Issue Price that is determined at the end of the Book Building Process, the size of the Issue and certain other information, including any addenda or corrigenda hereto
Public Issue Account	Bank account opened with the Public Issue Bank, under Section 40(3) of the Companies Act, 2013 to receive monies from the Escrow Account and ASBA Accounts on the Designated Date
Public Issue Bank	Bank which is a clearing member and registered with SEBI as a banker to an issue and with which the Public Issue Account is opened, in this case being ICICI Bank Limited
QIB Portion	The portion of the Issue (including the Anchor Investor Portion) being not more than 50% of the Net Issue comprising 9,296,534* Equity Shares which was made available for allocation to QIBs (including Anchor Investors), subject to valid Bids having been received at or above the Issue Price or Anchor Investor Issue Price (for Anchor Investors). Our Bank and the Selling Shareholders, in consultation with the Book Running Lead Managers, allocated 60% of the QIB portion to Anchor Investors on a discretionary basis * *Subject to finalisation of Basis of Allotment*
Qualified Institutional Buyers or QIBs or QIB Bidders	Qualified institutional buyers as defined under Regulation 2(1)(ss) of the SEBI ICDR Regulations
Qualifying Shareholder	Any shareholder (other than the Promoters), as on the date of filing of the RHP, who together with its Affiliates hold at least 2% of the total issued and paid-up share capital of our Bank on a fully diluted basis, provided that such Shareholder together with its Affiliates continues to hold or holds (due to change in its shareholding), at least 2% of the total issued and paid-up share capital of our Bank on a fully diluted basis after filing of the RHP
RA Termination Letters	Termination letters dated March 1, 2021, March 1, 2021 and March 2, 2021 issued by Apneet Kahlon, Chintan Harkantbhai Trivedi and Polaris Banyan Holding Private Limited, respectively, to the Registrar, terminating the Registrar Agreement solely in respect of themselves pursuant to the Withdrawal Letters
Red Herring Prospectus or RHP	The red herring prospectus dated March 9, 2021 issued by our Bank in accordance with Section 32 of the Companies Act, 2013 and the provisions of the SEBI ICDR Regulations, which did not have complete particulars of the Issue Price and the size of the Issue, including any addenda or corrigenda thereto. The Red Herring Prospectus was filed with the RoC at least three Working Days before the Bid/Issue Opening Date
Refund Account	Account opened with the Refund Bank, from which refunds, if any, of the whole or part of the Bid Amount to the Bidders shall be made
Refund Bank	Bank which is a clearing member and registered with SEBI as a banker to an issue under the SEBI BTI Regulations and with whom the Refund Account will be opened, in this case being ICICI Bank Limited
Registered Brokers	Stock brokers registered with SEBI and the stock exchanges having nationwide terminals, other than the members of the Syndicate and eligible to procure Bids in terms of the SEBI circular number CIR/CFD/14/2012 dated October 4, 2012 issued by SEBI
Registrar Agreement	Agreement dated September 30, 2020 entered by and amongst our Bank, the Selling Shareholders, Apneet Kahlon, Chintan Harkantbhai Trivedi and Polaris Banyan Holding Private Limited and the Registrar to the Issue, in relation to the responsibilities and obligations of the Registrar to the Issue pertaining to the Issue read with the amendment to the Registrar Agreement dated March 3, 2021 between our Bank, the Selling Shareholders and the Registrar to the Issue read with the RA Termination Letters
"Registrar and Share Transfer Agents" or "RTAs"	Registrar and share transfer agents registered with SEBI and eligible to procure Bids from relevant Bidders at the Designated RTA Locations as per the list available on the websites of BSE and NSE, and the UPI Circulars
"Registrar to the Issue" or "Registrar"	Kfin Technologies Private Limited (formerly known as Karvy Fintech Private Limited)
"Retail Individual Bidder(s)" or "RIB(s)"	Individual Bidders, who have Bid for the Equity Shares for an amount not more than ₹200,000 in any of the bidding options in the Issue (including HUFs who applied through their Karta and Eligible NRIs)
Retail Portion	Portion of the Issue being not less than 35% of the Net Issue consisting of 6,507,575* Equity Shares which was made available for allocation to Retail Individual Bidders (subject to valid Bids having been received at or above the Issue Price), which could not be less than the minimum Bid Lot subject to availability in the Retail Portion, and the remaining Equity Shares to be Allotted on a proportionate basis * *Subject to finalisation of Basis of Allotment*
Revision Form	Form used by the Bidders to modify the quantity of the Equity Shares or the Bid Amount in any of their Bid cum Application Forms or any previous Revision Form(s), as applicable. QIB Bidders and Non-Institutional Bidders are not allowed to withdraw or lower their Bids (in terms of quantity of Equity Shares or the Bid Amount) at any stage. Retail Individual Bidders could revise their Bids during the Bid/ Issue Period and withdraw their Bids until Bid/Issue Closing Date
SBICAP	SBI Capital Markets Limited

Term	Description
Self-Certified Syndicate Bank(s) or SCSB(s)	The banks registered with SEBI, which offer the facility of ASBA services, (i) in relation to ASBA, where the Bid Amount will be blocked by authorising an SCSB, a list of which is available on the website of SEBI at www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognisedFpi=yes&intmId=34 and updated from time to time and at such other websites as may be prescribed by SEBI from time to time, (ii) in relation to RIBs using the UPI Mechanism, a list of which is available on the website of SEBI at https://sebi.gov.in/sebiweb/other/OtherAction.do?doRecognisedFpi=yes&intmId=40 or such other website as may be prescribed by SEBI and updated from time to time. Applications through UPI in the Issue could be made only through the SCSBs mobile applications (apps) whose name appears on the SEBI website. A list of SCSBs and mobile application, which, are live for applying in public issues using UPI mechanism is provided as Annexure 'A' to the SEBI circular number SEBI/HO/CFD/DIL2/CIR/P/2019/85 dated July 26, 2019. The said list shall be updated on the SEBI website
SE Termination Letters	Termination letters dated March 1, 2021, March 1, 2021 and March 2, 2021 issued by Apneet Kahlon, Chintan Harkantbhai Trivedi and Polaris Banyan Holding Private Limited, respectively, to the Registrar, terminating the Share Escrow Agreement solely in respect of themselves pursuant to the Withdrawal Letters
Share Escrow Agent	The share escrow agent appointed pursuant to the Share Escrow Agreement, namely, Kfin Technologies Private Limited
Share Escrow Agreement	Agreement dated February 25, 2021 entered amongst our Bank, the Selling Shareholders, Apneet Kahlon, Chintan Harkantbhai Trivedi and Polaris Banyan Holding Private Limited and the Share Escrow Agent in connection with the transfer of the respective portion of Offered Shares by the Selling Shareholders and credit of such Offered Shares to the demat account of the Allottees in accordance with the Basis of Allotment read with the amendment to the Share Escrow Agreement dated March 3, 2021 read with the amendment to the Registrar Agreement dated March 3, 2021 between our Bank, the Selling Shareholders and the Share Escrow Agent read with the SE Termination Letters
Specified Locations	Bidding Centres where the Syndicate accepted Bid cum Application Forms
Sponsor Bank	ICICI Bank Limited, being a Banker to the Issue, appointed by our Bank to act as a conduit between the Stock Exchanges and NPCI in order to push the mandate collect requests and / or payment instructions of the RIBs using the UPI Mechanism and carry out other responsibilities, in terms of the UPI Circulars
"Syndicate" or "Members of the Syndicate"	Collectively, the Book Running Lead Managers and the Syndicate Members
Syndicate Agreement	Agreement dated March 9, 2021 entered amongst our Bank, the Selling Shareholders, the Book Running Lead Managers, the Registrar and the Syndicate Members, in relation to collection of Bids by the Syndicate
Syndicate Members	Intermediaries registered with SEBI who are permitted to carry out activities as an underwriter, namely, SBICAP Securities Limited and Investec Capital Services (India) Private Limited
Systemically Important Non-Banking Financial Company	Systemically important non-banking financial company as defined under Regulation 2(1)(iii) of the SEBI ICDR Regulations
Underwriters	The BRLMs and the Syndicate Members
Underwriting Agreement	Agreement dated March 20, 2021, entered amongst our Bank, the Selling Shareholders and the Underwriters on or after the Pricing Date but prior to filing of the Prospectus with the RoC
UPI	Unified payments interface which is an instant payment mechanism, developed by NPCI
UPI PIN	Password to authenticate UPI transaction
UPI Circulars	SEBI circular number SEBI/HO/CFD/DIL2/CIR/P/2018/138 dated November 1, 2018, SEBI circular number SEBI/HO/CFD/DIL2/CIR/P/2019/50 dated April 3, 2019, SEBI circular number SEBI/HO/CFD/DIL2/CIR/P/2019/76 dated June 28, 2019, SEBI circular number SEBI/HO/CFD/DIL2/CIR/P/2019/85 dated July 26, 2019, SEBI circular number SEBI/HO/CFD/DCR2/CIR/P/2019/133 dated November 8, 2019, SEBI circular number SEBI/HO/CFD/DIL2/CIR/P/2020/50 dated March 30, 2020 and any subsequent circulars or notifications issued by SEBI in this regard.
UPI ID	ID created on the UPI for single-window mobile payment system developed by the NPCI
UPI Mandate Request	A request (intimating the RIB by way of a notification on the UPI linked mobile application as disclosed by SCSBs on the website of SEBI and by way of an SMS on directing the RIB to such UPI linked mobile application) to the RIB initiated by the Sponsor Bank to authorise blocking of funds on the UPI application equivalent to Bid Amount and subsequent debit of funds in case of Allotment
UPI Mechanism	The bidding mechanism that was used by RIBs in accordance with the UPI Circulars to make an ASBA Bid in the Issue
Wilful Defaulter	A company or person, as the case may be, categorised as a wilful defaulter by any bank or financial institution or consortium thereof, in accordance with the guidelines on wilful defaulters issued by the RBI
Withdrawal Letters	Letters dated March 1, 2021, March 1, 2021 and March 2, 2021 issued by Apneet Kahlon, Chintan Harkantbhai Trivedi and Polaris Banyan Holding Private Limited, respectively, communicating their decision to the Bank to not participate in the Offer for Sale
Working Day(s)	All days on which commercial banks in Mumbai are open for business provided however, with reference to (a) announcement of Price Band and (b) Bid/Issue Period, the term Working Day shall mean all days, excluding Saturdays, Sundays and public holidays, on which commercial banks in Mumbai are open for business and (c) the time period between the Bid/ Issue Closing Date and the listing of the Equity Shares on the Stock Exchanges, "Working Day" shall mean all trading days of the Stock Exchanges, excluding Sundays and bank holidays, as per circulars issued by SEBI

Technical/Industry Related Terms or Abbreviations

Term	Description
AePS	Aadhaar Enabled Payment System
ALCO	Asset Liability Management Committee
AML	Anti- Money Laundering
ANBC	Adjusted Net Bank Credit
ATM	Automated Teller Machine
AUA	Authentication User Agency
AUM	Asset under management
Banking Outlet	As defined under RBI's Statement on Developmental and Regulatory Policies released on April 6, 2017, a banking outlet is a fixed point service delivery unit, manned by either bank's staff or its business correspondent where services of acceptance of deposits, encashment of cheques/ cash withdrawal or lending of money are provided for a minimum of 4 hours per day for at least five days a week.
BC	Business Correspondent
BCP	Business Continuity Plan
BOS	Business Origination System
BSR Code	Basic Statistical Return Code
CASA	Current Account and Savings Account
CBLO	Collateralized Borrowing and Lending Obligation
CBS	Core Banking Solution
CFT	Combating Financing of Terrorism
Cost of Funds	Cost of funds is interest expended divided by Total Average Interest Bearing Liabilities calculated on the basis of quarterly average.
CRAR	Capital-to-Risk Weighted Asset Ratio
CROMS	Clearcorp Order Matching and Reported Segment
CRR	Cash Reserve Ratio
CV	Commercial Vehicle
DEAF Code	Depositor Education and Awareness Fund Code
DICGC	Deposit Insurance and Credit Guarantee Corporation
DRP	Disaster Recovery Plan
Exim Bank	Export-Import Bank of India
FATCA	Foreign Account Tax Compliance Act, 2010
FI	Financial Institutions
FIG	Financial Intermediary Groups
FIMMDA	Fixed Income Money Market & Derivatives Association of India
GNPA	Gross Non-Performing Asset
Gross Advances	Gross advances includes on-book advances (net off advance collections and interest due)
Gross Loan Portfolio	Gross loan portfolio includes on-book and off-book advances
HTM	Held to Maturity
ICAAP	Internal Capital Adequacy Assessment Process
IFSC	Indian Financial System Code
INFINET	Indian Financial Network
IRS	Internal Revenue Service
JLG	Joint Liability Group
LAP	Loan against property
MCLR	Marginal Cost of Funds based Lending Rate
MFI	Microfinance Institutions
NABARD	National Bank for Agriculture and Rural Development
NDS-Call	Negotiated Dealing System – Call
NDS-OM	Negotiated Dealing System – Order Matching
Net Interest Income	Net Interest Income is difference of interest earned and interest expended.
Net Interest Margin	Net Interest Margin is the difference of interest earned and interest expended divided by the average interest-earning assets calculated on the basis of quarterly average balances.
NHB	National Housing Board
NNPA	Net Non-Performing Asset
NPA	Non-Performing Asset
NPS	National Pension Scheme
Ombudsman Scheme	The Banking Ombudsman Scheme, 2006, as amended up to July 1, 2017
PMLA	Prevention of Money Laundering Act, 2002
PSL	Priority Sector Lending
RDDBFI Act	The Recovery of Debts Due to Banks and Financial Institutions Act, 1993
RO	Relationship Officer
SIDBI	Small Industries Development Bank of India
SLR	Statutory Liquidity Ratio
Spread	Spread is difference between yield on Gross Loan Portfolio and Cost of Funds.

Term	Description
Total Average Interest Bearing Liabilities	Total average interest bearing liabilities are interest-bearing liabilities calculated on the basis of quarterly average balances.
TREPS	Triparty Repo System
UIDAI	Unique Identification Authority of India
URC	As defined under RBI's Statement on Developmental and Regulatory Policies released on April 6, 2017, an 'Unbanked Rural Centre' is a rural (Tier 5 and Tier 6) centre that does not have a CBS-enabled 'Banking Outlet' of a scheduled commercial bank, a small finance bank, a payment bank or a regional rural bank nor a branch of local area bank or licensed co-operative bank for carrying out customer based banking transactions.

Conventional and General Terms or Abbreviations

Term	Description
₹/Rs./Rupees/INR	Indian Rupees
AIFs	Alternative Investments Funds, as defined in, and registered under the SEBI AIF Regulations
AGM	Annual general meeting
AS or Accounting Standards	Accounting standards issued by the ICAI
Banking Regulation Act	Banking Regulation Act, 1949
BSE	BSE Limited
CAGR	Compound annual growth rate (as a %): (End Year Value/Base Year Value)^ (1/No. of years between Base year and end year) – 1 (^ denotes 'raised to')
Category I AIF	AIFs who are registered as "Category I Alternative Investment Funds" under the SEBI AIF Regulations
Category II AIF	AIFs who are registered as "Category II Alternative Investment Funds" under the SEBI AIF Regulations
Category I FPIs	FPIs who are registered as "Category I Foreign Portfolio Investors" under the SEBI FPI Regulations
Category III AIF	AIFs who are registered as "Category III Alternative Investment Funds" under the SEBI AIF Regulations
Category II FPIs	FPIs who are registered as "Category II foreign portfolio investors" under the SEBI FPI Regulations
CCIL	Clearing Corporation of India Limited
CDSL	Central Depository Services (India) Limited
CERSAI	Central Registry of Securitization Asset Reconstruction and Security Interest of India
CIN	Corporate Identity Number
Civil Code	The Code of Civil Procedure, 1908
Companies Act or Companies Act, 2013	Companies Act, 2013, along with the relevant rules made thereunder
Companies Act, 1956	Companies Act, 1956, along with the relevant rules made thereunder
Depositories	NSDL and CDSL
Depositories Act	Depositories Act, 1996
DIN	Director Identification Number
DP or Depository Participant	A depository participant as defined under the Depositories Act
DP ID	Depository Participant's Identification
DPIIT	Department for Promotion of Industry and Internal Trade, Ministry of Commerce and Industry, Government of India (*formerly known as the Department of Industrial Policy and Promotion*)
DP ID	Depository Participant Identification
DP/ Depository Participant	Depository participant as defined under the Depositories Act
EBITDA	Earnings before interest (net), taxes, depreciation and amortisation
EMI	Equated Monthly Instalment
EPS	Earnings Per Share
FDI	Foreign direct investment
FDI Policy	Consolidated Foreign Direct Investment Policy notified by the DPIIT by way of circular bearing number DPIIT file number 5(2)/2020-FDI Policy dated October 15, 2020 effective from October 15, 2020
FEMA	The Foreign Exchange Management Act, 1999, read with rules and regulations there under
FEMA Non-debt Instruments Rules	Foreign Exchange Management (Non-debt Instruments) Rules, 2019
FEMA Regulations	The Foreign Exchange Management (Non Debt Instruments) Rules, 2019, the Foreign Exchange Management (Mode of Payment and Reporting of Non Debt Instruments) Regulations, 2019 and the Foreign Exchange Management (Debt Instruments) Regulations, 2019, as applicable
Financial Year/ Fiscal/Fiscal Year/ FY	Unless stated otherwise, the period of 12 months ending March 31 of that particular year
FPI(s)	Foreign portfolio investors as defined under the SEBI FPI Regulations
FVCI(s)	Foreign venture capital investors as defined and registered under the SEBI FVCI Regulations
Gazette	Gazette of India
GDP	Gross domestic product
GoI or Government or Central Government	Government of India
GST	Goods and services tax
IBC	The Insolvency and Bankruptcy Code, 2016
ICAI	The Institute of Chartered Accountants of India

Term	Description
HUF	Hindu Undivided Family
HNI	High Net worth Individual
IFRS	International Financial Reporting Standards
IFSC	Indian Financial System Code
IMPS	Immediate Payment Service
Ind AS/ Indian Accounting Standards	Indian Accounting Standards notified under Section 133 of the Companies Act, 2013 read with the Companies (Indian Accounting Standards) Rules, 2015
India	Republic of India
Indian GAAP/ IGAAP	Accounting standards notified under Section 133 of the Companies Act, 2013 read with Companies (Accounting Standards) Rules 2006 (as amended) and the Companies (Accounts) Rules, 2014 in so far as they apply to our Bank, applicable requirements of the Banking Regulation Act, 1949 and guidelines and directions issued by the RBI from time to time
IPO	Initial public offering
IRDAI	Insurance Regulatory and Development Authority of India
IST	Indian Standard Time
IT	Information Technology
IT Act	The Income Tax Act, 1961
KYC	Know your customer
MCA	Ministry of Corporate Affairs
MICR	Magnetic Ink Character Recognition
MSMEs	Micro, Small, and Medium Enterprises
Mutual Funds	Mutual funds registered under the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996
N/A	Not applicable
NACH	National Automated Clearing House
NAV	Net Asset Value
NBFC	Non-banking financial company
NEFT	National Electronic Funds Transfer
NPCI	National Payments Corporation of India
NRI	Person resident outside India, who is a citizen of India or a person of Indian origin, and shall have the meaning ascribed to such term in the Foreign Exchange Management (Deposit) Regulations, 2016 or an overseas citizen of India cardholder within the meaning of Section 7(A) of the Citizenship Act, 1955
NRE Account	Non-resident external rupee account
NRO Account	Non-resident ordinary account
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Limited
OCB or Overseas Corporate Body	A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs including overseas trusts, in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly and which was in existence on October 3, 2003 and immediately before such date had taken benefits under the general permission granted to OCBs under FEMA. OCBs are not allowed to invest in the Issue
p.a.	Per annum
P/E	Price/earnings
P/E Ratio	Price to Earnings ratio
PAN	Permanent Account Number
PAT	Profit after tax
PFRDA	Pension Fund Regulatory and Development Authority
RBI	The Reserve Bank of India
RBI Act	The Reserve Bank of India Act, 1934
Regulation S	Regulation S under the U.S. Securities Act
RTGS	Real Time Gross Settlement
Rule 144A	Rule 144A under the U.S. Securities Act
SARFAESI Act	The Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002
SCRA	Securities Contracts (Regulation) Act, 1956
SCRR	Securities Contracts (Regulation) Rules, 1957
SEBI	Securities and Exchange Board of India constituted under the SEBI Act
SEBI Act	Securities and Exchange Board of India Act, 1992
SEBI AIF Regulations	Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012
SEBI BTI Regulations	Securities and Exchange Board of India (Bankers to an Issue) Regulations, 1994
SEBI FPI Regulations	Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019
SEBI FVCI Regulations	Securities and Exchange Board of India (Foreign Venture Capital Investors) Regulations, 2000
SEBI ICDR Regulations	Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018
SEBI Listing Regulations	Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015
SEBI Merchant Bankers Regulations	Securities and Exchange Board of India (Merchant Bankers) Regulations, 1992

Term	Description
SEBI SBEB Regulations	Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014
SEBI VCF Regulations	Securities and Exchange Board of India (Venture Capital Fund) Regulations, 1996 as repealed pursuant to the SEBI AIF Regulations
SFB	Small Finance Bank within the meaning of the SFB Licensing Guidelines
SFB Licensing Guidelines	Guidelines for Licensing of Small Finance Banks in the Private Sector issued by the RBI on November 27, 2014 read with the Clarifications to Queries on Guidelines for Licensing of Small Finance Banks and Payments Banks in the Private Sector dated January 1, 2015, issued by the RBI, Modification to SFB Licensing Guidelines dated March 28, 2020, and such other applicable rules, guidelines, instructions and regulations governing SFBs in India
SFB Operating Guidelines	Reserve Bank of India's Operating Guidelines for Small Finance Bank dated October 6, 2016
SME	Small and Medium Enterprises
Stamp Act	The Indian Stamp Act, 1899
State Government	The government of a state in India
Stock Exchanges	BSE and NSE
STT	Securities transaction tax
Systemically Important NBFC	Systemically important non-banking financial company as defined under Regulation 2(1)(iii) of the SEBI ICDR Regulations
Takeover Regulations	Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011
TAN	Tax deduction account number
U.S. GAAP	Generally Accepted Accounting Principles (as adopted by the U.S. Securities and Exchange Commission)
U.S. Holder	A beneficial owner of Equity Shares that is for United States federal income tax purposes: (a) an individual who is a citizen or resident of the United States; (b) a corporation organised under the laws of the United States, any state thereof or the District of Columbia; (c) an estate whose income is subject to United States federal income taxation regardless of its source; or (d) a trust that (1) is subject to the primary supervision of a court within the United States and the control of one or more U.S. persons for all substantial decisions of the trust, or (2) has a valid election in effect under the applicable U.S. Treasury regulations to be treated as a U.S. person
U.S. Securities Act	U.S. Securities Act of 1933, as amended
U.S./USA/United States	United States of America
USD or US$	United States Dollars
VCFs	Venture Capital Funds as defined in and registered with SEBI under the SEBI VCF Regulations

SUMMARY OF THIS PROSPECTUS

The following is a general summary of the terms of the Issue. This summary should be read in conjunction with, and is qualified in its entirety by, the more detailed information appearing elsewhere in this Prospectus, including "*Risk Factors*", "*Objects of the Issue*", "*Our Business*", "*Industry Overview*", "*Outstanding Litigation and Material Developments*", "*Main Provisions of Articles of Association*" and "*Issue Procedure*" beginning on pages 22, 103, 141, 112, 337 and 394, respectively.

Primary business of our Bank and the industry in which it operates

We commenced operations as an NBFC and for over a decade have been serving customers in the unbanked and underbanked segments in India and promoting financial inclusion. Pursuant to receipt of the RBI Final Approval, we started operations as an SFB on January 23, 2017. We were among the leading SFBs in India in terms of net interest margins, return on assets, yields and deposit growth and had the lowest cost-to-income ratio among SFBs in India in Fiscal 2020. (*Source: CRISIL Report*).

Prior to the operations as an SFB, we operated as an NBFC–MFI carrying out microfinance operations and operated the joint liability group-lending model for providing collateral-free, small ticket-size loans to economically active women belonging to weaker sections. Over the years, we have diversified our loan portfolio to include non-micro banking loans thereby reducing our dependence on micro banking business.

Names of our Promoters

Our Promoters are Baskar Babu Ramachandran, P. Surendra Pai, P. S. Jagdish and G. V. Alankara.

Issue size

The following table summarizes the details of the Issue size:

Issue of Equity Shares(1)(2)#	19,093,070** Equity Shares aggregating to ₹ 5,808.39** million
of which:	
(i) Fresh Issue(1)	8,150,000** Equity Shares aggregating to ₹ 2,479.35** million
(ii) Offer for Sale(2)	10,943,070** Equity Shares aggregating to ₹ 3,329.04** million by the Selling Shareholders
Employee Reservation Portion(3)	500,000* Equity Shares** aggregating to ₹ 137.50** million
Net Issue	18,593,070** Equity Shares aggregating to ₹ 5,670.89** million

** A discount of ₹ 30 per Equity Share was offered to Eligible Employees bidding in the Employee Reservation Portion in accordance with the SEBI ICDR Regulations and details of which were announced at least two Working Days prior to the Bid / Issue Opening Date*

*** Subject to finalisation of Basis of Allotment*

 # Our Bank has undertaken a Pre-IPO placement of 5,208,226 Equity Shares comprising (i) a private placement of 3,084,833 Equity Shares to SBI Life Insurance Company Limited for cash at a price of ₹ 291.75 per Equity Share aggregating to approximately ₹ 900.00 million; (ii) a private placement of 1,713,795 Equity Shares to Axis Flexi Cap Fund for cash at a price of ₹ 291.75 per Equity Share aggregating to approximately ₹ 499.99 million; (iii) a private placement of 342,760 Equity Shares to Axis Equity Hybrid Fund for cash at a price of ₹ 291.75 per Equity Share aggregating to approximately ₹ 100.00 million; and (iv) a private placement of 66,838 Equity Shares to Kiran Vyapar Limited for cash at a price of ₹ 291.75 per Equity Share aggregating to approximately ₹ 19.50 million pursuant to shareholders' resolution dated February 13, 2021 and the resolution of the board dated February 23, 2021. The size of the Fresh Issue was reduced by 5,208,226 Equity Shares pursuant to the Pre-IPO Placement. Further, pursuant to the resolution of the Board dated March 2, 2021, our Bank has also increased the Fresh Issue size by 1,763,226 Equity Shares (within the limits for Fresh Issue approved by our Shareholders on July 27, 2020). Accordingly, the Fresh Issue size was 8,150,000 Equity Shares.

(1) *The Fresh Issue has been authorised by our Board pursuant to resolution passed on July 3, 2020 and by our Shareholders pursuant to special resolution passed on July 27, 2020.*

(2) *Each of the Selling Shareholders has authorized the sale of its respective portion of the Offered Shares in the Offer for Sale. For details on the authorization of the Selling Shareholders in relation to the Offered Shares, see "Other Regulatory and Statutory Disclosures" beginning on page 344.*

(3) *In the event of under-subscription in the Employee Reservation Portion (if any), the unsubscribed portion was made available for allocation and Allotment, proportionately to all Eligible Employees who have Bid in excess of ₹ 200,000 (net of employee discount), subject to the maximum value of Allotment made to such Eligible Employee not exceeding ₹ 500,000 (net of employee discount). The unsubscribed portion, if any, in the Employee Reservation Portion (after allocation of up to ₹ 500,000), was required to be added to the Net Issue. For further details, see "Issue Structure" beginning on page 373.*

Objects of the Issue

Our Bank proposes to utilise the Net Proceeds towards funding the following objects:

Objects	Amount* (in ₹ million)
Augmenting our Bank's Tier – 1 capital base to meet our Bank's future capital requirements	2,479.35**
Total	**2,479.35****

* *Our Bank has utilised the proceeds from the Pre-IPO Placement towards augmenting our Bank's Tier – 1 capital base.*

** *Subject to finalisation of Basis of Allotment*

Aggregate pre-Issue shareholding of Promoters, Promoter Group and Selling Shareholders

Name of shareholder	Number of Equity Shares held	Percentage of the pre-Issue paid-up capital (%)
Promoters	2,97,34,732	30.35
Promoter Group	-	-
Selling Shareholders	23,141,816	23.62

Summary of Financial Information

The following details of our capital, net worth, net asset value per Equity Share and total borrowings as at and for the nine months ended December 31, 2020 and December 31, 2019 and as at and for the years ended March 31, 2020, March 31, 2019 and March 31, 2018 and total revenue from operations, profit after tax and earnings per Equity Share (basic and diluted) for the nine months ended December 31, 2020 and December 31, 2019 and as at and for Fiscals 2020, 2019 and 2018 are derived from the Restated Financial Statements:

(*in ₹ million*)

Particulars	As of				
	December 31, 2020	December 31, 2019	March 31, 2020	March 31, 2019	March 31, 2018
Equity share capital	891.85	863.12	865.94	815.82	674.97
Net worth	11,909.62	10,753.13	10,662.29	8,803.65	5,384.85
Total Revenue from operations	6,892.73	6,263.58	8,541.38	5,970.29	3,249.26
Profit after tax	548.66	1,266.78	1,111.98	903.98	114.92
Basic and diluted earning per share (₹ / share)					
- Basic	6.19	15.49	13.41	13.35	1.76
- Diluted	6.05	15.43	13.30	13.16	1.76
Net Asset Value per share	133.54	124.58	123.13	107.91	79.78
Total borrowings (as per balance sheet)	14,870.79	8,869.30	12,646.15	11,242.28	7,178.32

Qualifications by the Statutory Auditors

The Restated Financial Statements do not contain any qualifications by the Statutory Auditors.

Outstanding litigations and material developments

A summary of outstanding litigation proceedings involving our Bank and our Directors, as on the date of this Prospectus, is provided below:

Nature of cases	Number of outstanding cases	Amount involved (in ₹ million)
Litigation filed by our Bank		
Criminal proceedings	1,122	295.74
Litigation filed against our Bank		
Indirect tax matters	1	4.87
Direct tax matters	2	28.67[#]
Litigation filed against our Directors		
Matters outcome of which would materially and adversely affect the business, operations, financial position or reputation of our Bank	2	43,770.16

[#] *Refund amount of ₹ 10.82 million determined for assessment year 2015-2016 has been adjusted against the disputed demand for assessment year 2014-2015. Further, Bank has paid ₹ 7.50 million in compliance of the order passed by the Principal Commissioner of Income Tax on stay application filed by our Bank. The abovementioned amount is prior to the adjustment of refund amount of ₹ 10.82 million and payment of ₹ 7.50 million in compliance of the order.*

For further details, see "*Outstanding Litigation and Material Developments*" beginning on page 337.

Risk factors

Investors should see "*Risk Factors*" beginning on page 22 to have an informed view before making an investment decision.

Summary of contingent liabilities

The details of our contingent liabilities as at December 31, 2020 are set forth in the table below.

(*in ₹ million*)

S. No.	Particulars	Contingent Liabilities as at December 31, 2020
1.	Claims against our Bank not acknowledged as debts – taxation	38.65
2.	Claims against our Bank not acknowledged as debts – others	0.34
3.	Other items for which our Bank is contingently liable	9.77
	Total	48.76

For further details, see "*Financial Information – Annexure 16: Contingent liabilities*" on page 257.

Summary of related party transactions

Our Bank has only one related party i.e. Baskar Babu Ramachandran, who is our Managing Director and Chief Executive Officer. Related party transactions are not required to be disclosed as per the exemption provided under the Master Circular – Disclosure in Financial Statements – 'Notes to Accounts' dated July 1, 2015, issued by RBI. For further details, see "*Financial Information Annexure 22 - Note 28: Related Party Disclosure"* on page 292.

Financing Arrangements

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

Weighted average price

The weighted average price at which the Equity Shares were acquired by our Promoters and Selling Shareholders in the last one year preceding the date of this Prospectus are set forth in the table below:

S. No.	Name	Number of Equity Shares acquired in the last one year preceding the date of this Prospectus	Weighted average price of acquisition per Equity Share (in ₹)*
1.	*Promoters*		
	Baskar Babu Ramachandran	3,140,000	180.00
	P.S. Jagdish	1,00,000	180.00
	G.V. Alankara	85,000	180.00
2.	*Selling Shareholders*		
	Gaja Capital Fund II Limited	1,826,923	260.00
	Kotak Mahindra Life Insurance Company Limited	192,308	260.00
	Gaja Capital India AIF Trust (represented by its trustee, Gaja Trustee Company Private Limited)	96,154	260.00

* *As certified by C N K & Associates LLP, Chartered Accountants, by way of their certificate dated March 3, 2021.*

Average cost of acquisition of Equity Shares

The average cost of acquisition of Equity Shares of our Promoters and Selling Shareholders are set forth in the table below:

S. No.	Name	Number of Equity Shares acquired	Average cost of Acquisition per Equity Share (in ₹)*
1.	*Promoters*		
	Baskar Babu Ramachandran	12,343,578	120.73
	P. Surendra Pai	13,523,215	84.40
	P.S. Jagdish	3,323,378	97.12
	G.V. Alankara	544,561	81.01
2.	*Selling Shareholders*		
	IFC	4,387,888	58.77
	Gaja Capital Fund II Limited	5,694,623	172.79
	DWM (International) Mauritius Ltd	5,247,865	96.25
	HDFC Holdings Limited	2,334,930	83.13
	IDFC FIRST Bank Limited	2,556,742	107.00
	Americorp Ventures Limited	1,871,758	122.30
	Kotak Mahindra Life Insurance Company Limited	747,864	200.57
	Gaja Capital India AIF Trust (represented by its trustee, Gaja Trustee Company Private Limited)	300,146	169.22

* *As certified by C N K & Associates LLP, Chartered Accountants, by way of their certificate dated March 3, 2021.*

Details of Pre-IPO Placement

Our Bank has undertaken a Pre-IPO placement of 5,208,226 Equity Shares comprising (i) a private placement of 3,084,833 Equity Shares to SBI Life Insurance Company Limited for cash at a price of ₹ 291.75 per Equity Share aggregating to approximately ₹ 900.00 million; (ii) a private placement of 1,713,795 Equity Shares to Axis Flexi Cap Fund for cash at a price of ₹ 291.75 per Equity Share aggregating to approximately ₹ 499.99 million; (iii) a private placement of 342,760 Equity Shares to Axis Equity Hybrid Fund for cash at a price of ₹ 291.75 per Equity Share aggregating to approximately ₹ 100.00 million; and (iv) a private placement of 66,838 Equity Shares to Kiran Vyapar Limited for cash at a price of ₹ 291.75 per Equity Share aggregating to approximately ₹ 19.50 million pursuant to shareholders' resolution dated February 13, 2021 and the resolution of the board dated February 23, 2021.

CERTAIN CONVENTIONS, PRESENTATION OF FINANCIAL, INDUSTRY AND MARKET DATA

Certain Conventions

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

Unless otherwise specified, any time mentioned in this Prospectus is in Indian Standard Time. Unless indicated otherwise, all references to a year in this Prospectus are to a calendar year.

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

Financial Data

Unless stated otherwise or the context otherwise requires, the financial data in this Prospectus is derived from the restated summary statement of assets and liabilities for the nine months ended December 31, 2020 and December 31, 2019, for each of the years ended March 31, 2020, March 31, 2019 and March 31, 2018 and restated summary statement of profit and loss and cash flows for the nine months ended December 31, 2020 and December 31, 2019, for each of the years ended March 31, 2020, March 31, 2019 and March 31, 2018, the summary statement of significant accounting policies, and other explanatory information prepared by our Bank in accordance with the requirements of Section 26 of Part I of Chapter III of the Companies Act, 2013, SEBI ICDR Regulations and the Guidance Note on Reports in Company Prospectuses (Revised 2019) issued by the Institute of Chartered Accountants of India, as amended from time to time. For further information on our Bank's financial information, see "*Financial Information*" beginning on page 241.

There are significant differences between Indian GAAP, Ind AS, U.S. GAAP and IFRS. The Restated Financial Statements included in this Prospectus have been compiled by the management from the audited financial statements as at and for the nine months ended December 31, 2020 and December 31, 2019, as at and for the year ended March 31, 2020, as at and for the year ended March 31, 2019, and as at March 31, 2018 prepared by our Bank in accordance with the provisions of Section 29 of the Banking Regulation Act 1949, accounting principles generally accepted in India including the Companies (Accounting Standard) Rules 2006 (as amended) specified under Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014 in so far as they apply to our Bank and circulars, guidelines and directions issued by Reserve Bank of India from time to time. Our Bank has not attempted to explain those differences or quantify their impact on the financial data included in this Prospectus and it is urged that you consult your own advisors regarding such differences and their impact on our Bank's financial data. For risks in this regard, see "*Risk Factors – Significant differences exist between Indian GAAP and other accounting principles, such as Ind AS, U.S. GAAP and IFRS, which investors may be more familiar with and may consider material to their assessment of our financial condition.*" on page 51. Accordingly, the degree to which the financial information included in this Prospectus will provide meaningful information is entirely dependent on the reader's level of familiarity with Indian accounting policies and practices, the Companies Act and the SEBI ICDR Regulations. Any reliance by persons not familiar with Indian accounting policies and practices on the financial disclosures presented in this Prospectus should accordingly be limited. Our Bank does not provide reconciliation of its financial information to IFRS or U.S. GAAP.

Unless the context otherwise indicates, any percentage or amounts, with respect to financial information of our Bank in this Prospectus have been derived from the Restated Financial Statements.

Our Bank's Financial Year commences on April 1 and ends on March 31 of the next year. Accordingly, all references to a particular Financial Year, unless stated otherwise, are to the 12-month period ended on March 31 of that year.

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

Non-GAAP Financial Measures

Certain non-GAAP financial measures and certain other statistical information relating to our operations and financial performance have been included in this section and elsewhere in this Prospectus. We compute and disclose such non-GAAP financial measures and such other statistical information relating to our operations and financial performance as we consider such information to be useful measures of our business and financial performance, and because such measures are frequently used by securities analysts, investors and others to evaluate the operational performance of financial services businesses, many of which provide such non-GAAP financial measures and other statistical and operational information when reporting their financial results. Such non-GAAP measures are not measures of operating performance or liquidity defined by generally accepted accounting principles. These non-GAAP financial measures and other statistical and other information relating to our operations and financial performance may not be computed on the basis of any standard methodology that is applicable across the industry and therefore may not be comparable to financial measures and statistical information of similar nomenclature that may be computed and presented by other banks in India or elsewhere.

Currency and Units of Presentation

All references to:

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

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

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

Exchange Rates

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

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

Currency	As at*				
	December 31, 2020	December 31, 2019	March 31, 2020	March 31, 2019	March 31, 2018
1 USD	73.05	71.27	75.39	69.17	65.04

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

* *In case March 31/ December 31 of any of the respective years/ period is a public holiday, the previous working day, not being a public holiday, has been considered.*

Industry and Market Data

Unless stated otherwise, industry and market data used in this Prospectus has been obtained or derived from publicly available information as well as industry publication and sources. Further, the information has also been derived from the CRISIL Report, which has been commissioned by our Bank from CRISIL. For risks in relation to commissioned reports, see "*Risk Factors – Industry information included in this Prospectus has been derived from the CRISIL Report commissioned by our Bank for such purpose. The CRISIL Report is not exhaustive and is based on certain assumptions and parameters/ conditions. There can be no assurance that such third-party statistical, financial and other industry information is either complete, reliable or accurate*" on page 48.

Industry publications generally state that the information contained in such publications has been obtained from publicly available documents from various sources believed to be reliable but their accuracy, completeness and underlying assumptions are not guaranteed and their reliability cannot be assured. Although the industry and market data used in this Prospectus is reliable, it has not been independently verified by us, the Selling Shareholders, the Book Running Lead Managers, or any of their respective affiliates or advisors. The data used in these sources may have been re-classified by us for the purposes of presentation. Data from these sources may also not be comparable.

In accordance with the SEBI ICDR Regulations, "*Basis for Issue Price*" beginning on page 106 includes information relating to our peer group companies. Such information has been derived from publicly available sources, and neither we, the Selling Shareholders, nor the Book Running Lead Managers or any of their affiliates have independently verified such information. Accordingly, no investment decision should be made solely on the basis of such information.

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

Such data involves risks, uncertainties and numerous assumptions and is subject to change based on various factors, including those discussed in "*Risk Factors*" beginning on page 22. Accordingly, investment decisions should not be based solely on such information.

Disclaimer of CRISIL

This Prospectus contains data and statistics from the CRISIL Report, which is subject to the following disclaimer:

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

Notice to Prospective Investors in the United States

The Equity Shares have not been recommended by any U.S. federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this Prospectus or approved or disapproved the Equity Shares. Any representation to the contrary is a criminal offence in the United States. In making an investment decision, investors must rely on their own examination of our Bank and the terms of the Issue, including the merits and risks involved. The Equity Shares have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or any other applicable law of the United States and, unless so registered, may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Equity Shares are being offered and sold (a) in the United States only to persons reasonably believed to be "qualified institutional buyers" (as defined in Rule 144A under the Securities Act and referred to in this Prospectus as "U.S. QIBs") in transactions exempt from the registration requirements of the Securities Act and (b) outside the United States in compliance with Regulation S and the applicable laws of the jurisdiction where those offers and sales are made. For the avoidance of doubt, the term "U.S. QIBs" does not refer to a category of institutional investors defined under applicable Indian regulations and referred to in this Prospectus as "QIBs".

Notice to Prospective Investors in the European Economic Area

This Prospectus has been prepared on the basis that all offers of Equity shares in Member States of the European Economic Area ("**EEA**") (each a "**Member State**") or the United Kingdom ("**UK**") will be made pursuant to an exemption under the Prospectus Regulation from the requirement to produce a prospectus for offers of Equity Shares. The expression "Prospectus Regulation" means Regulation (EU) 2017/1129 of the European Parliament and Council EC (and amendments thereto). Accordingly, any person making or intending to make an offer within the EEA or the UK of Equity Shares which are the subject of the placement contemplated in this Prospectus should only do so in circumstances in which no obligation arises for our Bank, any of the Selling Shareholders or any of the members of the BRLMs to produce a prospectus for such offer. None of our Bank, the Selling Shareholders and the BRLMs have authorized, nor do they authorize, the making of any offer of Equity Shares through any financial intermediary, other than the offers made by the members of the Syndicate which constitute the final placement of Equity Shares contemplated in this Prospectus.

Information to Distributors

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended ("**MiFID II**"); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the "**MiFID II Product Governance Requirements**"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the Equity Shares have been subject to a product approval process, which has determined that such Equity Shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the "**Target Market Assessment**"). Notwithstanding the Target Market Assessment, "distributors" (for the purposes of the MiFID II Product Governance Requirements) ("**Distributors**") should note that: the price of the Equity Shares may decline and investors could lose all or part of their investment; the Equity Shares offer no guaranteed income and no capital protection; and an investment in the Equity Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Issue. For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Equity Shares. Each Distributor is responsible for undertaking its own target market assessment in respect of the Equity Shares and determining appropriate distribution channels.

FORWARD-LOOKING STATEMENTS

This Prospectus contains certain "forward-looking statements". These forward-looking statements generally can be identified by words or phrases such as "aim", "anticipate", "believe", "expect", "estimate", "intend", "objective", "plan", "propose", "project", "will", "will continue", "will pursue" or other words or phrases of similar import. Similarly, statements that describe our strategies, objectives, plans or goals are also forward-looking statements. All forward-looking statements are subject to risks, uncertainties, expectations and assumptions about us that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement.

Actual results may differ materially from those suggested by forward-looking statements due to risks or uncertainties associated with expectations relating to and including, regulatory changes pertaining to the industries in India in which we operate and our ability to respond to them, our ability to successfully implement our strategy, our growth and expansion, technological changes, our exposure to market risks, general economic and political conditions in India which have an impact on its business activities or investments, the monetary and fiscal policies of India, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets in India and globally, changes in domestic laws, regulations and taxes and changes in competition in the industries in which we operate.

Certain important factors that could cause actual results to differ materially from our expectations include, but are not limited to, the following:

- Impacts of COVID-19 are highly unpredictable and could be significant, and may have an adverse effect on our business, operations and our future financial performance;

- Our business is currently significantly dependent on advances to inclusive finance (JLG) customers and any adverse developments in the microfinance sector could adversely affect our business, financial condition, results of operations and cash flows;

- Banks in India, including our Bank, are subject to stringent regulatory requirements and prudential norms and our inability to comply with such laws, regulations and norms may have an adverse effect on our business, results of operations, financial condition and cash flows;

- Our business is vulnerable to interest rate risk, and any volatility in interest rates or inability to manage interest rate risk could adversely affect our Net Interest Margins, business, financial condition, results of operations and cash flows; and

- We have a limited operating history as an SFB and our future financial and operational performance cannot be evaluated on account of our evolving and growing scale of operations.

For details regarding factors that could cause actual results to differ from expectations, see "*Risk Factors*", "*Our Business*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" beginning on pages 22, 141 and 306, respectively. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual gains or losses could materially differ from those that have been estimated.

There can be no assurance to Bidders that the expectations reflected in these forward-looking statements will prove to be correct. Given these uncertainties, Bidders are cautioned not to place undue reliance on such forward-looking statements and not to regard such statements to be a guarantee of our future performance.

Forward-looking statements reflect current views as on the date of this Prospectus and are not a guarantee of future performance. These statements are based on our management's beliefs and assumptions, which in turn are based on currently available information. Although we believe the assumptions upon which these forward-looking statements are based are reasonable, any of these assumptions could prove to be inaccurate, and the forward-looking statements based on these assumptions could be incorrect. Neither our Bank, our Directors, the Selling Shareholders, the BRLMs nor any of their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with the SEBI ICDR Regulations, our Bank and the Book Running Lead Managers will ensure that the Bidders in India are informed of material developments until the time of the grant of listing and trading permission by the Stock Exchanges for the Issue.

In accordance with requirements of SEBI and as prescribed under applicable law, each of the Selling Shareholders (severally and not jointly) will ensure that the Bidders in India are informed of material developments, in relation to the statements and undertakings specifically undertaken or confirmed by such Selling Shareholder in relation to itself as a Selling Shareholder and its respective portion of the Offered Shares in this Prospectus, from the date hereof, until the date of Allotment. Only statements and undertakings which are specifically confirmed or undertaken by each Selling Shareholder, in relation to itself as a Selling Shareholder and its respective portion of the Offered Shares, as the case may be, in this Prospectus shall be deemed to be statements and undertakings made by such Selling Shareholder.

SECTION II: RISK FACTORS

RISK FACTORS

An investment in equity shares involves a high degree of risk. You should carefully consider all the information disclosed in this Prospectus, including the risks and uncertainties described below, before making an investment in the Equity Shares. The risks described below are not the only risks relevant to us or the Equity Shares or the industry in which we currently operate. Additional risks and uncertainties, not presently known to us or that we currently deem immaterial may also impair our business prospects, results of operations, financial condition and cash flows. In order to obtain a complete understanding about us, prospective investors should read this section in conjunction with the sections "Our Business", "Selected Statistical Information", "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Summary of Financial Information" and "Financial Information" on pages 141, 211, 306, 59 and 241, respectively, as well as the other financial and statistical information included in this Prospectus.

If any of the risks described below, or other risks that are not currently known or are currently deemed immaterial actually occur, our business prospects, results of operations and financial condition could be adversely affected, the trading price of the Equity Shares could decline, and investors may lose all or part of the value of their investment. The financial and other related implications of the risk factors, wherever quantifiable, have been disclosed in the risk factors mentioned below. However, there are certain risk factors where the financial impact is not quantifiable and, therefore, cannot be disclosed in such risk factors. In making an investment decision, prospective investors must rely on their own examination of our Bank and the terms of the Issue, including the merits and risks involved. You should consult your tax, financial and legal advisors about the particular consequences to you of an investment in this Issue.

This Prospectus also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the considerations described below and elsewhere in this Prospectus. Please see "Forward-Looking Statements" beginning on page 21.

Our Bank's Fiscal commences on April 1 and ends on March 31 of the immediately subsequent year, and references to a particular Fiscal are to the 12 months ended March 31 of that year. Unless otherwise indicated or the context otherwise requires, the financial information included herein is based on or derived from our Restated Financial Statements included in this Prospectus. For further information, see "Financial Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 241 and 306, respectively.

*Unless otherwise indicated, industry and market data used in this section has been derived from the report "Report on Small Finance Banks and various loan products" dated September 2020 (the "**CRISIL Report**") prepared and released by CRISIL Limited and commissioned by us in connection with the Issue. Neither we, nor the BRLMs, nor any of their affiliates or advisors, nor any other person connected with the Issue has independently verified such information. Unless otherwise indicated, all financial, operational, industry and other related information derived from the CRISIL Report and included herein with respect to any particular year refers to such information for the relevant fiscal year. For further information, see "Certain Conventions, Presentation of Financial, Industry and Market Data and Currency of Presentation – Industry and Market Data" beginning on page 17.*

RISKS RELATING TO OUR BUSINESS

1. ***The continuing impacts of COVID-19 are highly unpredictable and could be significant, and may have an adverse effect on our business, operations and our future financial performance.***

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

   Effective March 24, 2020, in compliance with the lockdown orders announced by the Indian Government, we temporarily closed certain of our Banking Outlets and substantially all of our employees were working remotely. Additionally, many of our customers, service providers and business correspondents/ direct selling agents temporarily ceased operating their respective enterprises. As a result, while our financial results for Fiscal 2020 reflect historical trends for the most part, we experienced a decline in collections, reduced disbursements and increased general provisioning in the last week of March 2020 and during nine months ended December 31, 2020 due to continuing impact of COVID-19 and various regulatory measures in response to COVID-19, including moratoriums availed by customers. Due to a surge in COVID-19 cases during January and February 2021, few State Government announced lockdown in selected regions and there may be further lockdown by Central and other State Governments and may lead to further deterioration in collections, disbursement and increase in provisioning. The impact of the pandemic on our business, operations and future financial performance include, but are not limited to the following:

- Significant decline in collection efficiencies as most of our collections are cash-based and involve physical presence of our employees, which has not been possible due to the nation-wide lockdown and travel restrictions that have been imposed. This decline in collections could persist through and beyond a recessionary period. The collection efficiency is lower in three key states, namely, Maharashtra, Tamil Nadu and Odisha.

- Decline in disbursements due to reduced economic activity.

- Potential significant increase in our NPA levels due to deterioration in the credit quality of our customers, as our target borrower segment primarily comprises small traders, individuals with micro-enterprises and others belonging to the unorganized sector, who are most impacted due to the economic downturn caused by COVID-19 related measures such as closure of non-essential services. While many borrowers had opted for the moratoriums available and most of the customers started paying instalments after moratorium period was over, there can be no assurance that customers impacted due to COVID-19 will continue to make payments on continuing basis. In the event our borrowers' or their enterprises have been unable to withstand the economic pressures caused by the COVID-19 pandemic, we may experience higher NPAs than anticipated driven by deterioration in asset quality due to our borrower's reduced ability to make timely repayments.

  As a result, we may be required to recognise higher loan loss provisions in future periods, on account of the uncertainty in the external environment due to COVID-19, which may adversely impact our asset quality and profitability in future periods.

- Adverse impacts to our interest income, EPS and growth rates – particularly if operating expenses do not decrease at the same pace as revenue declines. Many of our expenses are less variable in nature and may not correlate to changes in revenues, such as depreciation, employee benefit expenses and other costs associated with operating and maintaining our Banking Outlets. As such, we may not be able to decrease them significantly in the short-term, or we may choose not to significantly reduce them in an effort to remain focused on long-term outlook and investment opportunities.

- The rapid shift to a remote working environment creates inherent productivity, connectivity, and oversight challenges. For example, governmental lockdowns, restrictions or new regulations could significantly impact the ability of our employees and service providers to work productively. The restrictions placed by the Government have been changing based on the dynamic situation and it is not clear when a return to worksite locations or travel will be permitted or what restrictions will be in place in those environments. The extent and/ or duration of ongoing workforce restrictions and limitations could impact our ability to successfully introduce and grow our new products and services, comply with various reporting requirements to the regulators in a timely manner, among others. In addition, the changed environment under which we are operating could have an impact on our internal controls over financial reporting as well as our ability to meet a number of our compliance requirements in a timely or quality manner.

- Implementation of cost control measures such as freeze in salary increases and cut back on variable costs including travel, printing and stationary, consultancy fees and re-negotiation of rental arrangements.

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

In addition, the RBI has issued guidelines on March 27, 2020 and April 17, 2020 in an effort to contain the impact of the COVID-19 pandemic on the financial services sector. Under these guidelines, all loans are eligible for moratoriums on instalments due during a period of three months, i.e. from March 1, 2020 to May 31, 2020. This was subsequently extended by another period of three months, i.e. until August 31, 2020. Accordingly, banks and other financial institutions were permitted to provide a moratorium of three months that was extended for another three months for all term loan instalments which are due for payment. In line with these guidelines, we have provided a moratorium to eligible borrowers, even if overdue, as on February 29, 2020, on the payment of all principal amounts and/ or interest, as applicable, falling due between March 1, 2020 to August 31, 2020, resulting in a decline in our collections during such period. Additionally, the matter of declaring accounts as NPAs if such accounts were not declared as NPAs till August 31, 2020, has been kept on hold by the Supreme Court of India *vide* orders dated September 3, 2020 and September 28, 2020 until further orders.

The RBI guidelines also require us to make provisions of up to 10% on loans that were overdue but standard as of February 29, 2020. In Fiscal 2020, these COVID-19 related provisions amounted to ₹ 108.69 million. We have additionally made specific provisions for the potential impact of the pandemic on our operations, amounting to ₹ 551.22 million, and have increased the floating provision of inclusive finance (JLG) loans from 1.5% to 2%, amounting to ₹ 133.04 million. We have drawn-down additional subordinated debt in September 2020 to strengthen our capital position. These and any other measures taken by the RBI, the Supreme Court and other authorities that regulate our operations may impact our operations. Any unexpected or onerous requirements or regulations resulting from the pandemic or any changes in laws, or the promulgation of new laws, rules and regulations relating to our operations as a response to the pandemic may have a material adverse effect on our business, financial condition and results of operations.

Any resulting long-term financial impact cannot be reasonably estimated at this time. The extent to which the COVID-19 impacts our business and results will depend on future developments, which are highly uncertain and cannot be predicted, such as new information which may emerge concerning the severity of the coronavirus and the actions taken globally to contain the coronavirus or treat its impact, among others. There is currently substantial medical uncertainty regarding COVID-19 and government-certified treatment or vaccine is still at a preliminary stage. As a result of these uncertainties, the impact may vary significantly from that estimated by our management from time to time, and any action to contain or mitigate such impact, whether government-mandated or opted by us may not have the anticipated effect or may fail to achieve its intended purpose altogether. Existing insurance coverage may not provide protection for all costs that may arise from all such possible events. Additionally, if any one or more our employees are identified as a possible source of spreading COVID-19 or any other similar epidemic, we may be required to quarantine employees that are suspected of being infected, as well as others that have come into contact with those employees which could have an adverse effect on our business operations.

As of the date of this Prospectus, there is significant uncertainty relating to the severity of long-term adverse impact of the COVID-19 pandemic on the global economy, global financial markets and the Indian economy, and we are unable to accurately predict the long-term impact of the COVID-19 pandemic on our business. To the extent that the COVID-19 pandemic adversely affects our business and operations, it may also have the effect of heightening many of the other risks described in this "*Risk Factors*" section.

2. ***Our business is currently significantly dependent on advances to inclusive finance (JLG) customers and any adverse developments in the microfinance sector including any regulatory changes could adversely affect our business, financial condition, results of operations and cash flows.***

As of March 31, 2018, 2019 and 2020 and as of December 31, 2020, advances to our inclusive finance (JLG) customers represented 89.89%, 81.44%, 75.85% and 70.35%, respectively, of our total Gross Loan Portfolio as of such dates. Demand for our inclusive finance (JLG) products is affected by a number of factors, including changes in regulations and policies, any adverse publicity or litigation relating to the microfinance sector, political influence and policies and natural calamities. Any decline in the demand for our inclusive finance (JLG) loans may adversely affect our business, financial condition, results of operations and cash flows. As of March 31, 2018, 2019 and 2020 and as of December 31, 2020, Gross NPAs in our inclusive finance (JLG) loan segment amounted to ₹ 543.78 million, ₹ 270.80 million, ₹ 675.96 million and ₹ 8.90 million, respectively, while Gross NPA ratios in our inclusive finance (JLG) loan portfolio were 3.82%, 1.24%, 2.48% and 0.03%, respectively. Our borrowers' ability to repay their loans depends on various factors, including, the results of operations of our borrowers' businesses, the occurrence of event-based risks and natural calamities, such as floods and cyclones. In particular, our target borrower segment for inclusive finance (JLG) loans primarily comprises small traders, individuals with micro-enterprises and others belonging to the unorganized sector, who are most impacted due to the economic downturn caused by COVID-19 related measures such as closure of non-essential services. In the event our borrowers' businesses have been unable to withstand the economic pressures caused by the COVID-19 pandemic, we may experience higher NPAs than anticipated in this segment driven by deterioration in asset quality due to our borrower's reduced ability to make timely repayments. We may therefore be required to recognize higher loan loss provisions in future periods, on account of the uncertainty in the external environment due to COVID-19, which may adversely impact our asset quality and profitability in future periods.

3. ***Banks in India, including our Bank, are subject to stringent regulatory requirements and prudential norms and our inability to comply with such laws, regulations and norms may have an adverse effect on our business, results of operations, financial condition and cash flows.***

Banks in India, including our Bank, are subject to various regulations prescribed by the RBI and the Banking Regulation Act. These include, but are not limited to, the following:

- certain restrictions and prohibitions from taking exposure in terms of loans and advances to our Directors, companies in which our Directors are interested (as defined under applicable banking regulations), our Promoters, major shareholders (holding 10% or more of our paid-up Equity Share capital), the relatives (as defined in Section 2 (77) of the Companies Act, 2013 and rules made there under) of the Promoters and entities in which our Promoters, major shareholders have significant influence or control (as defined under applicable accounting standards);

- regulations under the Banking Regulation Act and circulars and directives issued by the RBI that apply to scheduled commercial banks. For instance, pursuant to Section 12(1)(i) of the Banking Regulation Act, the subscribed share capital of a banking company is required to be not less than one-half of its authorised share capital, and the paid-up share capital is required to be not less than one-half of the subscribed share capital;

- prudential norms specified in respect of market discipline, classification, valuation and operation of our investment portfolio, income recognition, asset classification and provisioning pertaining to advances (including restructuring of credit facilities), RBI directives on permissible loans and advances, maintenance of regulatory ratios (such as CRR, SLR, and LCR), authorization of Banking Outlets, permissible exposures, requisite disclosures in financial statements, fraud classification and reporting, periodic disclosure requirements (including in presentation of financial information and financial statements), and cyber security compliance. Further, the Banking Regulation Act limits the flexibility of shareholders and management of an SFB in many ways, including by way of specifying certain matters that require prior RBI approval. In addition, we are subject to periodic inspections by the RBI. We are periodically inspected under the Banking Regulation Act and the RBI Act, pursuant to which the RBI issues observations, directions and monitorable action plans, on issues related to various operational risks and regulatory non-compliances. See " – *We are subject to supervision and inspection by authorities such as the RBI. Any adverse observations from such regulators could have a material adverse effect on our business, financial condition, results of operation and cash flows.*" on pages 36-37.

- at least 25% of our total banking outlets have to be located in unbanked rural centres;

- the maximum loan size and investment limit exposure to a single and group obligor is to be restricted to 10% and 15% of our capital funds, respectively.

In addition, as an SFB, the RBI In-Principle Approval, RBI Final Approval, SFB Licensing Guidelines and SFB Operating Guidelines require us to comply with certain conditions in order to operate our business, including but not limited to the following:

- our Equity Shares were required to be mandatorily listed on the stock exchanges within three years from the date of reaching a net worth (i.e. tier I capital as defined by the RBI) of ₹ 5,000 million, (which in our case was November 30, 2017), i.e., on or prior to November 29, 2020;
- we are required to be owned and controlled by Indian residents in accordance with FEMA, and at least 26.00% of our paid up capital is required to be held by Indian residents in accordance with FEMA at all times from the date of commencement of our operations;
- our Promoters are required to ensure that their shareholding in our Bank does not fall below 26.00% of the paid-up Equity Share capital during the first five years from the date of commencement of our business operations as an SFB, which was January 23, 2017;
- we are required to maintain a minimum net worth of ₹ 1,000 million at all times;
- any change in our shareholding by way of fresh issue or transfer of shares to a particular investor to the extent of 5% or more of our paid-up share capital requires prior RBI approval;
- at least 50% of our loan portfolio is required to constitute loans and advances of up to ₹ 2.50 million on an ongoing basis;
- we are required to extend 75% of our ANBC to sectors eligible for classification as PSL by the RBI;
- we are required to maintain a minimum capital adequacy ratio ("**CAR**") of 15% of the weighted assets ("**CRWAs**") on a continuous basis subject to any higher percentage as may be prescribed by the RBI from time to time, with Tier I capital maintained at a minimum of 7.5% of the CRWAs and Tier II capital maintained at not more than 100% of the Tier I capital.

Certain requirements that are applicable to SFBs in terms of the SFB Operating Guidelines and other banking laws and regulations are more stringent in comparison to scheduled commercial banks and non-banking financial companies, and have and will continue to impact our business and operations. For instance, the PSL requirements applicable to SFBs are significantly higher than the PSL limits applicable to scheduled commercial banks, and any shortfall in meeting the PSL targets at the end of a financial year based on the average of priority sector target/ sub-target achievement as at the end of each quarter, would statutorily require us to place the shortfall amount in Rural Infrastructure Development Fund which would typically generate a lower rate of interest compared to PSL advances. Similarly, the CAR thresholds for SFBs are higher than the limits applicable to scheduled commercial banks.

In addition, uncertainty in the applicability, interpretation or implementation of the governing law, specifically due to the absence of administrative or judicial precedent may be time consuming as well as costly for us to resolve. To ensure compliance with the regulatory framework applicable to SFBs, we may need to allocate additional resources, which may increase our regulatory compliance costs and divert management attention. Our inability to comply with laws and regulations applicable to an SFB may have an adverse effect on our business, results of operations, financial condition and cash flows. In case of any failure to comply with the applicable directives and reporting requirements or to meet the prescribed prudential norms, the RBI may charge penalties, penalize our management, restrict our banking activities or otherwise enforce increased scrutiny and control over our banking operations, including by way of withholding approvals, or issuing conditional approvals in respect of any proposed actions for which we may seek approval in the future.

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

Our Bank and our Directors are involved in certain legal proceedings. These proceedings are pending at different levels of adjudication before various courts, tribunals and appellate tribunals. We cannot assure you that these proceedings will be decided in our favour. Brief details of material outstanding litigation that have been initiated against our Bank and our Directors are set forth below.

Nature of Cases	Number of outstanding cases	Amount involved (in ₹ million)
Indirect tax matters	1	4.87
Direct tax matters	2	28.67[#]
Litigation filed against our Directors		
Matters outcome of which would materially and adversely affect the business, operations, financial position or reputation of our Bank	2	43,770.16

[#] Refund amount of ₹ 10.82 million determined for assessment year 2015-2016 has been adjusted against the disputed demand for assessment year 2014-2015. Further, Bank has paid ₹ 7.50 million in compliance of the order passed by the Principal Commissioner of Income Tax on stay application filed by our Bank. The abovementioned amount is prior to the adjustment of refund amount of ₹ 10.82 million and payment of ₹ 7.50 million in compliance of the order.

Further, we have recognized an amount of ₹ 48.76 million as of December 31, 2020 as contingent liabilities on account of certain litigations and obligations including service tax and income tax litigation outstanding against our Bank. For further information, see "*Restated Financial Statements - Annexure 16 - Contingent Liabilities*" on page 257.

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

For further information, see "*Outstanding Litigation and Material Developments*" beginning on page 337.

5. ***We may not be able to comply with certain provisions of the SFB Licensing Guidelines. In the event of any non-compliance, we may be subject to various sanctions and penalties by the RBI and our business, financial condition, results of operations and cash flows could be adversely impacted.***

Under the provisions of the SFB Licensing Guidelines and the RBI Final Approval, our Equity Shares are required to be mandatorily listed on the stock exchanges within three years from the date of meeting net worth (i.e. tier I capital as defined by the RBI) of ₹ 5,000 million, (which in our case was November 30, 2017), i.e., on or prior to November 29, 2020. Whilst we are in the process of undertaking an initial public offering, we may not be able to complete our initial public offering within the timelines prescribed the SFB Licensing Guidelines and the RBI Final Approval. We had applied to the RBI for an extension of this timeline till May 31, 2021 and RBI has by its letter dated December 8, 2020 stated that request for extension of timeline for listing of shares of our Bank cannot be acceded to and has advised us to complete the listing process at the earliest.

6. ***Our business is vulnerable to interest rate risk, and any volatility in interest rates or inability to manage interest rate risk could adversely affect our Net Interest Margins, business, financial condition, results of operations and cash flows.***

Our results of operations depend substantially on our Net Interest Income, which is the difference between our interest earned and interest expended. Interest rate risk depends on the nature and extent of gaps in rate sensitive assets and rate sensitive liabilities. Any change or volatility in interest rates would affect our interest expense on our interest-bearing liabilities and interest income from interest-bearing assets including investments, and therefore affect our Net Interest Income and Net Interest Margins. Any increase in our cost of funds may lead to a reduction in our Net Interest Margins, or require us to increase interest rates on loans disbursed to customers in the future to maintain our Net Interest Margins. In addition, a portion of the loans we advance are linked to external benchmark rates and the yield on such loans may vary depending on market factors. In the event the interest rates at which we advance these loans declines due to a decrease in external benchmark rates and there is no corresponding decrease in the interest rates payable by us, we may experience reduced Net Interest Margins. In Fiscal 2018, 2019 and 2020 and in the nine months ended December 31, 2020, interest expended represented 38.62%, 37.45%, 37.12% and 42.73%, respectively, of our total expenditure. In Fiscal 2018, 2019 and 2020 and in the nine months ended December 31, 2020, our Net Interest Margins were 10.40%, 12.80%, 11.92% and 8.49% (annualized) / 6.36% (unannulized), respectively. For further information, see "*Selected Statistical Information"* beginning on page 211.

Interest rates are highly sensitive to many factors beyond our control, including the monetary policies and reduction of repo rates by the RBI, various directives issued by the RBI in response to macroeconomic events such as the COVID-19, deregulation of the financial sector in India, domestic and international economic and political conditions and other factors. In the event rates for interest payable by us increase, we seek to pass the increased cost of funds to our customers, however, we cannot assure you that such increased costs can be fully passed-on owing to various factors including mismatch in timing of asset and liability repricing and competition. Additionally, the passing of increased cost of funds by us to our customers might also not be viewed favourably by the target customers and might in turn impact the demand for our banking products thereby affecting our business and results of operations. In addition, the requirement that we maintain a portion of our assets in fixed income government securities could also have a negative impact on our Net Interest Income and Net Interest Margins since we typically earn interest on this portion of our assets at rates that are generally less favourable than those typically received on our other interest-earning assets. Also see *" – We could be subject to volatility in income from our treasury operations, which could have an adverse effect on our results of operations and cash flows*" on page 31. Micro finance NBFCs (NBFC-MFIs) are subject to a cap on the interest rates they offer to microfinance customers while microfinance loans offered by banks in India including SFBs are not subject to any such cap, however, we cannot assure you that such a cap will not be introduced for banks in India. Our inability to effectively manage interest rate risk may cause our Net Interest Income and Net Interest Margins to decline, which may affect our business, results of operations, financial condition and cash flows.

7. ***We have a limited operating history as an SFB and our future financial and operational performance cannot be evaluated on account of our evolving and growing scale of operations. Accordingly, our future results may not be reflective of our past performance.***

We were granted a license by the RBI to set up an SFB on August 26, 2016 and commenced operations as an SFB on January 23, 2017, pursuant to receipt of the RBI Final Approval. Prior to commencement of operations as an SFB, we operated as an NBFC – MFI carrying out micro-finance operations. As a result of our limited operating history as an SFB, our Restated Financial Statements may not be reflective of our future financial condition and results of operations and there may be limited historical financial and operational information available to help prospective investors evaluate our past performance as a commercial banking entity. Accordingly, investors should evaluate our business and prospects in light of the risks, uncertainties and difficulties frequently encountered by NBFCs and banks that are in the early stages of development.

Further, as the SFB model is relatively new to India, such operations pose various business and financial challenges, including (i) sourcing deposits from customers and public at large at competitive rates to support the loan portfolio build up, (ii) operationalization of banking outlets, (iii) diversification of loan portfolio, (iv) setting up of and running treasury operations, (v) adopting a robust asset liability management system, (vi) migration to new technology platforms, (vii) digitization of banking service delivery and other operations in order to source and deliver cost effective financial services to customers, (viii) designing and developing a robust system for prevention of fraud committed by our personnel or customers, (ix) designing and developing a comprehensive enterprise wide risk management framework, and (x) gaining market share with limited brand recognition. These challenges have and will continue to entail substantial senior level management time and financial resources and put significant demands on our management team and other resources. Our failure to deal with such challenges and mitigate these risks and uncertainties successfully could materially affect our business and operating results, and consequently result in a decline in the trading price of our Equity Shares.

8. ***We rely extensively on and upgrade our information technology systems and any disruptions in such systems, or breach of data, could adversely affect our operations and reputation. Further, our success depends on our ability to respond to new technological advances.***

Our information technology systems are a critical part of our business. Our information technology systems enable us to manage various back-end operations supported by a core banking system, customer relationship management system, collection management system and document management system. See "*Our Business – Information Technology*" on page 169. Our business is therefore dependent on timely upgradation of our information technology systems and any delay in upgrading our systems or any disruption, breach or failure in our technology infrastructure may have significant consequences on our business operations, including:

- disabling or malfunctioning of financial, accounting or data processing systems;
- inability to service our customers on a timely basis or at all;
- non-availability of certain information for our management in order to enable them to plan for or respond to contingencies and changes in market conditions in a timely manner or at all; and
- loss of confidential or material data in relation to our financial products.

Our hardware and software systems are subject to potential internal and external disruptions such as damage or incapacitation by human error, natural disasters, power loss, nation/ region-wide interruptions in the infrastructure, sabotage, computer viruses and similar events or the loss of support services from third-parties such as internet backbone providers. For instance, in the past, there have been concerns on inadequate cyber security measures, inadequate implementation of controls such as disk encryptions on ATM devices, inadequate application of security testing and review of configuration changes on a periodic basis. Our systems are also potentially vulnerable to data security breaches, whether by employees, who may lack experience with our newer information technology systems, or others, that may expose sensitive data to unauthorized persons. We undertake a high volume of transactions, including through internet and mobile banking, and cannot assure you that we will be able to prevent occurrence of any disruption or successfully contain the consequences of any failures. Data security breaches could lead to the loss of customer data, trade secrets or other intellectual property, or could lead to the public exposure of personal information (including sensitive financial and personal information) of our customers and employees. Although we intend to continue to implement security measures and establish operational procedures to prevent break-ins, damage and failures, there can be no assurance that instances of IT infringements and security breaches will not take place in the future or that our security measures will be adequate or successful. Failed security measures could have a material adverse effect on our business, our future financial performance and the trading price of the Equity Shares.

Further, we have entered into agreements and are dependent on technology service providers to set up the IT infrastructure. If these service providers are unable to fulfil their contractual obligations or if we encounter any failure in the timely implementation, performance or integration of such systems, we may experience interruptions in our operations, loss of customers, damaged reputation and weakening of our competitive position. Also see " – *Any non-compliance with law or unsatisfactory service by service providers engaged by us for certain services could have an adverse impact on our business and results of operations*" on page 45. In addition, our success will depend, in part, on our ability to respond to new technological advances and emerging banking and other financial services industry standards and practices in a cost-effective and timely basis. The development and implementation of such technology entails significant technical and business risks. There can be no assurance that we will successfully implement new technologies or adapt our transaction processing systems to customer requirements or improving market standards. In addition, the Supreme Court, in its judgment of September 2018, held that private entities will be barred from using Aadhaar numbers for e-KYC authentication purposes. Pursuant to a recent amendment in 2019, to the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016, which was effected after the Supreme Court judgment, entities will be able to carry out e-KYC subject to meeting certain specific conditions, including compliance with such standards of privacy and security as may be prescribed. Further, entities are allowed to carry out e-KYC only if they are permitted to offer authentication services under any other law, or if such authentication is for certain specified purposes, as the central government may prescribe. In January 2020, with a view to use digital channels for customer identification process by the registered entities, the RBI amended the Know Your Customer Direction, 2016, to *inter alia*, allow 'Video-based Customer Identification Process' ("V-CIP"). The V-CIP is a consent-based alternate method of establishing the customer's identity for customer onboarding. These developments are expected to severely impact banking and fintech companies, requiring them to rely on alternate means for authentication which may not be as streamlined or cost efficient. In the event we are unable to successfully implement these measures and/ or fail to adopt the V-CIP as efficiently as our competitors, it may adversely affect our business and operations.

On September 14, 2020, RBI released guidelines on automation of income recognition, asset classification and provisioning processes pursuant to which banks have been advised to put in place and upgrade their systems by June 30, 2021 to inter alia, recognize and derecognize income in case of impaired assets, configure the NPAs and NPIs in the system without any manual intervention. Certain exceptions have been granted from system driven classification in cases which are expected to be minimum and temporary subject to certain conditions. In such cases, the banks are required to maintain system generated logs for all exceptions for a minimum period of three years. These measures may result in additional cost of compliance that may adversely impact our business, results of operations and financial condition.

9. ***We are exposed to operational and credit risks which may result in NPAs. If we are unable to control the level of NPAs in our portfolio or if we are unable to improve our provisioning coverage as a percentage of Gross NPAs, our business, financial conditions, results of operations and cash flows could be adversely affected.***

As of March 31, 2018, 2019 and 2020 and as of December 31, 2020, our Gross NPAs were ₹ 565.69 million, ₹ 496.21 million, ₹ 1,012.50 million and ₹ 299.13 million, respectively, representing 3.54%, 1.81%, 2.79% and 0.78% of our Gross Advances, respectively, while our Net NPAs were ₹ 292.27 million, ₹ 120.06 million, ₹ 203.74 million and ₹ 128.14 million, respectively, representing 1.86%, 0.44%, 0.57% and 0.33% of our Net Advances, respectively. Our ability to manage the credit quality of our loans, which we measure in part through NPAs, is a key driver of our results of operations. Our NPAs may increase in the future, due to several factors, including increased competition, adverse effects on the business and results of operations of our borrowers, a rise in unemployment, a sharp and sustained rise in interest rate, slow industrial and business growth, changes in customer behavior and demographic patterns, political influences and central and state government decisions and changes in regulations. In particular, we could experience a significant increase in our NPA levels due to deterioration in the credit quality of our customers, as our target borrower segment primarily comprises small traders, individuals with micro-enterprises and others belonging to the unorganized sector, who are most impacted due to the economic downturn caused by COVID-19 related measures such as closure of non-essential services.

Further, our credit monitoring and risk management policies and procedures may not be properly designed, compliant with applicable directives, or effective or appropriately implemented or complied with by our customers, and we could suffer material credit losses. While we try to ensure adherence to our internally developed credit monitoring and risk management policy framework, our customers may, at times, not be able to provide us with requisite or complete information required in connection with our loan products, which may affect our customer on-boarding procedures. In addition, even if our policies and procedures are effective and properly implemented, we may not be able to anticipate future economic or financial developments or downturns, which could lead to an increase in our NPAs. Further, the expansion of our business may cause our NPAs to increase and the overall quality of our loan portfolio to deteriorate. Any significant increase in NPAs may have a material adverse effect on our financial condition, results of operations and cash flows.

Provisions for NPAs are created by a charge to our profit and loss account and are currently subject to minimum provisioning requirements, linked to ageing of NPAs. In addition to the relevant regulatory minimum provisioning, we also consider our Board approved policy, which sets out certain estimates to determine the appropriate level of provisions. The determination of a suitable level of loan losses and provisions involves a degree of subjectivity and requires that we make estimates of current credit risks and future trends, all of which may be subject to material changes. Any inaccurate determination of risk may result in our provisions not being adequate to cover expected losses on NPAs. Our provision coverage ratio was 48.33%, 75.80%, 84.71% and 89.58%, respectively in Fiscal 2018, 2019 and 2020 and in the nine months ended December 31, 2020, and there can be no assurance that our provision coverage ratio will continue to increase or that it will not decline in the future. We may need to make further provisions if there is dilution/ deterioration in the quality of our security, or down-grading of the account, or if recoveries with respect to such NPAs do not materialize in time or at all. Any increase in provisions may adversely impact our financial performance. Further, there can be no assurance that the transition to Ind AS will not further increase our provisioning requirements in the future. For instance, on transitioning to Ind AS, we may need to compute provisions on the basis of the expected credit loss method as against the current method for incurred credit loss, which may further increase our provisioning requirements in the future. Accordingly, any significant increase in our NPAs may have a material adverse effect on our financial condition, results of operations and cash flows, and as a result, our return ratios may not be consistent with our previous performance.

10. ***One of our Promoters, R. Baskar Babu, has encumbered his Equity Shares with certain Systemically Important NBFCs by way of pledge. Any exercise of such encumbrance by such Systemically Important NBFCs could dilute the shareholding of such Promoter and consequently dilute the aggregate shareholding of our Promoters, which may materially and adversely affect our business and financial condition.***

As of the date of this Prospectus, 11,290,000 Equity Shares constituting 11.52% of our Equity Shares are held by one of our Promoters, Baskar Babu Ramachandran, of which 8,150,000 Equity Shares are pledged in favour of Avendus Finance Private Limited and Kiran Vyapar Limited and 3,140,000 Equity Shares are pledged in favour of Placid Limited, in relation to borrowing arrangements entered into by Baskar Babu Ramachandran in his personal capacity. Any default under the agreements pursuant to which these Equity Shares have been pledged will entitle the pledgee to enforce the pledge over these Equity Shares. If this happens, the aggregate shareholding of the Promoters may be diluted and we may face certain impediments in taking decisions on certain key, strategic matters. As a result, we may not be able to conduct our business or implement our strategies as currently planned, which may materially and adversely affect our business and financial condition. Further, any rapid sale of Equity Shares by such third parties may materially and adversely affect the price of the Equity Shares. Further, as detailed in " – *Banks in India, including our Bank, are subject to stringent regulatory requirements and prudential norms and our inability to comply with such laws, regulations and norms may have an adverse effect on our business, results of operations, financial condition and cash flows.*" on pages 24-26, we are subject to certain ownership and eligibility requirements with respect to the shareholding of our Equity Shares. Any dilution in the shareholding of the Promoters in our Bank by way of enforcing the pledge may therefore result in a failure to comply with these regulatory requirements, further dilute the aggregate Promoter shareholding, and will therefore have a material adverse effect on us, our business and our financial condition including our ability to access capital.

11. ***A significant portion of our advances are towards customers located in the States of Tamil Nadu, Maharashtra and Odisha, and any adverse changes in the conditions affecting these regions can adversely impact our business, financial condition and results of operations.***

A large number of our Banking Outlets are located in the States of Tamil Nadu, Maharashtra and Odisha. Consequently, a majority of our advances are towards customers in Tamil Nadu, Maharashtra and Odisha. As of December 31, 2020, 338 out of our 554 Banking Outlets were located in these three States and advances towards customers in Maharashtra, Tamil Nadu and Odisha represented 34.76%, 27.43% and 15.11%, respectively, of our Gross Advances as of such dates. For further information in relation to our geographical presence, see "*Our Business*" beginning on page 141 and "*Selected Statistical Information*" beginning on page 211, respectively.

In the event of a regional slowdown in the economic activity in Tamil Nadu, Maharashtra or Odisha, or any other developments including political unrest, disruption or sustained economic downturn or natural calamities in the regions affecting the ability of our borrowers to repay our loans, or that make our products in these States less beneficial, we may experience an adverse impact on our financial condition and results of operations, which are largely dependent on the performance, geo-political and other prevailing conditions affecting the economies of the state. For instance, our collection efforts had to be intensified to manage the increase in overdues in Odisha due to cyclone Fani, floods in Kolhapur, Hubli and Belgaum. Any similar events affecting these regions could compel us to dedicate greater resources to manage our operations in these areas, thereby adversely impacting our overall operations. The market for our products in Tamil Nadu, Maharashtra and Odisha may perform differently from, and be subject to, market and regulatory developments that are different from the requirements in other States of India. There can be no assurance that the demand for our products will grow, or will not decrease, in the future, in these regions.

12. ***Our deposits depend on a limited number of customers and a loss of such customers could materially and adversely affect our deposit portfolio, funding sources, financial condition, results of operations and cash flows.***

We are dependent on a limited number of customers for a portion of our deposits. Deposits from our 20 largest depositors amounted to ₹ 4,434.05 million, ₹ 7,119.74 million, ₹ 11,045.51 million and ₹ 9,977.14 million as of March 31, 2018, March 31, 2019 and March 31, 2020 and as of December 31, 2020 and represented 59.16%, 44.68%, 38.77% and 29.84% of our total deposits as of March 31, 2018, March 31, 2019 and March 31, 2020 and as of December 31, 2020, respectively. Our customers may reduce or withdraw their deposits from our Bank, with or without cause or notice, at any time. Reduction or loss of such deposits expose us to an increasing funding risk, which could in turn adversely affect our financial performance and results of operations. A reduction in the services we perform for such customers or the loss of such major customers could result in a significant reduction of our deposits portfolio. Factors that may result in a loss of a customer include our service performance, reduction in budgets due to macroeconomic factors or otherwise and shift in policies and political or economic factors. There is significant competition for the services we provide and we are typically not an exclusive service provider to our large customers. These factors may not be under our control or predicted with any degree of certainty. Significant pricing or margin pressure exerted by our customers could also adversely affect our business, financial condition, results of operations and cash flows. If any of our customers reduce or remove their deposit accounts from our Bank, our deposits portfolio, funding sources, financial condition, results of operations, and cash flows could be materially and adversely affected.

13. ***We have certain contingent liabilities that have not been provided for in our financial statements, which, if they materialize, may adversely affect our results of operations, financial condition and cash flows.***

As of December 31, 2020, we had the following contingent liabilities which have not been provided for:

Particulars	**As of December 31, 2020 (₹ million)**
Our Bank is contingently liable to financial institutions with respect to securitisation of loans and advances to the extent of cash collateral and credit enhancements	-
Service tax liability	5.97
Income tax liability	32.68
Undrawn commitments	2.99
Others	7.11
Total	**48.76**

For further information on our contingent liabilities, see "*Financial Information*" beginning on page 241. If the aforementioned contingent liabilities materialize, our profitability and cash flows may be adversely affected.

14. ***Banking companies in India, including us, are currently required to report financial statements as per Indian GAAP. However, we may be required to prepare our financial statements in accordance with Ind AS in the future. Differences exist between Ind AS and Indian GAAP, which may be material to investors' assessment of our financial condition. The Ind AS financial information that we may be required to prepare in the future may not be comparable to the Indian GAAP financial information we currently prepare.***

The Ministry of Corporate Affairs, in its press release dated January 18, 2016, issued a roadmap for implementation of Ind AS for scheduled commercial banks, insurance companies and NBFCs, which are also applicable to our Bank. Such roadmap provided that these institutions were required to prepare Ind AS financial statements for accounting periods commencing April 1, 2018 (including comparative financial statements for the corresponding periods in the previous year). The RBI, by its circular dated February 11, 2016, required all scheduled commercial banks to comply with Ind AS for financial statements commencing April 1, 2018 and also required such entities to prepare and submit proforma Ind AS financial statements to the RBI since the six months ended September 30, 2016. Further, the RBI on October 13, 2017 advised SFBs to be prepared for implementation of the Ind AS accounting standards and instructed SFBs to submit proforma financial statements under Ind AS on a quarterly basis from the quarter ended June 30, 2017, in the format prescribed by them. In compliance with such regulatory requirements, we commenced submitting proforma Ind AS financial statements from the quarter ended June 30, 2017 to the RBI. However, the RBI, through its notification dated

March 22, 2019, decided to defer the implementation of Ind AS until further notice for all scheduled commercial banks (except regional rural banks). Under applicable regulations, scheduled commercial banks, including our Bank, are not permitted to undertake early adoption of Ind AS. Accordingly, we continue to prepare and present our financial statements under Indian GAAP.

We have not determined with any degree of certainty the impact that such adoption will have on our financial reporting. Furthermore, the new accounting standards will change, among other things, our methodology for estimating allowances for probable loan losses and for classifying and valuing our investment portfolio and revenue recognition policy. For estimation of probable loan losses, the new accounting standards may require us to calculate the present value of the expected future cash flows realizable from our loans, including the possible liquidation of collateral (discounted at the loan's effective interest rate). This may result in us recognizing allowances for probable loan losses in the future which may be higher or lower than under current Indian GAAP.

Therefore, there can be no assurance that our financial condition, results of operations, cash flows or changes in shareholders' equity will not appear materially worse under Ind AS than under Indian GAAP. In our transition to Ind AS reporting, when applicable, we may encounter difficulties in the ongoing process of implementing and enhancing management information systems. Further, there is no significant body of established practice on which to draw in forming judgments regarding the new system's implementation and application. There can be no assurance that the our adoption of Ind AS will not adversely affect our reported results of operations or financial condition and any failure to successfully adopt Ind AS could adversely affect our business and the trading price of the Equity Shares.

15. ***We could be subject to volatility in income from our treasury operations, which could have an adverse effect on our results of operations and cash flows.***

Our income from treasury operations comprises interest and dividend income from investments, and profit from sale of investments. Income from our treasury operations represented 7.66%, 6.31%, 7.02% and 12.21%, of our total income in Fiscal 2018, 2019 and 2020 and in the nine months ended December 31, 2020, respectively. Our treasury operations are vulnerable to changes in interest rates, exchange rates, equity prices and other factors beyond our control, including the domestic and international economic and political scenario, inflationary expectations and the RBI's monetary policies. In particular, if interest rates rise, the valuation of our fixed income securities portfolio, such as Government securities and corporate bonds would decline. Although we have operational controls and procedures in place for our treasury operations, such as counterparty limits, position limits, stop loss limits and exposure limits, that are designed to mitigate the extent of such losses, there can be no assurance that we will not incur losses in the course of our proprietary trading on our fixed income book held in the available for sale and held for trading portfolios. In addition, there can be no assurance that the policies and procedures governing our treasury operations will not be breached or that we will at all times be in compliance with the limits set forth therein. For instance, we have previously breached the investment limits for mutual fund investments as set out by our internal treasury management policies. Any such losses could adversely affect our financial condition, results of operations and cash flows.

16. ***We have entered into tie-ups with Business Correspondents and payment banks for sourcing and servicing customers. If these Business Correspondents prefer to promote our competitors' products or our agreements with them are terminated or not renewed it would adversely affect our business, financial condition, results of operations and cash flows.***

Our BCs are responsible for sourcing and servicing customers of our banking products. As of March 31, 2018, 2019 and 2020 and as of December 31, 2020, advances to customers through our Asset BC network represented 0.33%, 0.39%, 0.92% and 0.58%, respectively, of our Gross Advances as of such dates. As of March 31, 2018, 2019 and 2020 and as of December 31, 2020, deposits sourced through our Liability BC and URC Liability BC network together represented 0.58%, 4.30%, 4.17% and 6.25% of our total deposits as of such dates, respectively. In the event that our Business Correspondents prefer to promote our competitors' products over ours or our agreements with them are terminated or not renewed, it would have an adverse effect on our business, financial condition, results of operations and cash flows.

We have also entered into tie-ups with payment banks for our liability products, and under these arrangements, deposits by customers in these payment banks that are above ₹ 100,000 as at the end of day are swept into an account maintained by us. As of December 31, 2020, we entered into these arrangements with three payment banks. We have also entered into an arrangement for sourcing of fixed deposit with one of the above-mentioned payment bank. Further, we have entered into an arrangement for sourcing of MSME loans with a fintech player. For further information on our tie-ups with payment banks, see "*Our Business*" beginning on page 241. These agreements are valid for a period of three years with an option to renew for successive terms. We cannot assure you that such arrangements will be renewed on the same terms as currently entered into upon their expiry, or at all. In the event these arrangements are terminated or not renewed, it may have an adverse effect on our business, financial conditions, results of operations and cash flows.

17. ***Negative cash flows from operating activities in the future could adversely affect our cash flow requirements, our ability***

to operate our business and implement our growth plans, thereby affecting our financial performance.

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

Particulars	**Fiscal**			**Nine months ended December 31, 2020**
	2018	**2019**	**2020**	
	(₹ million)			
Net cash (used in)/ generated from operating activities	4,575.47	(5,451.90)	5,258.21	(1,525.81)

For Fiscal 2019 and nine months ended December 31, 2020, net cash outflow on account of net increase in advances and investments in HTM and AFS securities exceeded net inflow of deposits, other items of balance sheet, adjusted for non-cash and reclassification items into investing and financing activities. For further information, see "*Restated Financial Statements*" beginning on page 241.

Negative cash flows over extended periods, or significant negative cash flows in the short term, could materially impact our ability to operate our business and implement our growth plans. As a result, our cash flows, business, prospects, results of operations and financial condition may be materially and adversely affected. For further information, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" beginning on page 306.

18. We have issued Equity Shares at a price that may be lower than the Issue Price in the last 12 months.

Except as disclosed below, our Bank has not issued any Equity Shares in the last 12 months immediately preceding the date of this Prospectus at a price which may be lower than the Issue Price.

Date of allotment	**Allottees**	**Number of Equity Shares allotted**	**Face value per Equity Share (₹)**	**Issue price per Equity Share (₹)**	**Reason for allotment**
Quarter ended March 31, 2020	An aggregate of 282,257 Equity Shares were allotted by our Bank under ESOP 2016 on March 5, 2020.	282,257	10	108 to 173	Allotment pursuant to ESOP 2016
May 21, 2020	1,826,923 Equity Shares were allotted to Gaja Capital Fund II Limited, 96,154 Equity Shares were allotted to Gaja Trustee Company Private Limited (representing Gaja Capital India AIF Trust as a trustee), 93,258 Equity Shares were allotted to Teachers Insurance and Annuity Association of America, 32,431 Equity Shares were allotted to Kiran Vyapar Limited, 192,308 Equity Shares were allotted to Kotak Mahindra Life Insurance Company Limited and 148,946 Equity Shares were allotted to Lok Capital Growth Fund.	2,390,020	10	260	Private placement
Quarter ended June 30, 2020	An aggregate of 400 Equity Shares were allotted by our Bank under ESOP 2016 on June 7, 2020	400	10	140 to 173	Allotment pursuant to ESOP 2016
Quarter ended September 30, 2020	An aggregate of 139,830 Equity Shares were allotted by our Bank under ESOP 2016 on September 3, 2020.	139,830	10	108 to 173	Allotment pursuant to ESOP 2016
Quarter ended December 31, 2020	An aggregate of 60,558 Equity Shares were allotted by our Bank under ESOP 2016 on December 5, 2020.	60,558	10	108 to 196	Allotment pursuant to ESOP 2016

Date of allotment	Allottees	Number of Equity Shares allotted	Face value per Equity Share (₹)	Issue price per Equity Share (₹)	Reason for allotment
February 23, 2021	3,084,833 Equity Shares were allotted to SBI Life Insurance Company Limited, 1,713,795 Equity Shares were allotted to Axis Flexi Cap Fund, 342,760 Equity Shares were allotted to Axis Equity Hybrid Fund and 66,838 Equity Shares were allotted to Kiran Vyapar Limited.	5,208,226	10	291.75	Private placement
March 2, 2021	3,140,000 Equity Shares were allotted to Baskar Babu Ramachandran, 100,000 were allotted to P.S. Jagdish and 85,000 Equity Shares were allotted to G.V. Alankara	3,325,000	10	180	Private placement
Quarter ended March 31, 2021	An aggregate of 262,661 Equity Shares were allotted by our Bank under ESOP 2016 on February 23, 2021	262,661	10	108 to 196	Allotment pursuant to ESOP 2016 and ESOP 2019

* *Allotted to Eligible Employee as per the applicable ESOP scheme*

For further information, see *"Capital Structure"* on page 73. The price at which Equity Shares have been issued by us in the preceding one year is not indicative of the price at which it will be traded or issued.

19. ***Certain corporate records and regulatory filings of our Bank are not traceable and there have been irregularities in the filings made by our Bank in the past and we cannot assure you whether any penalty may be imposed on us and that any such event will not have an adverse effect on our business and operations.***

In the past, certain filings and corporate authorizations made by our Bank have not been made in manner required under the Companies Act, 1956 and the Companies Act, 2013. Such instances include examples where certain mandatory attachments required to be attached to the forms filed with the RoC were not attached. Additionally, certain forms filed by our Bank in the past had factual inaccuracies, which related to, amongst others, incorrect references to the date of allotment in the forms and list of allottees. Further, there have been instances where our Bank has not been able to trace certain forms including executed forms, documents in relation to certain transfers including certain transfer slips, an acknowledgement copy of form FCTRS from the RBI and corporate authorizations including attachments such as valuation reports obtained by our Bank for certain allotments and transfers. We cannot assure you that the abovementioned forms will be available in the future. Further, we cannot assure you that our Bank has filed such forms in a timely manner or at all, in the past. We also cannot assure you that the statutory authorities will not impose any penalty and if imposed that such penalty will not have a material adverse effect on our business, operations and financial results.

20. ***We have not been able to obtain certain records of the educational qualifications of certain of our Directors our Promoters and our Key Managerial Personnel and have relied on declarations and undertakings furnished by such Directors for details of their profiles included in this Prospectus.***

One of our Directors, one of our Promoters and one of our Key Managerial Personnel have been unable to trace copies of documents pertaining to their educational qualifications. While such Director, Promoter and Key Managerial Personnel have filed applications with the relevant university seeking copies of educational qualifications, a revert from the respective universities are awaited. Accordingly, reliance has been placed on declarations, undertakings and affidavits furnished by such Directors, Promoter and KMPs to us and the BRLMs to disclose details of their educational qualifications in this Prospectus. For further details, see "*Our Management - Brief biographies of Directors*", "*Our Management - Key Managerial Personnel*" and "*Our Promoters and Promoter Group - Details of our Promoters*" on pages 191-192, 201-202 and beginning on 205 respectively, of this Prospectus. We and the BRLMs have been unable to independently verify these details prior to inclusion in this Prospectus. Further, there can be no assurances that our Directors, our Promoters and our Key Managerial Personnel will be able to trace the relevant documents pertaining to their respective qualifications in the future, or at all.

21. ***We have introduced new products and services and we cannot assure you that such products and services will be profitable in the future. Further, we may not be able to successfully diversify our product portfolio or enter into new lines of business, which may materially and adversely affect our business prospects and impact our future financial performance.***

We have introduced new products and services, such as secured loan products including commercial vehicle loans, secured business loans, housing loans, loans to financial intermediaries, overdraft against fixed deposit, unsecured overdraft facilities to inclusive finance and commercial vehicle customers, and individual micro business loans (T-Nagar), different types of deposit products, and non-interest generating products including distribution of insurance products and mutual funds. For further information, see "*Our Business – Description of our Business – Product Portfolio"* beginning on page 153. We have incurred certain costs to expand our range of products and services and we cannot assure you that such products and services will be successful, whether due to factors within or outside of our control, such as general economic conditions, a failure to understand customer demand and market requirements or management focus on these new products. We have limited experience in offering such products and commenced offering most of these over the last three years upon conversion into an SFB. As a result, we may not be able to accurately assess and manage the credit quality associated with some of these products, which may lead to an increase in NPAs. Further, these operations may be accompanied by operating and marketing challenges that may be different from those we have previously encountered. In addition, if we fail to successfully offer our new products and services in an increasingly competitive market, we may not be able to capture the growth opportunities associated with them or recover the development and marketing costs, and our future results of operations and growth strategies could be adversely affected. We may also require approvals from regulatory authorities before we commence offering certain services. For example, we have obtained *inter alia*, a registration to act as a corporate agent (composite) from IRDAI in terms of the Insurance Act, 1938, no-objection certificates from the RBI to undertake the activity of distribution of insurance products, mutual fund units and pension products under the Atal Pension Yojana and National Pension Scheme on a non-risk sharing basis without any commitment of own funds. If we fail to obtain such approvals, or to develop and launch such products and services successfully, or are unable to effectively compete with other banks having similar corporate agency and or/ bancassurance relationships, we may lose a part or all of the costs incurred in the development of such offerings, or discontinue these offerings, which could in turn adversely affect our business and results of operations.

As part of our growth strategy, we intend to diversify our product portfolio and in doing so, we may encounter certain additional risks including management and market-related risks. We cannot assure you that such diversification or expansion of operations will yield favourable or expected results, as our overall profitability and success will be subject to various factors, including, among others, our ability to effectively recruit, retain and motivate appropriate and experienced managerial talent, and ability to compete with other scheduled commercial banks and other NBFCs and SFBs that are already well established in these market segments. Further, new businesses will require significant capital investment and commitment of time from our senior management. There can be no assurance that our management will be able to develop the skills necessary to successfully manage these new business areas. Our inability to effectively manage any of these issues could materially and adversely affect our business and impact our future financial performance and/ or cash flows.

22. ***We may face asset liability mismatches, which could affect our liquidity and consequently may adversely affect our operations and profitability.***

We may face asset and liability mismatches, which represents situations when the financial terms of an institution's assets and liabilities do not match. We cannot assure you that we will be able to maintain a positive asset-liability gap. We may rely on funding options with a short-term maturity period for extending long-term loans, which may lead to negative asset-liability gap. Further, mismatches between our assets and liabilities are compounded in case of pre-payments of the financing facilities we grant to our customers. Further, asset-liability mismatches may also result in liquidity crunch or liquidity surplus situations and depending upon the interest rate movement, such situations may adversely affect our Net Interest Income. For further information, see "*Selected Statistical Information – Asset Liability Management*" on page 223. If we are unable to obtain additional borrowings or renew our existing credit facilities for matching tenures of our loan portfolio in a timely and cost-effective manner or at all, it may lead to mismatch in our assets and liabilities, leading to a liquidity risk which may have a material adverse effect on our operations and profitability.

23. ***Majority of our advances are unsecured. Our inclusive finance (JLG) loan portfolio, unsecured overdraft facilities, micro business loans (T-Nagar) and unsecured MSME/ SME loan portfolio are not supported by any collateral, in the event of non-payment by a borrower of one of these loans, we may not be able to recover unpaid amounts in a timely manner or at all, which may affect our financial condition, results of operations and cash flows.***

Our inclusive finance (JLG) loans, micro business loans (T-Nagar), and unsecured MSME/ SME loan portfolio, which together form a majority of our Gross Loan Portfolio, are at higher credit risk than secured loan portfolios because they may not be supported by realizable collateral that could help ensure an adequate source of repayment for the loan. Our inclusive finance (JLG) loans and overdraft facilities are offered to individuals and families in the form of JLGs to assist micro-enterprises and to invest in income-generating activities. Such customers are typically part of the unorganized sector and may not have traditional credit history such as credit scores. While we have certain practices based on an understanding of the market, and stipulate certain parameters that customers need to satisfy in order to obtain advances from us, there can been no assurance that such loans will not become non-performing. Further, borrowers of our MSME/ SME loans and micro business loans (T-Nagar) are more susceptible to macroeconomic events resulting in their ability to make timely repayments susceptible to be affected during economic downturns. In the past, there have been certain instances of write-offs in respect of the inclusive finance (JLG) and unsecured MSME/SME loan portfolio. In Fiscal 2018, 2019 and 2020 and in the nine months ended December 31, 2020, our write-offs in these portfolios was ₹ 427.93 million, ₹ 335.62 million, ₹ 460.55 million and ₹ 626.60 million, respectively. Our borrowers may default on their obligations as a result of various factors including bankruptcy, lack of liquidity and/ or failure of the business or commercial venture in relation to which such borrowings were sanctioned. We may be unable to collect our outstanding advances in part or at all in the event of non-payment by a borrower. As of March 31, 2018, 2019 and 2020 and as of December 31, 2020, such unsecured loans represented 94.81%, 84.32%, 77.49% and 74.59%, respectively, of our Net Advances.

For our inclusive finance (JLG) business, we rely primarily on non-traditional guarantee mechanisms including the peer-guarantee loan model, wherein borrowers form a JLG and provide guarantees for loans obtained by each member of such group without such members having to provide collateral or security on an individual basis. There can be no assurance that such joint liability arrangements will ensure full or partial repayment by the other members of a JLG in the event of default by any one of them. These arrangements are likely to fail if there is no meaningful personal relationship among members of such group; if inadequate risk management procedures have been employed to verify the group members and their ability to repay such loans; or as a result of adverse external factors such as natural calamities or forced migration. Any increase in delinquency in our loan portfolio may require us to increase our provision for credit losses, which would decrease our earnings. For further information on the JLG model, see "*Our Business*" beginning on page 141.

Further, certain state governments have recently waived loans to certain customer segments. These waivers have an adverse impact on the overall loan recovery climate. If such loan waivers become more widespread in the future, it may have a negative impact on borrower behavior such as resistance by borrowers' to make repayments in anticipation of further loan waivers across other customer segments. The loan waiver programs may have an adverse impact on the banking sector as a whole as well as our Bank's business, future financial performance and the trading price of the Equity Shares.

24. The value of our collateral may decrease or we may experience delays in enforcing collateral when borrowers default on their obligations, which may result in failure to recover the expected value of collateral security exposing us to potential loss.

While majority of our Gross Advances are unsecured, we also disburse certain loans that are secured by assets. For our secured advances we follow certain procedures to evaluate the credit profiles of our customers and to assess the value of the collateral. However, the value of the collateral obtained by us may fluctuate or decline due to factors beyond our control, including deterioration in regional economic conditions or of asset values or as a result of adverse changes in the credit quality of our borrowers and counterparties or delays in foreclosure proceedings or defects or deficiencies in the perfection of collateral. In the event of a decline in any of these, some of our loans may exceed the value of their underlying collateral. Our secured net advances have grown from ₹ 813.50 million as of March 31, 2018 to ₹ 4,201.34 million as of March 31, 2019 and to ₹ 7,949.37 million as of March 31, 2020 and were ₹ 9,610.15 million as of December 31, 2020. Our secured advances represented 5.19%, 15.68%, 22.51% and 25.41% of our Net Advances as of March 31, 2018, 2019, and 2020 and as of December 31, 2020, respectively.

Any reduction in asset prices may cause the value of our collateral to decline. While we factor in a reduction in value to an extent, the security may not be sufficient if the value of the collateral reduces substantially. This is particularly applicable in situations where the advances are secured by highly depreciating fixed assets such as commercial vehicles. As a result, if our customers default, we may receive less money from liquidating the collateral than is owed under the relevant loan, and incur losses, even in cases where we are able to successfully seize and liquidate the collateral. We have previously recorded loss of value on seizing and liquidating commercial vehicles from borrowers that have defaulted on their repayments. We have previously recorded write-offs with respect to our commercial vehicle loan portfolio.

Collateral for our secured business loans primarily includes mortgage over our customers' residential or commercial property. The value of this security is largely dependent on housing and property market conditions prevalent at that time, and may decline due to adverse market conditions including an economic downturn or a downward movement in real estate prices. We are also exposed to the risk arising out of fraudulent title deeds and property documents given as collateral for our secured loans, particularly as there is no centralized land title registry in India to verify the land title of first-time borrowers.

We cannot assure you that we will be able to successfully seize the collateral in the event of customer default and may face delays and incur legal and administrative costs in the repossession and sale of the collateral. Legal proceedings for such purposes in India are often time consuming and if we are unable to seize and recover the full value of collateral in a timely manner, or at all, our business, results of operations, financial condition and cash flows may be adversely affected. In the event our borrowers default on the repayment of loans, we may not be able to realize the full value of the collateral due to various reasons, including a possible decline in the realizable value of the collateral, defective title or pledge of damaged items as security, prolonged legal proceedings and fraudulent actions by borrowers, or we may not be able to foreclose on collateral at all. Further, we may be required to increase our provision for loan losses in case of any decline in the value of the security, which could impair our ability to realize the secured assets upon any foreclosure.

25. ***An inability to secure funding in an acceptable and timely manner and at competitive rates, or any disruption in the access to funds would adversely impact our results of operations, financial condition and cash flows.***

Our business and results of operations depend on our ability to raise funds from various external sources on suitable terms and in a timely manner. Prior to operating as an SFB, as an NBFC we met our funding requirements through a combination of term loans from banks and financial institutions, issuance of non-convertible debentures, refinancing arrangements, securitization/ assignment of receivables, and issuance of commercial paper. On transitioning into an SFB, our borrowings are subject to inter-bank borrowing limits, at par with scheduled commercial banks prescribed by RBI and thus our primary sources of funding have been deposits and refinancing. As of December 31, 2020 majority of our funding consists of retail deposits accounting for 72.40% of our total deposits, with a CASA ratio of 13.32%. Further, as of December 31, 2020, our refinance facilities amounted to ₹ 11,226.00 million, representing 23.24% of our overall funding profile.

Our ability to continue to meet customer demand for new loans will depend primarily on our ability to raise funds through deposits, including savings and current account deposits and term and recurring deposits, and refinancing on suitable interest rates and terms, and in a timely manner. In addition, our inability to diversify our funding sources or to reduce our dependence on refinancing as a source of funds may increase our exposure to adverse market risks. Our ability to raise such funds on competitive terms in the future will depend on various factors including our credit ratings, macroeconomic factors, the regulatory environment and policy initiatives in India, developments in the international markets affecting the Indian economy, investors' and/ or lenders' perception of demand for debt and equity securities of SFBs, and our current and future results of operations, financial condition and cash flows. Our cost of borrowings are partly determined by the credit ratings we have obtained from various agencies in the past, including rating of A1+ by CRISIL and ICRA for our Certificate of Deposit (CD) programme, and a rating of A (Stable) by ICRA for our existing non-convertible debentures and subordinated debt programmes. There can be no assurance that we will continue to be granted strong credit ratings and any downgrade in our credit ratings may increase interest rates for refinancing our outstanding debt, which would increase our financing costs, and adversely affect our future issuances of debt and our ability to raise new capital on a competitive basis.

We are subject to inter-bank borrowing limits for borrowings made by us after commencing operations as an SFB, at par with scheduled commercial banks. Further, the funds provided by commercial banks and financial institutions to us are not eligible for classification as 'priority sector' advances, as such loans extended are required to be qualified as 'inter-bank lending' and accordingly, our access to loans from banks and financial institutions is currently limited. In addition, while banks in India are precluded from creating floating charges on their assets, any existing floating charge created on our assets pursuant to conversion of the erstwhile NBFC into the Bank have to be grandfathered till their maturity, in accordance with guidelines issued by the RBI. Accordingly, we may be required to avail unsecured loans at higher interest rates as compared to secured loans. We may also be unable to attract sufficient deposits from customers, due to various factors beyond our control, such as the market acceptance of the '*Suryoday*' brand and its associated reputation, and overall perception of private banks as compared to public sector banks. We have to also compete with other banks by offering attractive interest rates, and may be unable to raise sufficient funds, including funds through deposits at existing or higher interest cost. We also face certain restrictions on our ability to incur debt from international markets, which may further constrain our ability to raise funds at attractive rates. Consequently, our inability to raise sufficient funds in a timely manner, or at all, may have an adverse effect on our business, results of operations, financial condition and cash flows.

26. ***We are subject to supervision and inspection by authorities such as the RBI. Any adverse observations from such regulators could have a material adverse effect on our business, financial condition, results of operation and cash flows.***

We are subject to regulation and supervision by the RBI. The RBI as a part of its supervisory processes, conducts periodic inspections under the Banking Regulation Act, pursuant to which the RBI issues observations, directions and monitorable action plans, on issues related to, amongst other things, our operations, risk management systems, internal controls and regulatory compliance and credit monitoring systems. During the course of finalizing inspections, the RBI inspection team shares its findings and recommendations with us and provides us an opportunity to provide clarifications, additional information and, where necessary, justification for a different position, if any, than that observed by the RBI. The RBI incorporates such findings in its final inspection report and, upon final determination by the RBI of the inspection results, we are required to take actions specified therein by the RBI to its satisfaction, including, without limitation, requiring us to make provisions, implement credit rating and scoring models for loans, and tighten controls and compliance measures.

Any significant deficiencies identified by the RBI that we are unable to rectify to the RBI's satisfaction could lead to sanctions and penalties imposed by the RBI against us and our management, as well as expose us to increased risks. While we have responded to such observations, directions and monitorable action plans in the past and we have either complied with or, are in the process of complying with the observations, we cannot assure you that RBI will not require us to take further actions to comply with their observations or that RBI will not make similar or other observations in the future. In the event we are unable to resolve such deficiencies and other matters to RBI's satisfaction, or are otherwise in non-compliance with RBI's directions, RBI may take regulatory and supervisory action which many include charging penalties, penalizing our management, restricting our banking activities or otherwise enforcing increased scrutiny and control over our banking operations, including by way of withholding approvals, or issuing conditional approvals. For instance, in the event it is determined by RBI that classification of PSL done by us during a particular year is incorrect and as a result of declassification, we do not meet any PSL sub-targets for that year, RBI may impose penalties including requiring us to purchase PSLCs to make good the shortfall in that sub-target which would entail additional expense not currently provided for. Imposition of any penalty or adverse findings by the RBI during ongoing or any future inspections may therefore have an adverse effect on our business, results of operations, financial condition and reputation.

27. Our operations involve handling significant amounts of cash, making us susceptible to operational risks, including fraud, petty theft and embezzlement, which could harm our results of operations and financial position.

While we seek to increasingly transform our operations to a cashless model, a portion of our business, particularly with respect to collections, continues to be cash based. Our employees at our Banking Outlets are responsible for the collection and deposit of cash, thereby exposing us to the risks of loss, fraud, misappropriation, theft, assault and unauthorized transactions by our employees. While we seek to prevent fraud or misappropriation by our employees through internal control measures, we may be unable to adequately prevent or deter such activities in all cases. In the past, we have experienced acts of fraud (as defined under the applicable RBI guidelines), theft, forgery and misappropriation committed by or involving our customers/ employees. In most cases, the frauds by employees are attributed to misappropriation of funds in respect of collection of dues from borrowers by the employees of the Bank and such collection amount not being deposited by the relevant employees. For instance, during Fiscal 2020, 2019 and 2018 and in the nine months ended December 31, 2020, the number such cases of frauds reported by the Bank were, 83, 71, 84 and 98, respectively and the amount involved in such matters aggregated to ₹ 2.22 million, ₹ 1.50 million, ₹ 3.60 million and ₹ 2.71 million, respectively. These acts involved breach in processes, monetary malpractice and violation of codes of conduct followed by disciplinary issues. Further, in the past there have been instances where customers have filed complaints alleging unfair trade practices while doing business in micro finance. For further information, see "*Outstanding Litigation and Material Developments*" beginning on page 337.

Although we have systems in place to identify fraud relating to misappropriation of funds, there could be instances of fraud and misconduct by our employees which may go unnoticed for certain periods of time before corrective action is taken. In addition, we may be subject to regulatory or other proceedings in connection with any such unauthorized transaction, fraud or misappropriation by our employees, which could adversely affect our goodwill, business prospects and future financial performance. Even when we identify instances of fraud and other misconduct and pursue legal recourse or file claims with our insurance carriers, we cannot assure you that we will recover any amounts lost through such fraud or other misconduct. In addition, our dependence upon automated systems to record and process transactions may further increase the risk that technical system flaws or employee tampering or manipulation of those systems will result in losses that are difficult to detect.

28. If we are unable to implement our growth strategies, our business may be adversely affected.

We have witnessed growth in our business. Our Gross Advances were ₹ 15,960.19 million, ₹ 27,406.29 million, ₹ 36,263.92 million and ₹ 38,531.04 million as of March 31, 2018, 2019 and 2020 and as of December 31, 2020, respectively. Our total deposits were ₹ 7,495.22 million, ₹ 15,943.25 million, ₹ 28,487.15 million and ₹ 33,438.40 million as of March 31, 2018, 2019 and 2020 and as of December 31, 2020, respectively. We have also witnessed growth in our network of Banking Outlets, and as of December 31, 2020, we operated 554 Banking Outlets spread across 13 states and union territories in India. We intend to strategically grow our network of Banking Outlets in new markets in India in order to attract new customers. Any new Banking Outlets that we establish may not be profitable immediately upon their opening or may take time to break even, and failure to do so within a reasonable period may adversely affect our profitability. We will need to enhance and improve our financial, accounting, information technology, administrative and operational infrastructure and internal capabilities in order to manage the future growth of our business. We cannot assure you that we will succeed in doing so, as it is subject to many factors beyond our control. In addition, we are likely to compete with other banks and financial institutions, and local unorganized or semi-organized private financiers, who are more familiar with local business practices and customs, and have stronger relationships with the target customers. Factors such as competition and customer requirements in these new markets may differ from those in our existing markets.

As we plan to expand our geographic footprint in India, our business may be exposed to additional challenges, including obtaining additional governmental or regulatory approvals, identifying and collaborating with local business partners with whom we may have no existing relationship, successfully marketing our products in markets in which we have no familiarity, attracting customers in a market in which we do not have significant experience or visibility, maintaining standardized systems and procedures, adapting our marketing strategy and operations to new markets in India in which different languages are spoken, higher technology costs, upgrading, expanding and securing our technology platform in such Banking Outlets, operational risks including integration of internal controls and procedures, compliance with KYC, AML and other regulatory norms, ensuring customer satisfaction, recruiting, training and retaining skilled personnel, failure to manage service providers in relation to any outsourced services and difficulties in the integration of new Banking Outlets with our existing network of Banking Outlets. Further, as we are required to establish at least 25.00% of our total Banking Outlets in unbanked rural centres, we may be compelled to enter into markets that may not be profitable or strategically aligned with our business operations. To address these challenges, we may have to make significant investments that may not yield desired results or incur costs that we may not be able to recover. If we are unable to implement such growth strategies, our business, results of operations, financial condition and cash flows will be adversely affected.

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

We believe that any damage to the brand "*Suryoday*" or to our reputation could substantially impair our ability to maintain or grow our business, or could have a material adverse effect on our overall business, financial condition, results of operations and cash flows. If we fail to maintain this brand recognition with our existing and target customers due to any issues with our product offerings, a deterioration in service quality, or otherwise, or if any premium in value attributed to our business or to the brands under which our services are provided declines, market perception and customer acceptance of our brands may also decline. We also distribute third-party products via partnerships with external organizations over whom we have limited control. Any negative publicity/ press affecting such external organizations might also affect our reputation and brand value. In such an event, we may not be able to compete for customers effectively, and our business, financial condition and growth prospects may be materially and adversely affected.

Our trademark and logo is approved by Trade Mark Registry under Trade Marks Act, 1999. For further information, see "*Our Business – Intellectual Property*" on page 170. Further, the registration obtained is limited for a duration of 10 years and may be required to be renewed from time to time. There can be no assurance that we will be able to successfully renew the registration in a timely manner or at all. As a result, we may not be able to prevent infringement of our trademarks and a passing off action may not provide sufficient protection until such time that this registration is granted. We may also be harmed by the actions of or negative press relating to entities which have similar names. Any unauthorized or inappropriate use of our brand, trademarks and other related intellectual property rights by others in their corporate names or product brands or otherwise could harm our brand image, competitive advantages and business, and dilute or harm our reputation and brand recognition.

Further, if a dispute arises with respect to any of our intellectual property rights or proprietary information, we will be required to produce evidence to defend or enforce our claims, and we may become party to litigation, which may strain our resources and divert the attention of our management. We cannot assure you that any infringement claims that are material will not arise in the future or that we will be successful in defending any such claims when they arise. Our efforts to protect our intellectual property or proprietary information and the measures we take to identify potential infringement of our intellectual property may not be adequate to detect or prevent infringement, misappropriation or unauthorized use. Further, the application of laws governing intellectual property rights in India is continuously evolving and there may be instances of infringement or passing-off of our brand in Indian markets. Our failure to adequately protect our brand, trademarks and other related intellectual property rights may adversely affect our business, financial condition, results of operations and cash flows. We may also be subject to claims by third parties, both inside and outside India, if we breach their intellectual property rights by using taglines, names, designs, software or other such subjects, which are of a similar nature to the intellectual property these third parties may have registered. Any legal proceedings that result in a finding that we have breached third party intellectual property rights, or any settlements concerning such claims, may require us to provide financial compensation to such third parties or make changes to our marketing strategies or to the brand names of our products, which may have a materially adverse effect on our brand, business, prospects, financial condition, results of operations and cash flows.

30. ***Any adverse developments in the commercial vehicle finance segment could adversely affect our business and results of operations.***

We commenced advancing commercial vehicle finance to road transporters for commercial vehicles, used for a range of commercial purposes such as market loading operations, contract transportation and logistics services in the Fiscal 2018. We provide commercial vehicle finance primarily for new commercial vehicles. As of December 31, 2020, commercial vehicle finance represented 9.42% of our Gross Loan Portfolio.

The success of our business therefore depends on various factors that affect demand for these loan products, including the industry for commercial vehicles, the demand for transportation services in India, changes in Indian regulations and policies affecting utility vehicles, tractors, commercial vehicles and cars, fuel prices and other macroeconomic conditions in India and globally. Any significant deterioration in the performance of this sector driven by events not within our control, such as natural calamities and pandemics, regulatory action or policy announcements by central or state government authorities, or any orders of judiciary to ban the sale of a particular segment of vehicles, impose additional specifications or impose additional taxes on any particular segment of vehicles, could lead to a decline in the sales of such vehicles and also in the value of such vehicles held as collateral. This would adversely impact the ability of borrowers within that industry (both new and used commercial vehicles) to service their debt obligations to us. For example, the Supreme Court of India imposed a ban on the sale of vehicles not complying with Bharat Stage Emission Standards IV (BS IV) and imposed a ban on diesel vehicles more than 10 years old and petrol vehicle more than 15 years from plying within the Delhi-NCR jurisdiction. Such regulatory amendments or orders of the judiciary may lead to a decline in our disbursements and adversely affect our business, results of operations and prospects. The occurrence of any of these events and other factors could lead to an increase in impairment losses and adversely affect our business, results of operations and cash flows. As of December 31, 2020, the Gross NPAs for this product segment were ₹ 155.29 million, representing 4.20% of our Gross Advances. We cannot assure you that we will be able to diversify our exposure over different industry sectors in the future. Failure to maintain diverse exposure resulting in industry sector concentration may adversely impact our financial condition, results of operations and cash flows, in case of any significant deterioration in the performance of any such industry sector.

31. ***The Indian banking industry is very competitive and our growth strategy depends on our ability to compete effectively.***

We have a limited operating history as an SFB and the success of our banking operations depends on a number of factors, including the demand for our services and our ability to compete with other banks and financial institutions effectively. The banking and financing sector in India is highly competitive and we face competition in all our principal areas of business. We face our most significant organized competition from other SFBs, NBFCs, microfinance institutions and cooperative banks which have significant presence in rural areas, public sector banks, private sector banks, housing finance companies and other financial services companies in India. SFBs have grown at a CAGR of 29% from Fiscal 2017 to Fiscal 2020, in terms of assets under management ("**AUM**"). Top three SFBs accounted for 63% of the total SFB AUM in Fiscal 2020, compared to 55% in Fiscal 2017. Our Bank's AUM accounted for 4% of the overall AUM of SFBs in Fiscal 2020 (*Source: CRISIL Report*). In addition, many of our potential customers in economically weaker segments do not have access to any form of organized institutional lending, and rely on loans from informal sources, especially moneylenders, landlords, local shopkeepers and traders, at higher interest rates. In the organized sector, our competitors may have a better brand recognition, greater business experience, more diversified operations, greater customer and depositor base, wider network of branches and better access to, and lower costs of funding than we do. Further, the RBI issued Guidelines for On-Tap Licensing of SFBs in the Private Sector on December 5, 2019, which permits applicants to apply for SFB license to the RBI at any time, subject to fulfilment of certain eligibility criteria and other conditions. We anticipate that this will increase competition within small finance banks operating in India, including our Bank. Further, consolidation in the industry driven by the merger of other banks is likely to further increase competition by creating larger, more homogeneous and potentially stronger competitors in the market. Increase in operations of existing competitors or entry of additional banks offering similar or a wider range of products and services could also increase competition. Further, with the advent of technology based initiatives and alternative modes of banking, we may face increased competition in this sector, which may in turn impact our revenues and profitability. We may also face competition from specialized fintech companies who could disrupt our origination, sales and distribution process. Our inability to compete effectively may adversely affect our business, results of operations financial condition and cash flows.

Due to competitive pressures, we may be unable to successfully execute our growth strategy and offer products and services at reasonable returns and this may adversely impact our business, future financial performance and the trading price of the Equity Shares. See "*Our Business – Competition*" on page 170.

32. ***An inability to obtain, renew or maintain our statutory and regulatory permits and approvals required to operate our business may adversely impact our business, financial condition, results of operation and cash flows.***

We are required to obtain various statutory and regulatory permits and approvals to operate our business which requires us to comply with certain terms and conditions to continue our banking operations. For instance, we require approvals from the RBI for various aspects of our banking operations (including for services such as NEFT and RTGS), approvals for commencing and providing internet and mobile banking services and licenses from other regulatory authorities, such as the IRDAI and PFRDA, for distribution of third-party insurance products, mutual fund units, and pension products under the Atal Pension Yojana and National Pension Scheme. Failure to obtain these permits and approvals may result in imposition of fines and penalties by the relevant regulator. For instance, the RBI In-Principle Approval and RBI Final Approval also require us to comply with certain terms and conditions. See "*Key Regulations and Policies*" beginning on page 172. In the event that we are unable to comply with any or all of these terms and conditions, or seek waivers or extensions of time for complying with these terms and conditions, it is possible that the RBI may place stringent restrictions on our operations. This may result in the interruption of all or some of our operations and may have a material adverse effect on our business, financial condition, results and cash flow. Further, we may need to apply for new licenses and approvals, including for conversion of our Bank into a universal bank subject to compliance with applicable regulations, and renew our existing ones, which expire from time to time. In the event that we are unable to obtain, renew or maintain other statutory permits and approvals or comply with regulatory requirements, it may result in the interruption of all or some of our operations, imposition of penalties and could materially and adversely affect our business, financial performance and reputation.

In addition, we are required to obtain certain approvals, including shops and establishment licenses, trade licenses, contract labour registration, employee provident fund and tax registrations. See "*Government and Other Approvals*" beginning on page 341. Further, our approvals and licenses are subject to numerous conditions, some of which are onerous and may require us to incur substantial expenditure in order to comply with such conditions. We may not, at all points of time, have all approvals required for our business. Further, in relation to our branches and Banking Outlets, certain approvals, including shops and establishment registrations for a few of our branches may have lapsed in their normal course and our Bank has either made an application to the appropriate authorities for renewal of such registration or is in the process of making such application. We cannot assure you that the approvals, licenses, registrations or permits issued to us will not be suspended or revoked, or that applicable penalties will not be imposed on us in the event of non-compliance with any terms and conditions. We may also incur substantial costs related to litigation if we are subject to significant regulatory action, which may adversely affect our business, future financial performance and results of operations.

33. ***We are required to comply with certain restrictive covenants under our financing agreements. Any non-compliance may lead to, amongst others, accelerated repayment schedule and enforcement of security, which may adversely affect our business, results of operations, financial condition and cash flows.***

Some of the borrowings and financing arrangements entered into by us include conditions that require our Bank to inform and obtain consents from respective lenders and debenture trustees, prior to carrying out certain activities and entering into certain transactions. Failure to meet these conditions including intimating lenders and debenture trustees, and/ or obtaining these consents could have significant consequences on our business and operations. These covenants vary depending on the requirements of the financial institution extending such loan and the conditions negotiated under each financing arrangement. Some of the corporate actions that require prior consents from certain lenders include, amongst others, changes to the capital structure and management control of our Bank, transfer of shares, reduction in the authorised share capital of our Bank and changes in the MoA and AoA of our Bank in any material way. Further, under certain borrowings and financing agreements, we are required to maintain specific minimum credit ratings, certain financial ratios and covenants and ensure compliance with regulatory requirements such as maintenance of capital adequacy ratios, minimum gross NPA ratio and debt to equity ratio. Failure to comply with such covenants may restrict or delay certain actions or initiatives that we may propose to take from time to time. Some of our lenders and debenture trustees are also entitled to appoint directors on the Board of our Bank. Our Bank has obtained consents from the relevant lenders, as required under the relevant borrowing arrangements for the purposes of undertaking the Issue.

In addition, we also have unsecured borrowings which may be recalled at any time at the option of such lenders. As of December 31, 2020, these unsecured borrowings amounted to ₹ 12,626.00 million, and represented 26.14% of our total funding. Certain of our secured borrowings may also permit the lenders to recall the loan on demand. Such recalls on borrowed amounts are contingent upon happening of an event beyond our control and there can be no assurance that we will be able to persuade our lenders to give us extensions or to refrain from exercising such recalls which may adversely affect our operations and cash flows.

A failure to observe the covenants under our financing arrangements or to obtain necessary waivers may lead to the termination of our credit facilities, acceleration of amounts due under such facilities and enforcement of security, either in whole or in part, for the use of the facility. Pursuant to clauses in certain financing agreements, any defaults under such facilities may also trigger cross default or cross acceleration provisions under our other financing agreements. If the obligations under any of our financing documents are accelerated, we may have to dedicate a portion of our cash flow from operations to make payments under such financing documents, thereby reducing the availability of cash for our working capital requirements and other general corporate purposes. In addition, during any period in which we are in default, we may be unable to raise, or face difficulties raising, further financing. We have been in breach of covenants in relation to some of our debenture documentations in the past including breach with respect to compliance of gross non-performing assets ratio and portfolio at risk and we have obtained adequate waivers to condone such breach, including due to trigger of cross default provisions.

34. ***Our operations depend on the accuracy and completeness of information about customers and counterparties which, if inaccurate or materially misleading, could adversely affect our business and results of operations.***

In deciding whether to extend credit or enter into other transactions with customers and counterparties, we may rely on information furnished to us by or on behalf of customers and/ or counterparties. Our business involves lending money to smaller, relatively low income entrepreneurs and individuals who may not have any credit history and as a result we are more vulnerable to customer default risks including default or delay in repayment of principal or interest on our loans. Some lines of business, such as our inclusive finance (JLG) loans, principally focus on first time users who have limited access to capital through formal banking channels. Advances in our inclusive finance (JLG) loan segment amounted to ₹ 27,495.76 million and accounted for 70.35% of our total Gross Loan Portfolio, all as of December 31, 2020. NPA provisions created for inclusive finance (JLG) loans as a percentage of our total NPA provisioning was 4.86%, as of December 31, 2020 and including floating provisions (to the extent utilized), the consolidated provisions attributable to inclusive finance (JLG) loans was 5.03%, as of December 31, 2020.

It is therefore, difficult to carry out a formal credit risk analyses on our customers based on financial information, compelling us to rely on certain representations as to the accuracy and completeness of information provided. To further verify the information provided by potential customers, we conduct searches through credit bureaus for creditworthiness of our customers who have a credit history. However, a significant majority of our customers may not have any credit history supported by income statements, tax returns, credit card statements, and statements of previous loan exposures or other related documents. They may also have limited formal education, and generally are able to furnish very limited information for us to be able to assess their creditworthiness accurately. In addition, we may not receive updated information regarding any change in the financial condition of our customers or may receive inaccurate or incomplete information.

It is therefore difficult to carry out a formal credit risk analyses on some of our customers based on financial information. There can be no assurance that our risk management controls will be sufficient or that additional risk management strategies for our customers will not be required. Failure to maintain sufficient credit assessment policies, particularly for individual borrowers, could adversely affect our credit portfolio resulting in a higher level of NPAs, which could have a material and adverse effect on our results of operations, financial condition and cash flows.

35. ***Our risk management measures may not be fully effective in mitigating our risks in all market environments or against all types of risks, which may adversely affect our business and financial performance.***

Our risk management functions are divided on the basis of key risks typically faced by banks i.e., credit risk, market risk and asset liability mismatches, liquidity risk, operational risk, cyber security and information security risk. Our risk management governance framework comprises a Risk Management Committee of our Board and management sub committees for management of credit risk, cyber security and information security risks, market risk, asset liability mismatch risk, liquidity risk and operational risk, IT Strategy Committee of the Board supervises the management sub-committee which focuses on information security and cyber security risks. However, we may not be able to effectively mitigate all our risk exposures. While we have risk management policies and procedures, our policies and procedures to identify, assess, monitor and manage risks may not be fully effective. Some of our risk management systems are not automated and are subject to human error. Some of our methods of assessing and managing risks are based on the use of observed historical market behavior. As a result, these methods may not accurately predict future risk exposures which could be significantly greater than those indicated by the historical measures. Management of operations, legal and regulatory risks requires, among other things, policies and procedures to properly record and verify a large number of transactions and events, and these policies and procedures may not be fully effective. As we seek to expand the scope of our operations, we also face the risk that we may not be able to develop risk management policies and procedures that are properly designed for new business areas or to manage the risks associated with the growth of our existing businesses effectively. Implementation and monitoring may prove particularly challenging with respect to businesses that we plan on developing. An inability to develop and implement effective risk management policies may materially and adversely affect our business, financial condition, results of operations and cash flows.

Further, some of our risk management strategies may not be effective in a difficult or less liquid market environment, where other market participants may be attempting to use the same or similar strategies to deal with the difficult market conditions. In such circumstances, it may be difficult for us to reduce our risk positions due to the activity of such other market participants. Other risk management methods depend upon an evaluation of information regarding markets, clients or other matters. This information may not in all cases be accurate, complete, up-to-date or properly evaluated.

Our investment and interest rate risks are determined by our ability to properly identify, and mark-to-market changes in the value of financial instruments caused by changes in market prices or rates. Our earnings are dependent upon the effectiveness of our management of changes in credit quality and risk concentrations, the accuracy of our valuation models and our critical accounting estimates and the adequacy of our allowances for loan losses. To the extent our assessments, assumptions or estimates prove inaccurate or not predictive of actual results, we could suffer higher than anticipated losses.

We are exposed to operational risks arising from inadequacy or failure of internal processes or systems such as employee negligence, data theft, fraud and embezzlement by customers and/ or third parties, and our actions may not be sufficient to result in an effective internal control environment. Given our high volume of transactions and changing technology and payments landscape, errors may be repeated or compounded before they are discovered and rectified. Our management information systems and internal control procedures that are designed to monitor our operations and overall compliance may not be able to identify non-compliance or suspicious transactions in a timely manner, or at all. Where internal control weaknesses are identified, our actions may not be sufficient to fully correct such internal control weaknesses. In addition, certain processes are carried out manually, which may increase the risk that human error, tampering, frauds or manipulation will result in losses that may be difficult to detect. As a result, we may suffer monetary losses, which may not be covered by our insurance policies. Any failure or material weakness in our risk management architecture could adversely affect our business, results of operations, financial condition and cash flows.

36. The success of our business operations is dependent on our senior management team and key management personnel as well as our ability to attract, train and retain such employees.

The success of our business operations is dependent in part on our ability to retain our senior management team and key managerial personnel. We believe that the inputs and experience of our senior management and Board of Directors, in particular, and other key personnel are valuable for the development of our business and operations and the strategic directions taken by our Bank. For further information on our key managerial personnel, see "*Our Management*" beginning on page 188. Our ability to sustain our growth depends upon our ability to attract and retain key personnel, developing managerial experience to address emerging business and operating challenges and ensuring a high standard of customer service. We cannot assure you that these individuals or any other member of our senior management team will not leave us or join a competitor or that we will be able to retain such personnel or find adequate replacements in a timely manner, or at all. We may require a long period of time to hire and train replacement personnel when qualified personnel terminate their employment with our Bank. We may also be required to increase our levels of employee compensation more rapidly than in the past to remain competitive in attracting employees that our business requires. The loss of the services of such persons may have an adverse effect on our business, results of operations, financial condition and cash flows. Additionally, the RBI reserves the right under the Banking Regulation Act to remove managerial persons from office and/ or supersede the Board in order to protect interests of depositors of our Bank.

Hiring and retaining personnel qualified and experienced in credit-appraisal, treasury management and asset valuation, is difficult. We may also face attrition of our existing workforce as a result of increased competition or other factors relating to our businesses. If we cannot hire additional qualified personnel or retain them, our ability to expand our business will be impaired and our revenue could decline. We will need to recruit new employees, who will have to be trained and integrated into our operations. We will also have to train existing employees to adhere properly to internal controls and risk management procedures. Failure to train and motivate our employees properly may result in an increase in employee attrition rates, require additional hiring, erode the quality of customer service, divert management resources, increase our exposure to high-risk credit and impose significant costs on us.

37. Our inability to grow our CASA deposits and CASA ratio may result in a high cost of deposits and impact our financial condition and cash flows.

As of December 31, 2020, our CASA ratio was at 13.32%. We may not be able to grow our CASA deposits and CASA ratio owing to the increased competition from other banks. In order to attract retail customers and increase our CASA deposits, we intend to introduce new products and promote our products through marketing campaigns. While various factors influence a customer's decision to place deposits with banks, the interest rates offered play a large role in influencing that decision. In order to attract deposits the interest rates we offer are determined by numerous factors such as the prevailing interest rate trends, competitive landscape, Indian monetary policy and inflation. However, there is no assurance that we will be successful in growing our CASA base. If we fail to grow our CASA ratio, our financial condition and cash flows may be materially and adversely affected.

38. We undertake certain fee and commission-based activities and our financial performance may be adversely affected by an inability to generate income from such activities.

We have expanded our operations from undertaking banking activities to providing certain fee and commission-based services. Our fee income includes income generated from sale of PSL certificates, which represented 2.89%, 2.83%, 3.27% and 3.08% of our total income in Fiscal 2018, 2019 and 2020 and in the nine months ended December 31, 2020, respectively. Revenue from commission, exchange and brokerage was ₹ 260.61 million, ₹ 448.13 million, ₹ 492.28 million and ₹ 173.08 million in Fiscal 2018, 2019 and 2020 and in the nine months ended December 31, 2020, respectively and represented 8.02%, 7.51%, 5.76% and 2.51%, respectively, of our total income, in the same periods.

Our fee and commission based activities include distribution of third-party insurance, mutual fund products and pension products. If we are unable to attract customers and are unable to continue to make competitive offerings of these services to our customers, fee generated by these products and services may be less than anticipated, which may materially and adversely affect our business, financial condition, results of operations and cash flows. Our fee income from sale of PSL certificates is influenced by the demand generated from shortfall of PSL by the purchasing bank in a particular category of loans and related supply from banks having excess PSL in such category. As the demand and supply of PSL certificates is beyond our control, there can be no assurance that we will continue to generate similar amounts of fees from sale of PSL certificates in the future. Any significant decrease in such fee income could impact our results of operations and financial condition. In addition, there has been a recent change in the definition of micro, small and medium enterprises which may require reclassification of certain customers and also obtaining of additional evidences to classify loans under MSME category. We cannot assure you that we will be able to obtain adequate and appropriate documentation from the borrowers to classify the loans advanced to them under the MSME category and we may be required to grant new loans or purchase portfolios including PSLCs to meet the targets.

39. ***We have implemented systems and procedures for "know-your-customer/ anti-money laundering/ combating financing of terrorism" ("KYC/AML/CFT") but may not be able to detect money-laundering and other illegal or improper activities in a comprehensive manner or on a timely basis, which could expose us to additional liability and harm our business or reputation.***

We are required to comply with applicable know-your-customer, anti-money laundering and anti-terrorism laws and other regulations in India. These laws and regulations require us to adopt certain measures, including, to adopt and enforce KYC/AML/CFT policies and procedures and to report suspicious and large transactions to the applicable regulatory authorities. We are also required to undertake constant review and assessment of existing control processes and programs to meet the increased regulatory expectation. We may face significant challenges with system upgradation to meet the requirements of such regulatory developments. While we have adopted policies and procedures for KYC/ AML/ CFT, such policies and procedures may not eliminate instances where we may be used by other parties to engage in money-laundering and other illegal or improper activities. In addition, there may be inconsistencies in the manner in which specific operational and KYC/AML/CFT policies are actually interpreted and implemented at an operational level in each of the Banking Outlets and other customer interface levels. For instance, in the past, there have been certain loan accounts under inclusive finance (JLG) loans which were created without PAN/Form60 and multiple customer IDs were created with respect to same KYC documents. In the event accounts are not routinely monitored or if subsequent complete KYC checks are not carried out, and if any such parties use our banking channels for money-laundering or illegal or improper purposes, our business and reputation could be significantly impacted.

While we intend to continue to strengthen our KYC/AML/CFT policies and procedures, to the extent we fail to fully comply with applicable laws and regulations, the relevant governmental and regulatory agencies may impose fines and other penalties. In addition, any adverse action taken by such agencies could adversely affect our reputation, thereby affecting our business and future financial performance.

40. ***You will not, without prior RBI approval, be able to acquire Equity Shares if such acquisition would result in an individual or group (along with persons acting in concert) holding 5% or more of our share capital or voting rights; further, even with RBI approval, you may not be able to exercise voting rights in excess of 26% of the total voting rights of our Bank.***

The Banking Regulation Act, read with the SFB Licensing Guidelines, requires any person to obtain prior approval of the RBI, to acquire or agree to acquire shares or voting rights of a bank, either directly or indirectly, beneficial or otherwise, by himself or acting in concert with other persons, wherein such acquisition (taken together with shares or voting rights held by him or his relative or associate enterprise or persons acting in concert with him) results in the aggregate shareholding of such persons to be 5% or more of the paid-up share capital of a bank or entitles him to exercise 5% or more of the voting rights in a bank.

An approval may be granted by the RBI if it is satisfied that the applicant meets the fit and proper criteria laid down by the RBI. The RBI may require the proposed acquirer to seek further RBI approval for subsequent acquisitions. Further, the RBI may restrict any person holding more than 5% of our total voting rights from exercising voting rights in excess of 5%, if such person is deemed to be not fit and proper by the RBI. Further, as per the Banking Regulation Act read with gazette notification no. DBR.PSBD.No.1084/16.13.100/2016-17 dated July 21, 2016, and as amended, no shareholder in a bank can exercise voting rights on poll in excess of 26% of total voting rights of all the shareholders of the bank in respect of private sector banks. For details, see "*Key Regulations and Policies*" on page 172.

41. ***Our insurance coverage may be inadequate to cover claims. If we incur substantial uninsured loss or loss that exceeds our insurance coverage, it could have a material adverse effect on our business, cash flows, results of operations and financial condition.***

While we are covered by a range of insurance that we believe is consistent with industry practice in India and in accordance with the guidelines provided by RBI to cover risks associated with our business, we cannot assure you that the existing coverage will insure our Bank completely against all risks and losses that may arise in the future. These include banker's blanket indemnity insurance policy, business shield policy (corporate cover policy), directors and officers liability insurance policy, cyber policy (digital business and data protection policy), commercial crime insurance policy, group health (floater) insurance policy, group term policy and group personal accident insurance policy. Our book value of assets under insurance cover as of December 31, 2020 was ₹ 162.12 million in respect of our book value of total property plant and equipment (excluding software and capital work-in-progress) which was ₹ 192.83 million as of December 31, 2020. Consequently, our insured assets as a percentage of our total property plant and equipment (excluding software and capital work-in-progress) was approximately 84.07%. We may not have insurance to cover all of the risks associated with our business, as insurance coverage is either unavailable for certain risks or is prohibitively expensive. In addition, even if such losses are insured, we may be compelled to contribute a substantial deductible on any claim for recovery of such a loss, or the amount of the loss may exceed our coverage for the loss. In addition, our insurance policies are generally subject to annual renewal, and our ability to renew these policies on similar or otherwise acceptable terms, cannot be assured. If we incur a serious uninsured loss or a loss that significantly exceeds the limits of our insurance policies, it could have a material adverse effect on our business, cash flows, results of operations and financial condition.

42. We may face cyber threats attempting to exploit our network to disrupt services to customers and/ or theft of sensitive internal data or customer information, which may cause damage to our reputation and adversely affect our business and financial performance.

We offer banking services to our customers through a range of alternate channels, including phone banking, mobile banking and internet banking. Our alternate banking channels include multiple services such as electronic funds transfer, bill payment services, requesting account statements, use of debit cards at ATMs and cash recyclers, and requesting cheque books. Therefore, by providing such services, we are exposed to various cyber threats including (i) phishing and trojans targeting our customers, wherein fraudsters send unsolicited mails to our customers seeking account sensitive information or to infect customer machines to search and attempt exfiltration of account sensitive information; (ii) hacking, wherein attackers seek to hack into our website with the primary intention of causing reputational damage to us by disrupting services; and (iii) data theft, wherein cyber criminals may attempt to enter our network with the intention of stealing our data or information. In addition, we also face the risk of our customers incorrectly blaming us and terminating their accounts with us for any cyber security breaches that may have occurred on their own system or with that of an unrelated third party. In the past, there have been attempts of cyber-attacks such as DDoS and on network infrastructure at our datacenter which impacted our mobile application for a brief period of time. With increased digitization of our services, the frequency of such cyber threats may also increase in the future. Any cyber security breach could also subject us to additional regulatory scrutiny and expose us to civil litigation and related financial liability. While we have implemented operational controls to prevent and detect such threats, there can be no assurance that cyber threats will not impact our operations in the future.

Further, while we have established a geographically remote disaster recovery site to support critical applications, our disaster recovery site may also fail or may take considerable time and resources to ensure that the system is fully operational and achieve complete business resumption. In situations where the primary and secondary sites are completely unavailable, there may be significant disruption to our operations, which would materially adversely affect our business, financial condition, reputation and results of operation.

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

Certain non-GAAP financial measures and certain other statistical information, such as yield, Spread and Net Interest Margin, relating to our operations and financial performance have been included in this section and elsewhere in this Prospectus. For further information, see "*Selected Statistical Information*" on page 211. We compute and disclose such non-GAAP financial measures and such other statistical information relating to our operations and financial performance as we consider such information to be useful measures of our business and financial performance, and because such measures are frequently used by securities analysts, investors and others to evaluate the operational performance of financial services businesses, many of which provide such non-GAAP financial measures and other statistical and operational information when reporting their financial results. Such non-GAAP measures are not measures of operating performance or liquidity defined by generally accepted accounting principles. These non-GAAP financial measures and other statistical and other information relating to our operations and financial performance may not be computed on the basis of any standard methodology that is applicable across the industry and therefore may not be comparable to financial measures and statistical information of similar nomenclature that may be computed and presented by other financial services companies.

44. Most of our Banking Outlets along with our Registered Office and Corporate Office are on leased or licensed premises and we may enter into new lease or license arrangements for additional Banking Outlets. Any inability on our part to identify suitable premises or enter into or renew lease agreements on terms acceptable to us, may have an adverse effect on our operations.

As of December 31, 2020, most of our Banking Outlets are located on leased or licensed premises. Further, our Registered Office and Corporate Office is located on licensed premises. In addition, we intend to strategically open additional Banking Outlets on leased premises in the future. Consequently, any inability on our part to identify suitable premises for our Banking Outlets, or enter into or renew lease agreements on terms acceptable to us, may have an adverse effect on our operations.

Further, a number of our lease agreements as well as license agreements are due to expire in the next three to five years, and in case of non-renewal of our leases or licenses or if such agreements are renewed on unfavorable terms and conditions, we may be forced to procure alternative space for our existing Banking Outlets, Registered Office and Corporate Office and incur additional costs for such relocation. In addition, certain of our Banking Outlets may be located on premises that have been or will be mortgaged by landlords to secure credit facilities obtained from lenders. If the lenders enforce the mortgage on account of any default by the landlords and subsequently, our leasehold arrangements are cancelled or do not get renewed, or if the parties refuse to renew them on terms that are commercially acceptable to us, we may be compelled to relocate from such premises. This may cause a disruption in our operations or result in increased costs, or both, which may materially and adversely affect our business, financial condition, results of operations and cash flows, in respect of such defaulting premises.

Further, some of our lease agreements may not be adequately stamped or registered with the registering authority of the appropriate jurisdiction. An instrument not duly stamped, or insufficiently stamped, shall not be admitted as evidence in any Indian court or may attract a penalty as prescribed under applicable law for admission, which could adversely affect the continuance of our operations and business. We cannot assure you that we will be able to identify space that satisfies the operational, safety and other criteria for our Banking Outlets at terms that are commercially viable or at all.

45. ***Any non-compliance with law or unsatisfactory service by service providers engaged by us for certain services could have an adverse impact on our business and results of operations.***

We enter into outsourcing arrangements with independent service providers and independent contractors, in compliance with the RBI guidelines on outsourcing. These service providers and contractors provide services that include, among others, ATM management, debit card related services, business correspondents, roll out of Banking Outlets, technology management services related to implementation of hardware, software, networks, data center and disaster recovery. As a result of outsourcing such services, we are exposed to various risks including strategic, compliance, operational, fraud, theft, embezzlement, legal and contractual risks. Any failure by a service provider to provide a specified service or a breach in security/ confidentiality or non-compliance with legal and regulatory requirements, may result in financial loss or loss of reputation. For instance, in the past, on September 12, 2018, as a result of a technical issue with our core banking application it resulted in significant downtime of our core banking application. While we did not incur any financial loss, our customer service was impacted on account of such fault. There can be no assurance that there will be no disruptions in the provision of such services or that these third parties will adhere to their contractual obligation. If there is a disruption in the service providers' services, or if the service providers discontinue their service agreement with us, our business, financial condition, cash flows and results of operations may be adversely affected. We cannot assure you that the terms of such agreements will not be breached, and in case of any dispute, it may result in litigation costs. Such additional cost, in addition to the cost of entering into agreements with third parties in the same industry, may materially and adversely affect our business, financial condition, results of operations and cash flows. The "Guidelines on Managing Risks and Code of Conduct in Outsourcing of Financial Services by Bank" issued by the RBI places obligations on banks, its directors and senior management for ultimate responsibility for the outsourced activity. Banks are required to ensure outsourced service providers obtain prior approval for the use of subcontractors. The RBI has also directed banks to review the subcontracting arrangements and ensure that such arrangements are compliant with aforementioned RBI guidelines. Legal risks, including actions being undertaken by the RBI, if our service providers act unethically or unlawfully, could materially and adversely affect our business, financial condition, results of operations and cash flows.

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

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

47. ***Weakness or failures of our internal control system may cause significant operational errors, which may in turn materially and adversely affect our business.***

Banks and financial institutions are generally exposed to many types of operational risks, including the risk of fraud or other misconduct by employees or outsiders, unauthorized transactions by employees and third parties (including violation of regulations for prevention of corrupt practices, and other regulations governing our business activities), or operational errors, including clerical or record keeping errors or errors resulting from faulty computer or telecommunications systems. See " – *Our operations involve handling significant amounts of cash, making us susceptible to operational risks, including fraud, petty theft and embezzlement, which could harm our results of operations and financial position*" on page 37. Further, given the high volume of transactions that we handle on a day-to-day basis, certain errors may be repeated or compounded before they are discovered and successfully rectified. In addition, our dependence on automated systems to record and process transactions may further increase the risk that technical system flaws or employee tampering or manipulation of those systems will result in losses that are difficult to detect.

We also outsource certain functions/ activities to other agencies. We are also, as a result exposed to the risk that such external agencies may be unable to fulfil their contractual obligations to us (or will be subject to the same risk of fraud or operational errors by their respective employees as we are), and to the risk that our (or such agencies) business continuity and data security systems prove not to be sufficiently adequate. We also face the risk that the design of our controls and procedures may prove inadequate, or are circumvented, thereby causing delays in detection or errors in information. We are exposed to operational risks arising from the potential inadequacy or failure of internal processes or systems, and our actions may not be sufficient to guarantee effective internal controls in all circumstances. Our management information systems and internal control procedures that are designed to monitor our operations and overall compliance may not identify every instance of non-compliance or every suspicious transaction. If internal control weaknesses are identified, our actions may not be sufficient to fully correct such internal control weakness.

48. ***Weaknesses, disruption or failures in IT systems could adversely impact our business.***

We substantially rely on our IT systems for certain critical functions including financial controls, risk management and transaction processing. Our IT systems are outsourced to a technology service provider for end-to-end banking solutions, comprising our core banking systems, risk management, domestic treasury, switching solutions, debit card management, retail internet banking and mobile banking solutions, business origination systems, loan management systems, corporate website and corporate internet banking. Any failure in performing any of these functions could adversely affect our business, financial condition and results of operations.

Our alternate delivery channels including internet banking including UPI and bill payment services, mobile banking and tablet banking are subject to various risks, such as network connectivity failure, information security issues and browser compatibility issues. We may also be subject to disruptions of our IT systems arising from events that are wholly or partially beyond our control (including, for example, damage or incapacitation by human error, natural disasters, electrical or telecommunication outages, sabotage, computer viruses, hacking, cyber-attacks or similar events, or loss of support services from other third parties, such as internet backbone providers). A significant system breakdown or system failure would have an adverse impact on our operations and lead to financial loss. In the event we experience interruptions in our IT systems, this could give rise to deterioration in customer service and to loss or liability to us and could adversely affect our business, financial condition, results of operations and cash flows.

Our data centre is located in Mumbai and our disaster recovery centre is located in Hyderabad as part of our business continuity measures. However, if there is a failure in switching to the back-up system in a timely manner, our data may be compromised which would have an adverse effect on our financial condition, results of operations and cash flows.

Further, on September 14, 2020, RBI released guidelines on automation of income recognition, asset classification and provisioning processes pursuant to which banks have been advised to put in place and upgrade their systems by June 30, 2021 to *inter alia*, recognize and derecognize income in case of impaired assets, configure the NPAs and NPIs in the system without any manual intervention.

49. ***Certain of our Directors are on the board of directors of companies engaged in a line of business similar to that of ours. Any conflict of interest that may occur as a result could adversely affect our business, prospects, financial condition, result of operations and cash flows.***

Certain of our Directors are on the board of directors of companies engaged in a line of business similar to that of our Bank. John Arunkumar Diaz is a director on the board of directors of Tribetech Private Limited. Further, Aleem Remtula is a nominee director on the board of directors of S.M.I.L.E. Microfinance Limited. These entities may provide comparable services, expand their presence, solicit our employees or acquire interests in competing ventures in the locations or segments in which we operate. A conflict of interest may occur between our business and the business of such entities, which could have an adverse effect on our business, prospects, financial condition, results of operations and cash flows. Certain of our Promoters and Directors may become involved in ventures that may potentially compete with our Bank, and their interests in these ventures may conflict with the interests of our Bank. Our Promoters and Directors may, for business considerations or otherwise, cause our Bank to take actions, or refrain from taking actions, in order to benefit themselves instead of our Bank's interests and which may be harmful to our Bank's interests, which may materially adversely impact our business, financial condition and results of operations.

50. Our operations could be adversely affected by strikes, work stoppages or increased wage demands by our employees, changes in labour laws, or any other change in the relationship we have with our employees.

As of December 31, 2020, we had 4,770 employees. Although our employees are not unionized and we have not experienced any material labour unrest until the date of this Prospectus, we cannot assure you that we will not experience disruptions in work due to disputes or other problems with our work force in the future. Any labour unrest directed against us, including with respect to increased wage demands, could prevent or hinder our normal operating activities, and, if not resolved in a timely manner, could lead to disruptions in our operations. In addition, the Supreme Court recently changed the method of calculating the contribution towards provident fund of an employee which is expected to result in greater provident fund deductions and lower take home salary for employees as well as an increase in employer's share of contributions towards provident fund to the employees' account. While we have carried out appropriate adjustments in compliance with the Supreme Court's decision, we may not be able to comply with any such changes in the future in a timely manner, which may expose us to greater scrutiny, inspections and potential penalties for non-payment of contributions on allowances. These actions are impossible for us to predict or control and could adversely affect our business, results of operations, financial condition and cash flows.

51. We have not declared any dividend in the past on our Equity Shares. Our ability to pay dividends in the future will depend upon applicable regulations, future earnings, financial condition, cash flows, working capital requirements, capital expenditures and lender consents and there can be no assurance that we will be able to pay dividends in the future.

We have not declared any dividends on our Equity Shares since commencing our banking operations. The amount of our future dividend payments, if any, will be at the discretion of the Board and guidelines as may be prescribed by the RBI from time to time (including RBI circular DBOD.NO.BP.BC. 88 / 21.02.067 / 2004-05 dated May 4, 2005) and will depend upon our dividend distribution policy, our future earnings, financial condition, cash flows, working capital requirements, capital expenditures and restrictive covenants in our financing arrangements. There can be no assurance that we will be able to pay dividends in the future. For further information on our dividend policy, see *"Dividend Policy*" on page 210.

52. Any future hedging strategies may not be successful in preventing losses.

We are currently not permitted to invest in certain financial instruments including derivatives, except for the purpose of hedging activities. In the future, should the guidelines applicable to SFBs be modified, we may utilize a variety of financial instruments for hedging different financial risks including undertaking the use of interest rate futures and derivatives for proprietary hedging. While we may enter into such transactions to seek to reduce interest rate risks, or the risks posed by the occurrence of certain other events, unanticipated changes in interest rates or the non-occurrence of other events being hedged may result in our poorer overall performance than if we had not engaged in any such hedging transaction. In addition, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the position being hedged may vary. Moreover, for a variety of reasons, we may not seek to establish a perfect correlation between such hedging instruments and the positions being hedged. Such imperfect correlation may prevent us from achieving the intended hedge or expose us to additional risk of loss.

53. A substantial portion of our loans have a tenor exceeding one year, exposing us to risks associated with economic cycles and project success rates.

As of December 31, 2020, loans with a remaining tenor exceeding one year represented 35.10% of our Net Advances. The long tenor of these loans may expose us to risks arising out of economic cycles. There can be no assurance that the borrowers' businesses/ income-generating activities will perform as anticipated or that they will be able to generate cash flows as estimated to service commitments under the loans. While we have adopted procedures to monitor the repayment abilities of our borrowers, these procedures may not be effective due to factors beyond our or such borrowers' control, including recession in the economy. As a substantial portion of our loans are susceptible to these uncertainties, the occurrence of any of these events could lead to a rise in delinquency rates and, in turn, adversely impact our future financial performance.

54. Our Promoters, certain of our Directors and Key Managerial Personnel have interests in us other than reimbursement of expenses incurred and normal remuneration or benefits.

Our Promoters, certain of our Directors and Key Managerial Personnel may be regarded as having an interest in our Bank other than reimbursement of expenses incurred and normal remuneration or benefits. Our Promoters, certain of our Directors and Key Managerial Personnel may be deemed to be interested to the extent of Equity Shares held by them as well as to the extent of any dividends, bonuses, or other distributions on such Equity Shares. We cannot assure you that our Promoters, Directors and Key Managerial Personnel will exercise their rights as shareholders to the benefit and best interest of our Bank. For further information, see "*Our Management*" beginning on page 188.

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

It is likely that we may enter into related party transactions in the future. All related party transactions that we may enter into, will be subject to board or shareholders' approval, as necessary under the Companies Act, 2013 and the SEBI Listing Regulations, we cannot assure you that such transactions, individually or in the aggregate, will not have an adverse effect on our financial condition, cash flows and results of operations or that we could not have achieved more favorable terms if such transactions had not been entered into with related parties. Such related party transactions may potentially involve conflicts of interest. For further information, see "*Financial Information – Restated Financial Statements – Annexure 22 – Note 28* **-** *Related Party Transactions"* on page 299.

56. ***Industry information included in this Prospectus has been derived from the CRISIL Report commissioned by our Bank for such purpose. The CRISIL Report is not exhaustive and is based on certain assumptions and parameters/ conditions. There can be no assurance that such third-party statistical, financial and other industry information is either complete, reliable or accurate.***

We have commissioned the services of an independent third party research agency, CRISIL Limited, to prepare an industry report titled "*Report on Small Finance Banks and various loan products*" dated September 2020, for purposes of inclusion of such information in this Prospectus. This report is subject to various limitations and based upon certain assumptions that are subjective in nature. We have not independently verified data from this industry report and do not guarantee the accuracy and completeness of the report. While we have taken reasonable care in the reproduction of the information, the information has not been prepared or independently verified by us, the Selling Shareholders or the BRLMs or any of our or their respective affiliates or advisors or any other person connected with the Issue and, therefore, neither we nor any of the Selling Shareholders or the BRLMs or any of our or their respective affiliates or advisors make any representation or warranty, express or implied, as to the accuracy or completeness of such facts and statistics. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the information in such report may be inaccurate or may not be comparable to statistics produced for other economies and should not be unduly relied upon. Further, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. Statements from third parties that involve estimates are subject to change, and actual amounts may differ materially from those included in this Prospectus.

57. ***Our customers may engage in certain transactions in or with countries or persons that are subject to international economic sanctions.***

Various international jurisdictions, including the United States and the United Kingdom, restrict investments or otherwise doing business in or with certain countries or territories and with certain persons or businesses that have been specially designated by such government agencies. Other governments and international or regional organizations also administer similar economic sanctions.

Although we believe we have compliance systems in place that are sufficient to block prohibited transactions, and we have not been notified that any penalties or other measures will be imposed on us, there can be no assurance that will be able to fully monitor all of our transactions for any potential violation.

There can be no assurance that our future business will be free of risk under sanctions implemented by these jurisdictions or that we will be able to conform our business operations to the expectations and requirements of such international regulatory agencies that do not have jurisdiction over our business but nevertheless assert the right to impose sanctions on an extraterritorial basis. Further, investors in the Equity Shares could incur reputational or other risks as a result of our or our customers' dealings in or with sanctioned countries or with persons that are the subject of such sanctions.

58. ***The trading in our non-convertible debentures may be infrequent, limited or sporadic, which may affect our ability to raise debt financing in future.***

Our non-convertible debentures are listed on the debt segment of BSE. Trading in our debt securities has been limited and we cannot assure you that the debt securities will be frequently traded on BSE or that there would be any market for our debt securities. Further, we cannot predict if and to what extent a secondary market may develop for the debt securities or at what price such debt securities will trade in the secondary market or whether such market will be liquid or illiquid.

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

We propose to use the Net Proceeds towards augmenting our Bank's Tier – 1 capital base to meet our Bank's future capital requirements such as organic growth and expansion and to comply with the regulatory requirements for enhanced capital base, as may be prescribed in the future. Our proposed deployment of Net Proceeds has not been appraised and it is based on management estimates. Under the SEBI ICDR Regulations, our Bank is not required to appoint a monitoring agency for the Issue and deployment of the Fresh Issue proceeds will be entirely at the discretion of our Bank. Our management will therefore have broad discretion to use the Net Proceeds.

Various risks and uncertainties, including those set forth in this section, may limit or delay our efforts to use the Net Proceeds to achieve profitable growth in our business. For example, our organic growth and expansion plans could be delayed due to failure to receive regulatory approvals, technical difficulties, human resource, technological or other resource constraints, or for other unforeseen reasons, events or circumstances. Accordingly, use of the Net Proceeds to meet our future capital requirements, fund our growth and for other purposes identified by our management may not result in actual growth of our business, increased profitability or an increase in the value of our business and your investment.

60. ***Compliance with provisions of Foreign Account Tax Compliance Act may affect payments on the Equity Shares.***

The U.S. "Foreign Account Tax Compliance Act" (or "**FATCA**") imposes a new reporting regime and potentially, imposes a 30% withholding tax on certain "foreign passthru payments" made by certain non-U.S. financial institutions (including intermediaries).

If payments on the Equity Shares are made by such non-U.S. financial institutions (including intermediaries), this withholding may be imposed on such payments if made to any non-U.S. financial institution (including an intermediary) that is not otherwise exempt from FATCA or other holders who do not provide sufficient identifying information to the payer, to the extent such payments are considered "foreign passthru payments". Under current guidance, the term "foreign passthru payment" is not defined and it is therefore not clear whether and to what extent payments on the Equity Shares would be considered "foreign passthru payments". The United States has entered into intergovernmental agreements with many jurisdictions (including India) that modify the FATCA withholding regime described above. It is not yet clear how the intergovernmental agreements between the United States and these jurisdictions will address "foreign passthru payments" and whether such agreements will require us or other financial institutions to withhold or report on payments on the Equity Shares to the extent they are treated as "foreign passthru payments". Prospective investors should consult their tax advisors regarding the consequences of FATCA, or any intergovernmental agreement or non-U.S. legislation implementing FATCA, to their investment in Equity Shares.

61. ***U.S. holders should consider the impact of the passive foreign investment company rules in connection with an investment in our Equity Shares.***

A foreign corporation will be treated as a passive foreign investment company ("**PFIC**") for U.S. federal income tax purposes for any taxable year in which either: (i) at least 75% of its gross income is "passive income" or (ii) at least 50% of its gross assets during the taxable year (based on of the quarterly values of the assets during a taxable year) are "passive assets," which generally means that they produce passive income or are held for the production of passive income. For purposes of applying the 75% passive income test and the 50% passive asset test, income derived in the active conduct of a banking business by a foreign corporation that is not licensed to do business as a bank in the United States does not constitute passive income if the foreign corporation is an active foreign bank.

Our Bank believes that it was not a PFIC for fiscal year ended March 31, 2020. We do not expect to be a PFIC in the current fiscal year, or any future years. However, no assurance can be given that our Bank will or will not be considered a PFIC in the current or future years. The determination of whether or not our Bank is a PFIC is a factual determination that is made annually after the end of each taxable year. The IRS has not, to date, rendered any determination with respect to our Bank's PFIC status. There can be no assurance that our Bank will not be considered a PFIC in the current taxable year, or any future taxable year because, among other reasons, (i) the composition of our Bank's income and assets will vary over time, and (ii) the manner of the application of relevant rules is uncertain in several respects. Further, our Bank's PFIC status may depend on the market price of its Equity Shares, which may fluctuate considerably. For further information, see "*Certain United States Federal Income Tax Considerations*" on page 363.

External Risk Factors

62. ***Our business, financial condition and results of operations may be materially adversely affected by global health epidemics, including the recent COV ID-19 outbreak.***

Outbreaks of epidemic, pandemic, or contagious diseases such as COVID-19, could have an adverse effect on our business, financial condition, and results of operations. The spread of COVID-19 has resulted in the World Health Organization declaring the outbreak of COVID-19 as a global pandemic. With the outbreak of COVID-19, international stock markets have begun to reflect the uncertainty associated with the slow-down in the global economy and the reduced levels of international travel experienced since the beginning of January, large declines in oil prices and the significant decline in the Dow Industrial Average at the end of February and beginning of March 2020 was largely attributed to the effects of COVID-19. In addition, the widespread lockdowns implemented by various countries since March 2020 has further slowed-down the global economy and disrupted daily operations of most companies. If the COVID-19 outbreak progresses in ways that continue to disrupt our operations including through lockdowns and limited access to business resources, such disruption may materially negatively affect our operating results for Fiscal 2021 and possible subsequent periods. If the spread of the COVID-19 continues to limit the level of economic activity globally, and in particular in India, this likely would negatively affect, and may materially negatively affect, our operating results, cash flow and business. Additionally, as the spread of COVID-19 negatively impacts our customers, employees, or employees or contractors of our vendors, it has and will continue to negatively affect our ability to provide timely services, comply with regulatory reporting requirements and may generally affect our operations, which may materially and negatively affect our business, financial condition and results of operations. For further information on the impact of COVID-19 on our operations, see " – *The continuing impacts of COVID-19 are highly unpredictable and could be significant, and may have an adverse effect on our business, operations and our future financial performance.*" on pages 22 to 24.

63. The occurrence of natural or man-made disasters could adversely affect our results of operations, cash flows and financial condition. Hostilities, terrorist attacks, civil unrest and other acts of violence could also adversely affect the financial markets and our business.

The occurrence of natural disasters, including cyclones, storms, floods, earthquakes, tsunamis, tornadoes, fires, explosions, pandemic diseases such as the COVID-19 and man-made disasters, including acts of terrorism and military actions, could adversely affect our results of operations, cash flows or financial condition. Terrorist attacks and other acts of violence or war in India or globally may adversely affect the Indian securities markets. In addition, any deterioration in international relations, especially between India and its neighbouring countries, may result in investor concern regarding regional stability which could adversely affect the price of the Equity Shares. In addition, India has witnessed local civil disturbances in recent years and it is possible that future civil unrest as well as other adverse social, economic or political events in India could have an adverse effect on our business. Such incidents could also create a greater perception that investment in Indian companies involves a higher degree of risk and could have an adverse effect on our business and the market price of the Equity Shares.

64. Any deterioration in the general economic conditions in India and globally could adversely affect our business and results of operations.

Our performance and the growth of our business are dependent on the health of the Indian economy. Any slowdown in the Indian economy or future volatility in global markets could increase in our borrowing costs, result in freeze in lending generally, thereby adversely affecting our business. Additionally, an increase in trade deficit, a downgrading in India's sovereign debt rating or a decline in India's foreign exchange reserves could negatively affect interest rates and liquidity, which could adversely affect the Indian economy and our business. Any downturn in the macroeconomic environment in India could also adversely affect our business, results of operations, financial condition, cash flows and the trading price of the Equity Shares.

India's economy could be adversely affected by a general rise in interest rates, adverse weather conditions affecting agriculture, commodity and energy prices as well as various other factors. A slowdown in the Indian economy could adversely affect the policy of the Government of India towards our banking and finance industry, which may in turn adversely affect our financial performance and our ability to implement our business strategy.

The Indian economy is also influenced by economic and market conditions in other countries, particularly emerging market conditions in Asia. A loss of investor confidence in other emerging market economies or any worldwide financial instability may adversely affect the Indian economy, which could materially and adversely affect our business and results of operations and the market price of the Equity Shares.

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

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

66. The restructuring and insolvency laws of India may differ from other jurisdictions with which investors are familiar and investors may have limited recourse to the assets of our Bank in view of the overarching powers of the Government.

As our Bank is incorporated under the laws of the India, any restructuring and insolvency proceedings relating to our Bank is likely to involve the laws of India, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which investors are familiar. For instance, in the ongoing restructuring exercise of Yes Bank Limited, the RBI's draft revival plan for the bank does not protect the value of AT1 bondholders' investments. Accordingly, in the event of any such restructuring exercise of our Bank, there can be no assurance that the shareholders of the Equity Shares will have the ability to wind up our Bank or protect the value of their investments, as the Government together with the regulatory authorities and in consultation with larger consortium lenders, may influence the ranking of claims of our Bank in liquidation.

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

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

68. ***Financial instability, economic developments and volatility in securities markets in other countries may also cause the price of the Equity Shares to decline.***

The Indian market and the Indian economy are influenced by economic and market conditions in other countries, particularly emerging Asian market countries. In recent times, the Indian financial markets had been negatively affected by the volatility in the global financial market, including on account of certain European nations' debt troubles, move to break away by the United Kingdom from the European Union and recent trade wars. Although, economic conditions are different in each country, investors' reactions to developments in one country can have adverse effects on the securities of companies in other countries, including India. Currencies of a few Asian countries have in the past suffered depreciation against the U.S. Dollar owing to various factors. A loss of investor confidence in the financial systems of other emerging markets may cause increased volatility in Indian financial markets and, indirectly, in the Indian economy in general. Any worldwide financial instability could also have a negative impact on the Indian economy. Financial disruptions may occur and could harm our business, future financial performance and the prices of the Equity Shares.

The global credit and equity markets have experienced substantial dislocations, liquidity disruptions and market corrections in recent years. Liquidity and credit concerns and volatility in the global credit and financial markets have increased significantly with the bankruptcy or acquisition of, and government assistance extended to, several major U.S. and European financial institutions. These and other related events have had a significant impact on the global credit and financial markets as a whole, including reduced liquidity, greater volatility, widening of credit spreads and a lack of price transparency in global credit and financial markets. In response to such developments, legislators and financial regulators in the United States and other jurisdictions, including India, have implemented a number of policy measures designed to add stability to the financial markets.

However, the overall impact of these and other legislative and regulatory efforts on the global financial markets is uncertain, and they may not have the intended stabilizing effects. In the event that the current difficult conditions in the global credit markets continue or if there is any significant financial disruption, such conditions could have an adverse effect on our business, future financial performance and the trading price of the Equity Shares.

69. ***Any adverse change in India's credit rating by an international rating agency could materially adversely affect our business and profitability.***

India's sovereign rating is Baa3 with a "negative" outlook (Moody's), BBB-with a "stable" outlook (S&P) and BBB- with a "negative" outlook (Fitch). India's sovereign rating could be downgraded due to various factors, including changes in tax or fiscal policy or a decline in India's foreign exchange reserves, which are outside our Bank's control. Any adverse change in India's credit ratings by international rating agencies may adversely impact the Indian economy and consequently our ability to raise additional financing, and the interest rates and other commercial terms at which such additional financing is available. This could have an adverse effect on our business and financial performance, ability to obtain financing for capital expenditures and the price of the Equity Shares.

70. ***If there is any change in tax laws or regulations, or their interpretation, such changes may significantly affect our financial statements for the current and future years.***

Any change in Indian tax laws could have an effect on our operations. For instance, the Taxation Laws (Amendment) Ordinance, 2019, a new tax ordinance issued by India's Ministry of Finance on September 20, 2019, prescribes certain changes to the income tax rate applicable to companies in India. According to this new ordinance, companies can henceforth voluntarily opt in favor of a concessional tax regime (subject to no other special benefits/exemptions being claimed), which would ultimately reduce the effective tax rate for Indian companies from 34.94% to approximately 25.17%. While we have opted for the concessional regime, any such future amendments may affect our other benefits such as exemption for income earned by way of dividend from investments in other domestic companies and units of mutual funds, exemption for interest received in respect of tax free bonds, and long-term capital gains on equity shares if withdrawn by the statute in the future, and the same may no longer be available to us. Any adverse order passed by the appellate authorities/ tribunals/ courts would have an effect on our profitability.

In addition, we are subject to tax related inquiries and claims. We may be particularly affected by claims from tax authorities on account of income tax assessment and GST that combines taxes and levies by the central and state governments into one unified rate with effect from July 1, 2017. We cannot predict whether any new tax laws or regulations impacting our services will be enacted, what the nature and impact of the specific terms of any such laws or regulations will be or whether, if at all, any laws or regulations would have an adverse effect on our business.

The Government of India has announced the union budget for Fiscal 2021, pursuant to which the Finance Act, 2020 has introduced various amendments. As such, there is no certainty on the impact that the Finance Act, 2020 may have on our business and operations or on the industry in which we operate. In addition, unfavourable changes in or interpretations of existing, or the promulgation of new laws, rules and regulations including foreign investment laws governing our business, operations and group structure could result in us being deemed to be in contravention of such laws or may require us to apply for additional approvals. We may incur increased costs relating to compliance with such new requirements, which may also require management time and other resources, and any failure to comply may adversely affect our business, results of operations and prospects. Uncertainty in the applicability, interpretation or implementation of any amendment to, or change in, governing law, regulation or policy, including by reason of an absence, or a limited body, of administrative or judicial precedent may be time consuming as well as costly for us to resolve and may affect the viability of our current business or restrict our ability to grow our business in the future.

71. ***A significant change in the Government of India's economic liberalization and deregulation policies could adversely affect our business and the price of our Equity Shares.***

Our business and customers are essentially located in India or are related to and influenced by the Indian economy. The Government of India has traditionally exercised, and continues to exercise, a dominant influence over many aspects of the economy. Unfavourable government policies could adversely affect business and economic conditions in India, and could also affect our ability to implement our strategy and our future financial performance. Since 1991, successive governments have pursued policies of economic liberalization, including significantly relaxing restrictions on the private sector and encouraging the development of the Indian financial sector. However, the members of the Government of India and the composition of any coalition in power are subject to change. As a result, it is difficult to predict the economic policies that will be pursued by the Government of India. The rate of economic liberalization could change and specific laws and policies affecting the financial services industry, foreign investment, currency exchange and other matters affecting investment in our securities could change as well. Any significant change in India's economic liberalization and deregulation policies could adversely affect business and economic conditions in India generally and our business in particular.

72. ***Changing laws, rules and regulations and legal uncertainties may materially adversely affect our business and financial performance.***

Our business and financial performance could be materially and adversely affected by changes in the laws, rules, regulations or directions applicable to us, or the interpretations of such existing laws, rules and regulations, or the promulgation of new laws, rules and regulations. Banks in India are subject to detailed supervision and regulation by the RBI. In addition, banks are generally subject to changes in Indian law, as well as to changes in regulations, government policies and accounting principles. There can be no assurance that the Government of India may not implement new regulations and policies which will require us to obtain approvals and licenses from regulatory bodies or impose onerous requirements, conditions, costs and expenditures on our operations. Any such changes and the related uncertainties with respect to the implementation of the new regulations may have a material adverse effect on our business, financial condition, results of operations and cash flows. In addition, we may have to incur capital expenditures to comply with the requirements of any new regulations, which may also materially harm our results of operations.

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

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

74. If inflation were to rise in India, we might not be able to increase the prices of our services at a proportional rate in order to pass costs on to our customers and our profits might decline.

Inflation rates could be volatile and we may face high inflation in the future as India had witnessed in the past. Increased inflation can contribute to an increase in interest rates and increased costs to our business, including increased costs of transportation, salaries, and other expenses relevant to our business. Further, high inflation leading to higher interest rates may also lead to a slowdown in the economy and adversely impact credit growth. Consequently, we may also be affected and fall short of business growth and profitability.

High fluctuations in inflation rates may make it more difficult for us to accurately estimate or control our costs. Any increase in inflation in India can increase our operating expenses, which we may not be able to pass on to our customers, whether entirely or in part, and the same may adversely affect our business and financial condition. In particular, we might not be able to reduce our costs or pass the increase in costs on to our customers. In such case, our business, results of operations, cash flows and financial condition may be adversely affected.

While the Government of India through the RBI has previously initiated economic measures to combat high inflation rates, it is unclear whether these measures will remain in effect, and there can be no assurance that Indian inflation levels will not rise in the future.

75. Our ability to raise borrowings in foreign currencies may be constrained by Indian law.

Indian banks and companies are subject to exchange controls that regulate borrowing in foreign currencies, including those specified under FEMA. Such regulatory restrictions limit our financing sources and hence could constrain our ability to obtain financing on competitive terms and refinance existing indebtedness. In addition, we cannot assure you that any required approvals for borrowing in foreign currency will be granted to us without onerous conditions, or at all. Such, and other, limitations on raising foreign capital may adversely affect our business growth, results of operations, financial condition and cash flows.

76. A third party could be prevented from acquiring control over us because of the anti-takeover provisions under Indian law and the provisions of the Banking Regulation Act.

There are provisions in Indian law that may delay, deter or prevent a future takeover or change in control of our Bank. These provisions may discourage or prevent certain types of transactions involving actual or threatened change in control of us. Under the Takeover Regulations, an acquirer has been defined as any person who, directly or indirectly, acquires or agrees to acquire shares or voting rights or control over a company, whether individually or acting in concert with others. Although these provisions have been formulated to ensure that interests of investors/ shareholders are protected, these provisions may also discourage a third party from attempting to take control of our Bank. Further, given that our Bank is governed by the RBI, any significant change in shareholding would require the prior approval of the RBI and there are limitations on voting rights in a banking company. Consequently, even if a potential takeover of our Bank would result in the purchase of the Equity Shares at a premium to their market price or would otherwise be beneficial to our Shareholders, such a takeover may not be attempted or consummated because of the regulatory framework applicable to us.

77. It may not be possible for investors to enforce any judgment obtained outside India against us, our Directors, the Book Running Lead Managers or any of their directors and executive officers in India respectively, except by way of a law suit in India. Further, it may not be possible for investors to enforce any judgment obtained outside India against IFC.

We are an SFB incorporated under the laws of India. Our Bank’s assets are located in India and majority of our Bank’s Directors and Key Managerial Personnel are residents of India. The enforcement of civil liabilities by overseas investors in the Equity Shares, including the ability to effect service of process and to enforce judgments obtained in courts outside of India may be adversely affected by the fact that our Bank is incorporated under the laws of the Republic of India and all of its executive officers and directors reside in India. As a result, it may be difficult to enforce the service of process upon our Bank and any of these persons outside of India or to enforce outside of India, judgments obtained against our Bank and these persons in courts outside of India.

India is not a party to any international treaty in relation to the recognition or enforcement of foreign judgments. Recognition and enforcement of foreign judgments is provided for under Section 13, 14 and Section 44A of the Code of Civil Procedure, 1908 ("**Civil Code**") on a statutory basis. Section 44A of the Civil Code provides that where a certified copy of a decree of any superior court, within the meaning of that Section, obtained in any country or territory outside India which the government has by notification declared to be in a reciprocating territory, may be enforced in India by proceedings in execution as if the judgment had been rendered by a district court in India. However, Section 44A of the Civil Code is applicable only to monetary decrees and does not apply to decrees for amounts payable in respect of taxes, other charges of a like nature or in respect of a fine or other penalties and does not apply to arbitration awards (even if such awards are enforceable as a decree or judgment).

Under the provisions of the International Finance Corporation (Status, Immunities and Privileges) Act, 1958 and the United Nations (Privileges and Immunities) Act, 1947, IFC, one of our Selling Shareholders, has certain immunities, including from legal process, search, requisition, confiscation, expropriation or any other seizure or attachment in respect of its properties and assets, in India. Additionally, all officers and employees of IFC are immune from legal process with respect to acts performed by them in their official capacity. There can be no assurance that you will be able to institute or enforce any action against IFC in India. Similar limitations may exist in other jurisdictions including the United States of America.

The United Kingdom, Singapore and Hong Kong have been declared by the government to be reciprocating territories for the purposes of Section 44A of the Civil Code. The United States has not been declared by the Government of India to be a reciprocating territory for the purposes of Section 44A of the Civil Code. A judgment of a court of a country which is not a reciprocating territory may be enforced in India only by a suit upon the judgment under Section 13 of the Civil Code, and not by proceedings in execution. Section 13 of the Civil Code provides that foreign judgments shall be conclusive regarding any matter directly adjudicated upon except: (i) where the judgment has not been pronounced by a court of competent jurisdiction; (ii) where the judgment has not been given on the merits of the case; (iii) where it appears on the face of the proceedings that the judgment is founded on an incorrect view of international law or refusal to recognize the law of India in cases to which such law is applicable; (iv) where the proceedings in which the judgment was obtained were opposed to natural justice; (v) where the judgment has been obtained by fraud; and/ or (vi) where the judgment sustains a claim founded on a breach of any law then in force in India. The suit must be brought in India within three years from the date of judgment in the same manner as any other suit filed to enforce a civil liability in India.

Further, there are considerable delays in the disposal of suits by Indian courts. It may be unlikely that a court in India would award damages on the same basis as a foreign court if an action is brought in India. Furthermore, it may be unlikely that an Indian court would enforce foreign judgments if it viewed the amount of damages awarded as excessive or inconsistent with public policy in India. A party seeking to enforce a foreign judgment in India is required to obtain prior approval from the RBI under FEMA to repatriate any amount recovered pursuant to execution and any such amount may be subject to income tax in accordance with applicable laws. Any judgment or award in a foreign currency would be converted into Indian Rupees on the date of the judgment or award and not on the date of the payment.

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

Indian legal principles related to corporate procedures, directors' fiduciary duties and liabilities, and shareholders' rights may differ from those that would apply to a bank in another jurisdiction. Shareholders' rights including in relation to class actions, under Indian law may not be as extensive as shareholders' rights under the laws of other countries or jurisdictions. Investors may have more difficulty in asserting their rights as shareholder in an Indian bank than as shareholder of a corporation in another jurisdiction.

Risks Relating to the Equity Shares

79. Fluctuation in the exchange rate between the Indian Rupee and foreign currencies may have an adverse effect on the value of our Equity Shares, independent of our operating results.

On listing, our Equity Shares will be quoted in Indian Rupees on the Stock Exchanges. Any dividends in respect of our Equity Shares will also be paid in Indian Rupees and subsequently converted into the relevant foreign currency for repatriation, if required. Any adverse movement in currency exchange rates during the time taken for such conversion may reduce the net dividend to foreign investors. In addition, any adverse movement in currency exchange rates during a delay in repatriating the proceeds from a sale of Equity Shares outside India, for example, because of a delay in regulatory approvals that may be required for the sale of Equity Shares may reduce the proceeds received by Shareholders. For example, the exchange rate between the Indian Rupee and the U.S. dollar has fluctuated substantially in recent years and may continue to fluctuate substantially in the future, which may have an adverse effect on the returns on our Equity Shares, independent of our operating results.

80. Investors will not be able to sell immediately on an Indian stock exchange any of the Equity Shares they are Allotted in the Issue.

Pursuant to the Issue, the Equity Shares will be listed on the Stock Exchanges. Pursuant to applicable Indian laws, certain actions must be completed before the Equity Shares can be listed and trading in the Equity Shares may commence. Investors' book entry, or 'demat' accounts with depository participants in India, are expected to be credited with the Equity Shares within one (1) working day of the date on which the Basis of Allotment is approved by the Stock Exchanges. The Allotment of Equity Shares in this Issue and the credit of such Equity Shares to the applicant's demat account with depository participant could take approximately six Working Days from the Bid Closing Date and trading in the Equity Shares upon receipt of final listing and trading approvals from the Stock Exchanges is expected to commence within six Working Days of the Bid Closing Date. There could be a failure or delay in listing of the Equity Shares on the Stock Exchanges. Any failure or delay in obtaining the approval or otherwise any delay in commencing trading in the Equity Shares would restrict investors' ability to sell their Equity Shares. There can be no assurance that the Equity Shares will be credited to investors' demat accounts, or that trading in the Equity Shares will commence, within the time periods specified herein. We could also be required to pay interest at the applicable rates if allotment is not made, refund orders are not dispatched or demat credits are not made to investors within the prescribed time periods.

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

Under the Companies Act, a company having share capital and incorporated in India must offer its holders of equity shares pre-emptive rights to subscribe and pay for a proportionate number of equity shares to maintain their existing ownership percentages before the issuance of any new equity shares, unless the pre-emptive rights have been waived by adoption of a special resolution. However, if the laws of the jurisdiction in which the investors are located in do not permit the investors to exercise their pre-emptive rights, without our filing an offering document or registration statement with the applicable authority in such jurisdiction, the investors will be unable to exercise their pre-emptive rights unless we make such a filing. If we elect not to file a registration statement, the new securities may be issued to a custodian, who may sell the securities for the investor's benefit. The value the custodian receives on the sale of such securities and the related transaction costs cannot be predicted. In addition, to the extent that the investors are unable to exercise pre-emptive rights granted in respect of the Equity Shares held by them, their proportional interest in us would be reduced.

82. Any future issuance of Equity Shares may dilute your shareholding and sales of the Equity Shares by our Promoters or other major shareholders may adversely affect the trading price of the Equity Shares.

We may be required to finance our growth, whether organic or inorganic, through future equity offerings. Any future equity issuances by us, including a primary offering, may lead to the dilution of investors' shareholdings in us. Any future issuances of Equity Shares (including under an employee benefit scheme) or the disposal of Equity Shares by our Promoters or any of our other principal shareholders or any other change in our shareholding structure to comply with the shareholding restrictions under the SFB Licensing Guidelines or the minimum public shareholding norms applicable to listed companies in India or any public perception regarding such issuance or sales may adversely affect the trading price of the Equity Shares, which may lead to other adverse consequences including difficulty in raising capital through offering of the Equity Shares or incurring debt. There can be no assurance that we will not issue further Equity Shares or that our existing shareholders including our Promoters will not dispose off further Equity Shares after the completion of the Issue. Any future issuances could also dilute the value of shareholder's investment in the Equity Shares and adversely affect the trading price of our Equity Shares. Such securities may also be issued at prices below the Issue Price. In addition, any perception by investors that such issuances or sales might occur may also affect the market price of the Equity Shares.

83. Investors may be subject to Indian taxes arising out of capital gains on the sale of the Equity Shares.

Under the current Indian tax laws and regulations, capital gains arising from the sale of equity shares in an Indian company are generally taxable in India. A securities transaction tax ("**STT**") is levied both at the time of transfer and acquistion of the equity shares (unless exempted under a prescribed notification), and collected by an Indian stock exchange on which equity shares are sold. Any gain realised on the sale of equity shares held for more than 12 months, which are sold using any other platform other than on a recognised stock exchange and on which no STT has been paid, are subject to long term capital gains tax in India. Such long term capital gains exceeding ₹ 100,000 arising from the sale of listed equity shares on the stock exchange are subject to tax at the rate of 10% (plus applicable surcharge and cess). Unrealized capital gains earned on listed equity shares up to January 31, 2018 continue to be tax exempt in such cases. Further, STT will be levied on and collected by an Indian stock exchange if the equity shares are sold on a stock exchange. With respect to capital gains arising in an off market sale, long term capital gains are subject to tax at the rate of 10% (plus applicable surcharge and cess) without the exemption of ₹ 100,000. Short-term capital gains, arising from the sale of such equity shares on a stock exchange would be subject to tax at the rate of 15% (plus applicable surcharge and cess), while short term capital gains arising in an off-market sale would be subject to tax at a higher rate of 40% (plus applicable surcharge and cess) in the case of foreign companies and 30% (plus applicable surcharge and cess) in the case of other non-resident taxpayers.

Further, any gain realised on the sale of listed equity shares held for a period of 12 months or less will be subject to short term capital gains tax in India. In cases where the seller is a non-resident, capital gains arising from the sale of the equity shares will be partially or wholly exempt from taxation in India in cases where the exemption from taxation in India is provided under a treaty between India and the country of which the seller is resident.

Historically, Indian tax treaties do not limit India's ability to impose tax on capital gains. As a result, residents of other countries may be liable for tax in India as well as in their own jurisdiction on a gain upon the sale of the equity shares.

Our Bank cannot predict whether any tax laws or other regulations impacting it will be enacted, or predict the nature and impact of any such laws or regulations or whether, if at all, any laws or regulations would have a material adverse effect on our Bank's business, financial condition, results of operations and cash flows.

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

Under foreign exchange regulations which are currently in force in India, transfer of shares between non-residents and residents are freely permitted (subject to certain restrictions), if they comply with the valuation and reporting requirements specified under applicable law. If a transfer of shares is not in compliance with such requirements and does not fall under any of the exceptions, then prior approval of the relevant regulatory authority is required. Additionally, shareholders who seek to convert Rupee proceeds from a sale of shares in India into foreign currency and repatriate that foreign currency from India require a no-objection or a tax clearance certificate from the Indian income tax authorities. Further, this conversion is subject to the shares having been held on a repatriation basis and, either the security having been sold in compliance with the pricing guidelines or, the relevant regulatory approval having been obtained for the sale of shares and corresponding remittance of the sale proceeds. We cannot assure you that any required approval from the RBI or any other governmental agency can be obtained with or without any particular terms or conditions.

For further information, see "*Restrictions on Foreign Ownership of Indian Securities*" on page 393. Our ability to raise any foreign capital under the FDI route is therefore constrained by Indian law, which may adversely affect our business, financial condition, cash flows, results of operations and prospects.

85. QIBs and Non-Institutional Bidders are not permitted to withdraw or lower their Bids (in terms of quantity of Equity Shares or the Bid Amount) at any stage after the submission of their Bid, and Retail Individual Bidders are not permitted to withdraw their Bids after closure of the Bid/ Issue Closing Date.

Pursuant to the SEBI ICDR Regulations, QIBs and Non-Institutional Bidders are required to pay the Bid Amount on submission of the Bid and are not permitted to withdraw or lower their Bids (in terms of quantity of Equity Shares or the Bid Amount) at any stage after submitting a Bid. Retail Individual Bidders can revise their Bids during the Bid/ Issue Period and withdraw their Bids until the Bid/ Issue Closing Date. Therefore, investors would not be able to withdraw or lower their Bids, notwithstanding adverse changes in international or national monetary policy, financial, political or economic conditions, our business, results of operations, cash flows or financial condition, or otherwise, between the dates of the submission of their Bids and the Allotment.

While our Bank is required to complete all necessary formalities for listing and commencement of trading of the Equity Shares on all Stock Exchanges where such Equity Shares are proposed to be listed, including Allotment, within six Working Days from the Bid/ Issue Closing Date or such other period as may be prescribed by the SEBI, events affecting the Bidders' decision to invest in the Equity Shares, including adverse changes in international or national monetary policy, financial, political or economic conditions, our business, results of operations, cash flows or financial condition may arise between the date of submission of the Bid and Allotment. Our Bank may complete the Allotment of the Equity Shares even if such events occur, and such events may limit the Bidders' ability to sell the Equity Shares Allotted pursuant to the Issue or cause the trading price of the Equity Shares to decline on listing.

SECTION III: INTRODUCTION

THE ISSUE

The following table summarizes the Issue details:

Issue of Equity Shares(1)(2)#		19,093,070* Equity Shares aggregating to ₹ 5,808.39* million
of which:		
(i)	Fresh Issue(1)	8,150,000* Equity Shares aggregating to ₹ 2,479.35* million
(ii)	Offer for Sale(2)	10,943,070* Equity Shares aggregating to ₹ 3,329.04* million by the Selling Shareholders
of which:		
(i)	Employee Reservation Portion(3)(4)	500,000* Equity Shares, aggregating to ₹ 137.50* million
(ii)	Net Issue	18,593,070* Equity Shares, aggregating to ₹ 5,670.89* million
of which:		
A)	QIB Portion(5)(6)	Not more than 9,296,534* Equity Shares
	of which:	
	Anchor Investor Portion	5,577,920* Equity Shares
	Net QIB Portion	3,718,614* Equity Shares
	of which:	
	Available for allocation to Mutual Funds only (5% of the Net QIB Portion)(5)	185,931* Equity Shares
	Balance of QIB Portion for all QIBs including Mutual Funds	3,532,683* Equity Shares
B)	Non-Institutional Portion(5)	Not less than 2,788,961* Equity Shares
C)	Retail Portion(5)(6)	Not less than 6,507,575* Equity Shares
Pre-Issue and post-Issue Equity Shares		
Equity Shares outstanding prior to the Issue		97,980,826 Equity Shares
Equity Shares outstanding after the Issue		106,130,826* Equity Shares
Utilization of Net Proceeds		See "*Objects of the Issue*" beginning on page 103 for details regarding the use of proceeds from the Fresh Issue. Our Bank will not receive any proceeds from the Offer for Sale.

* *Subject to finalisation of Basis of Allotment*

\# *Our Bank has undertaken a Pre-IPO placement of 5,208,226 Equity Shares comprising (i) a private placement of 3,084,833 Equity Shares to SBI Life Insurance Company Limited for cash at a price of ₹ 291.75 per Equity Share aggregating to approximately ₹ 900.00 million; (ii) a private placement of 1,713,795 Equity Shares to Axis Flexi Cap Fund for cash at a price of ₹ 291.75 per Equity Share aggregating to approximately ₹ 499.99 million; (iii) a private placement of 342,760 Equity Shares to Axis Equity Hybrid Fund for cash at a price of ₹ 291.75 per Equity Share aggregating to approximately ₹ 100.00 million; and (iv) a private placement of 66,838 Equity Shares to Kiran Vyapar Limited for cash at a price of ₹ 291.75 per Equity Share aggregating to approximately ₹ 19.50 million pursuant to shareholders' resolution dated February 13, 2021 and the resolution of the board dated February 23, 2021. The size of the Fresh Issue was reduced by 5,208,226 Equity Shares pursuant to the Pre-IPO placement. Further, pursuant to the resolution of the Board dated March 2, 2021, our Bank has also increased the Fresh Issue size by 1,763,226 Equity Shares (within the limits for Fresh Issue approved by our Shareholders on July 27, 2020). Accordingly, the Fresh Issue size was 8,150,000 Equity Shares.*

1. *The Fresh Issue has been authorised by our Board pursuant to resolution passed on July 3, 2020 and by our Shareholders pursuant to special resolution passed on July 27, 2020.*
2. *Each of the Selling Shareholders has authorized the sale of its respective portion of the Offered Shares in the Offer for Sale, as set out below:*

S. No.	*Name of the Selling Shareholder*	*Up to Offered Shares*	*Date of Selling Shareholders' Consent Letter*	*Date of board resolution/ investment committee resolution*
1.	*IFC*	*4,387,888 Equity Shares aggregating to ₹ 1,334.86 million*	*September 5, 2020*	*-*
2.	*Gaja Capital Fund II Limited*	*2,021,952 Equity Shares aggregating to ₹ 615.11 million*	*March 2, 2021[1]*	*March 2, 2021[1]*
3.	*DWM (International) Mauritius Ltd*	*1,889,845 Equity Shares aggregating to ₹ 574.92 million*	*March 2, 2021[2]*	*February 26, 2021[2]*
4.	*HDFC Holdings Limited*	*750,000 Equity Shares aggregating to ₹ 228.16 million*	*September 29, 2020*	*May 3, 2019*
5.	*IDFC FIRST Bank Limited*	*1,500,000 Equity Shares aggregating to ₹ 456.32 million*	*February 25, 2021[3]*	*February 18, 2021[3]*

S. No.	Name of the Selling Shareholder	Up to Offered Shares	Date of Selling Shareholders' Consent Letter	Date of board resolution/ investment committee resolution
6.	Americorp Ventures Limited	100,000 Equity Shares aggregating to ₹ 30.42 million	March 1, 2021[4]	March 1, 2021[4]
7.	Kotak Mahindra Life Insurance Company Limited	186,966 Equity Shares aggregating to ₹ 56.88 million	September 4, 2020	Investment committee resolution dated September 4, 2020 Board resolution dated April 26, 2019
8.	Gaja Capital India AIF Trust (represented by its trustee Gaja Trustee Company Private Limited)	106,419 Equity Shares aggregating to ₹ 32.37 million	March 2, 2021[5]	March 2, 2021[5]

1. *Consent Letter dated March 2, 2021, pursuant to the board resolution dated March 2, 2021 replaced and superseded the consent letter dated September 4, 2020 issued by Gaja Capital Fund II Limited*
2. *Consent Letter dated March 2, 2021 pursuant to the board resolution dated February 26, 2021 replaced and superseded the consent letter dated September 8, 2020 issued by DWM (International) Mauritius Ltd*
3. *Consent Letter dated February 25, 2021 pursuant to the board resolution dated February 18, 2021 replaced and superseded the consent letter dated September 29, 2020 issued by IDFC FIRST Bank Limited*
4. *Consent Letter dated March 1, 2021 pursuant to the board resolution dated March 1, 2021 replaced and superseded the consent letter dated August 31, 2020 issued by Americorp Ventures Limited*
5. *Consent Letter dated March 2, 2021, pursuant to the board resolution dated March 2, 2021 replaced and superseded the consent letter dated September 3, 2020 issued by Gaja Capital India AIF Trust (represented by its trustee Gaja Trustee Company Private Limited)*

3. *In the event of under-subscription in the Employee Reservation Portion (if any), the unsubscribed portion was made available for allocation and Allotment, proportionately to all Eligible Employees who have Bid in excess of ₹ 200,000 (net of Employee Discount), subject to the maximum value of Allotment made to such Eligible Employee not exceeding ₹ 500,000 (net of Employee Discount). The unsubscribed portion, if any, in the Employee Reservation Portion (after allocation up to ₹ 500,000), was required to be added to the Net Issue. For further details, see "Issue Structure" beginning on page 373.*

4. *Our Bank and the Selling Shareholders, in consultation with the Book Running Lead Managers, offered an Employee Discount of ₹ 30 per Equity Share.*

5. *Subject to valid Bids having been received at or above the Issue Price, under subscription, if any, in any category, except in the QIB Portion, would be allowed to be met with spill-over from any other category or combination of categories of Bidders at the discretion of our Bank and the Selling Shareholders, in consultation with the Book Running Lead Managers and the Designated Stock Exchange, subject to applicable laws. In the event of under-subscription in the Issue, Equity Shares would be allocated in the manner specified in "Terms of the Issue" beginning on page 368. Our Bank reserves the right to reject, in its absolute discretion, all or any multiple Bids in any or all categories in accordance with the SEBI ICDR Regulations.*

6. *Our Bank and Selling Shareholders, in consultation with the Book Running Lead Managers, have allocated 60% of the QIB Portion to Anchor Investors on a discretionary basis in accordance with the SEBI ICDR Regulations. One-third of the Anchor Investor Portion was reserved for domestic Mutual Funds, subject to valid Bids having been received from domestic Mutual Funds at or above the Anchor Investor Allocation Price. 5% of the QIB Portion (excluding the Anchor Investor Portion) was available for allocation on a proportionate basis to Mutual Funds only, and the remainder of the QIB Portion was available for allocation on a proportionate basis to all QIB Bidders (other than Anchor Investors), including Mutual Funds, subject to valid Bids having been received at or above the Issue Price. However, if the aggregate demand from Mutual Funds is less than 185,931 Equity Shares, the balance Equity Shares available for allotment in the Mutual Fund Portion would be added to the QIB Portion and allocated proportionately to the QIB Bidders (other than Anchor Investors) in proportion to their Bids. In terms of the Banking Regulation Act read with Reserve Bank of India (Prior approval for acquisition of shares or voting rights in private sector banks) Directions, 2015, no person either by himself or with his relative, associate enterprise, or acting in concert with any other person can acquire, directly or indirectly, or hold 5% or more of the total paid-up share capital of our Bank, or be entitled to exercise 5% or more of the total voting rights of our Bank, without prior approval of the RBI. Accordingly, in case of Bids for such number of Equity Shares, as may result in the shareholding of a Bidder (along with his relatives, associate enterprises or persons acting in concert with such person) exceeding 5% or more of the total paid-up share capital of our Bank or entitles him to exercise 5% or more of the voting rights in our Bank, such Bidder is required to submit the approval obtained from the RBI with the Registrar to the Issue, at least one Working Day prior to the finalisation of the Basis of Allotment. In case of failure by such Bidder to submit the approval obtained from the RBI within the above time period, our Bank may Allot maximum number of Equity Shares, as adjusted for the Bid Lot (and in case of over-subscription in the Issue, after making applicable proportionate allocation for the Equity Shares Bid for), that will limit the aggregate shareholding of the Bidder (along with his relatives, associate enterprises or persons acting in concert with such person and including existing shareholding, if any) to less than 5% of the post-Issue paid-up Equity Share capital of our Bank. For details, see "Key Regulations and Policies" and "Issue Procedure" beginning on pages 172 and 377, respectively.*

Allocation to Bidders in all categories except the Anchor Investor Portion and the Retail Portion, was made on a proportionate basis subject to valid Bids received at or above the Issue Price. The allocation to each RIB was not less than the minimum Bid Lot, subject to availability of Equity Shares in the Retail Portion, and the remaining available Equity Shares, if any, was made available for allocation on a proportional basis. For further details, see "*Issue Procedure*" beginning on page 377.

For details of the terms of the Issue, see "*Terms of the Issue*" beginning on page 368.

SUMMARY OF FINANCIAL INFORMATION

The summary financial information presented below should be read in conjunction with "*Financial Information*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" beginning on pages 241 and 306, respectively.

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Restated Summary Statement of Assets and Liabilities

(Figure in Rupees Million, unless otherwise stated)

	As at December 31, 2020	**As at December 31, 2019**	**As at March 31, 2020**	**As at March 31, 2019**	**As at March 31, 2018**
CAPITAL AND LIABILITIES					
Capital	891.85	863.12	865.94	815.82	674.97
Reserves and Surplus	11,017.77	9,890.01	9,796.35	7,987.83	4,709.88
Deposits	33,438.40	24,913.57	28,487.15	15,934.25	7,495.22
Borrowings	14,870.79	8,869.30	12,646.15	11,242.28	7,178.32
Other Liabilities and Provisions	3,285.28	1,355.57	1,849.63	1,631.85	1,501.25
TOTAL	**63,504.09**	**45,891.57**	**53,645.22**	**37,612.03**	**21,559.64**
ASSETS					
Cash and Balances with Reserve Bank of India	889.02	741.65	605.27	483.04	308.22
Balances with banks and money at call and short notice	7,442.57	1,083.18	7,770.71	2,280.58	1,763.40
Investments	15,114.41	8,928.26	8,081.98	6,643.93	3,113.43
Advances	37,822.63	33,609.03	35,319.44	26,795.84	15,686.78
Fixed Assets	433.58	307.36	387.30	189.77	135.41
Other Assets	1,801.88	1,222.09	1,480.52	1,218.87	552.40
TOTAL	**63,504.09**	**45,891.57**	**53,645.22**	**37,612.03**	**21,559.64**
Contingent Liability	**48.76**	**114.04**	**46.23**	**285.39**	**77.92**

Restated Summary Statement of Profit and Loss

(Figure in Rupees Million, unless otherwise stated)

		Period ended December 31, 2020	Period ended December 31, 2019	Year ended March 31, 2020	Year ended March 31, 2019	Year ended March 31, 2018
I.	**INCOME**					
	Interest earned	6,243.49	5,632.15	7,666.85	5,301.07	2,868.82
	Other income	649.24	631.43	874.53	669.22	380.44
	TOTAL	6,892.73	6,263.58	8,541.38	5,970.29	3,249.26
II.	**EXPENDITURE**					
	Interest expended	2,710.72	2,020.83	2,757.80	1,897.33	1,210.52
	Operating expenses	2,316.35	1,883.72	2,721.21	1,907.43	1,313.77
	Provisions and contingencies	1,317.00	1,092.25	1,950.39	1,261.55	610.05
	TOTAL	6,344.07	4,996.80	7,429.40	5,066.31	3,134.34
III.	**PROFIT**					
	Net profit for the year	548.66	1,266.78	1,111.98	903.98	114.92
	Balance in Profit and loss account brought forward	2,048.30	1,286.23	1,286.23	618.55	529.50
IV.	**APPROPRIATIONS**					
	Transfer to Statutory reserve	-	-	277.34	216.49	25.32
	Transfer to Investment Fluctuation reserve	-	-	71.04	19.41	-
	Transfer to Capital reserve	-	-	1.53	0.40	-
	Transfer to Revenue and other Reserve	-	-	-	-	0.55
	Balance carried over to Balance Sheet	**2,596.96**	**2,553.01**	**2,048.30**	**1,286.23**	**618.55**
V.	**EARNING PER EQUITY SHARE** **(** Face value of ₹ 10 per share)					
	Basic	6.19	15.49	13.41	13.35	1.76
	Diluted	6.05	15.43	13.30	13.16	1.76

Restated Summary Statement of Cash Flows

(Figure in Rupees Million, unless otherwise stated)

	Period ended December 31, 2020	Period ended December 31, 2019	Year ended March 31, 2020	Year ended March 31, 2019	Year ended March 31, 2018
Cash flows from/ (used in) operating activities					
Profit before taxes	700.57	1,783.63	1,543.76	1,427.24	178.36
Adjustments for:					
Depreciation on fixed assets	98.56	50.00	97.84	55.94	46.64
Amortisation of premium on held to maturity investment	15.95	15.78	21.62	17.35	16.05
Profit on sale of fixed assets	-	(0.12)	(0.19)	(0.08)	(0.21)
Provision for non performing assets (net of write off)	384.98	461.85	603.88	412.08	500.26
Floating provision	5.55	52.90	209.02	260.57	-
Provision for COVID-19	747.20	-	659.91	-	-
Other provision for advances	3.12	20.55	3.69	31.60	27.59
Provision for standard assets	24.10	24.74	42.11	34.05	19.88
Employee stock option expenses	50.02	24.19	49.93	25.56	35.05
Interest on amortisation of short term borrowing	-	-	-	-	70.72
Provision for depreciation/ (write back) on investment	0.15	15.36	-	-	(1.12)
	2,030.20	**2,448.88**	**3,231.57**	**2,264.31**	**893.22**
Adjustments for:					
(Increase)/ Decrease in investments	(5,801.49)	(966.76)	(8.40)	(3,248.74)	3,697.38
Increase in advances	(2,893.72)	(7,327.94)	(9,336.50)	(11,781.71)	(8,053.08)
Increase in deposits	4,951.25	8,979.32	12,552.90	8,439.03	7,274.59
Increase in others assets	(254.96)	(29.56)	(14.13)	(564.34)	(102.05)
Increase/(Decrease) in other liability and provisions	548.34	(308.21)	(484.16)	96.53	943.99
	(3,450.58)	**346.85**	**2,709.71**	**(7,059.23)**	**3,760.83**
Direct taxes paid (net of refunds)	(105.43)	(503.86)	(683.07)	(656.98)	(78.58)
Net cash flow (used in)/from operating activities	**(1,525.81)**	**2,291.87**	**5,258.21**	**(5,451.90)**	**4,575.47**
Cash flow used in investing activities					
Purchase of fixed assets	(90.67)	(24.98)	(227.20)	(104.75)	(116.37)
Proceeds from sale of fixed assets	-	0.35	0.51	0.08	1.38
Net Decrease/(Increase) in fixed deposit	26.00	(183.88)	78.84	273.61	147.14
(Increase)/ Decrease in capital work in progress	(54.17)	(142.84)	(68.49)	(5.55)	10.95
Net Investment in banking book	(1,247.04)	(1,348.71)	(1,451.27)	(299.10)	(886.46)
Net cash used in investing activities	**(1,365.88)**	**(1,700.06)**	**(1,667.61)**	**(135.71)**	**(843.36)**
Cash flow from financing activities					
Proceeds from issue of share capital (inclusive of issue expense)	648.66	658.50	696.72	2,489.26	255.59
Proceeds from borrowings	5,439.23	966.28	5,885.56	10,220.00	2,200.01
Repayment of borrowings	(3,214.59)	(3,339.26)	(4,481.68)	(6,156.04)	(5,308.16)
Net cash flow from/ (used in) financing activities	**2,873.30**	**(1,714.48)**	**2,100.60**	**6,553.22**	**(2,852.56)**
Net (decrease)/increase in cash	**(18.39)**	**(1,122.67)**	**5,691.20**	**965.61**	**879.55**

	Period ended December 31, 2020	Period ended December 31, 2019	Year ended March 31, 2020	Year ended March 31, 2019	Year ended March 31, 2018
and cash equivalents					
Cash and cash equivalents at the beginning of the period/year	8,345.48	2,654.28	2,654.28	1,688.67	809.12
Cash and cash equivalents at the end of the period/year	8,327.09	1,531.61	8,345.48	2,654.28	1,688.67

Cash and cash equivalents include cash in hand, balances with RBI, balances with other banks in current accounts including money at call and short notice.

GENERAL INFORMATION

Our Bank was originally incorporated as Suryoday Micro Finance Private Limited at Chennai, Tamil Nadu, as a private limited company under the Companies Act, 1956 pursuant to the certificate of incorporation dated November 10, 2008 issued by the Assistant Registrar of Companies, Tamil Nadu, Andaman and Nicobar Islands at Chennai. Subsequently, our Bank was converted into a public limited company and the name of our Bank was changed to Suryoday Micro Finance Limited, and a fresh certificate of incorporation dated June 16, 2015 was issued by the RoC. Our Bank was granted the in-principle and final approval to establish an SFB by the RBI, pursuant to its letters dated October 7, 2015 and August 26, 2016, respectively. Pursuant to our Bank being established as an SFB, the name of our Bank was changed to Suryoday Small Finance Bank Limited and a fresh certificate of incorporation was issued by the RoC on January 13, 2017. Our Bank commenced its business with effect from January 23, 2017 and was included in the second schedule to the RBI Act pursuant to a notification dated July 24, 2017 issued by the RBI and published in the Gazette of India on September 2, 2017. For further details, see "*History and Certain Corporate Matters*" beginning on page 182.

Registered and Corporate Office of our Bank

Suryoday Small Finance Bank Limited
Unit No.1101, Sharda Terraces
Plot No. 65, Sector 11, CBD Belapur
Navi Mumbai 400 614
Maharashtra, India
Registration Number: 261472
Corporate Identity Number: U65923MH2008PLC261472
RBI License Number: MUM:120

Address of the RoC

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

The Registrar of Companies, Maharashtra at Mumbai
100, Everest
Marine Drive
Mumbai 400 002
Maharashtra, India

Board of Directors

Details regarding our Board as on the date of this Prospectus are set forth below:

Name	Designation	DIN	Address
Ramachandran Rajaraman	Part-time Chairperson and Independent Director	01953653	Old No. 3 A, New No. 5, Jeevarathnam Nagar, 2nd Street, Adyar, Chennai 600 020
Mrutunjay Sahoo	Independent Director	00015715	Plot No. 77, Road No.72, Prashasan Nagar, Jubilee Hills, Hyderabad 500 033
Jyotin Kantilal Mehta	Independent Director	00033518	Y/804-805, Golden Rays, Shastri Nagar, Andheri (West), Mumbai 400 053
Meena Hemchandra	Independent Director	05337181	57/1, 6th Main, Between 13th and 15th Cross, Malleswaram Bengaluru 560 003
John Arunkumar Diaz	Independent Director	00493304	8A, Saahil, 14 Altamount Road, Mumbai 400 026
Venkatesh Natarajan	Investor Director	02453219	No. 12 Block 3 GA, 3rd Seawood Road, Thiruvanmiyur, Chennai 600 041
Ranjit Shah	Investor Director	00088405	20, C.C.I. Chambers, 2nd Floor, Dinshaw Vachha Road, Churchgate, Mumbai 400 020
Aleem Remtula	Investor Director	02872107	53-11, Morenci Lane, Little Neck, New York, 11362
Baskar Babu Ramachandran	Managing Director and Chief Executive Officer	02303132	101, Avalon Raheja Acro - I, Deonar Pada Road, Deonar - East, Mumbai 400 088

For further details of the Directors, see "*Our Management*" beginning on page 188.

Company Secretary and Compliance Officer

Geeta Krishnan
Unit No.1101, Sharda Terraces
Plot No. 65, Sector 11, CBD Belapur
Navi Mumbai 400 614
Maharashtra, India
Tel: +91 22 4043 5800
E-mail: company.secretary@suryodaybank.com

Book Running Lead Managers

Axis Capital Limited
1st floor, Axis House
C-2 Wadia International Centre
P.B. Marg, Worli
Mumbai 400 025
Maharashtra, India
Tel: +91 22 4325 2183
E-mail: suryoday.ipo@axiscap.in
Website: www.axiscapital.co.in
Investor Grievance ID: complaints@axiscap.in
Contact Person: Mayuri Arya
SEBI Registration Number: INM000012029

ICICI Securities Limited
ICICI Centre
H. T. Parekh Marg
Churchgate
Mumbai 400 020
Maharashtra, India
Tel: +91 22 2288 2460
E-mail: suryoday.ipo@icicisecurities.com
Website: www.icicisecurities.com
Investor Grievance ID: customercare@icicisecurities.com
Contact Person: Rishi Tiwari/ Nidhi Wangnoo
SEBI Registration Number: INM000011179

IIFL Securities Limited
10th Floor, IIFL Centre
Kamala City, Senapati Bapat Marg
Lower Parel (West)
Mumbai 400 013
Maharashtra, India
Tel: +91 22 4646 4600
E-mail: suryoday.ipo@iiflcap.com
Website: www.iiflcap.com
Investor Grievance ID: ig.ib@iiflcap.com
Contact Person: Ujjaval Kumar/ Vishal Bangard
SEBI Registration Number: INM000010940

SBI Capital Markets Limited
202, Maker Tower 'E'
Cuffe Parade
Mumbai 400 005
Maharashtra, India
Tel: +91 22 2217 8300
E-mail: suryoday.ipo@sbicaps.com
Website: www.sbicaps.com
Investor Grievance ID:
investor.relations@sbicaps.com
Contact Person: Sambit Rath/ Janardhan Wagle
SEBI Registration Number: INM000003531

Legal advisors to the Issue

Indian Legal Counsel to our Bank

Cyril Amarchand Mangaldas
Peninsula Chambers
Peninsula Corporate Park, Ganpatrao Kadam Marg
Lower Parel, Mumbai 400 013
Maharashtra, India
Tel: +91 22 2496 4455

Indian Legal Counsel to the Book Running Lead Managers

Khaitan & Co
One World Centre
10th & 13th Floor, Tower 1C
841, Senapati Bapat Marg, Mumbai 400 013
Maharashtra, India
Tel.: +91 22 6636 5000

International Legal Counsel to the Book Running Lead Managers

Squire Patton Boggs (MEA) LLP
Dubai International Financial Centre (DIFC)
Burj Daman Office Tower, Level 10

P.O. Box 111 713, Dubai
United Arab Emirates
Tel: +971 4447 8700

Legal Counsels to Selling Shareholders

Indian Legal counsel to IFC
Cyril Amarchand Mangaldas,
4th floor, Prius Platinum
D-3, District Centre
Saket
New Delhi 110 017
India
Tel: +91 (11) 6622 9000

Legal counsel to Gaja Capital India AIF Trust (represented by its trustee, Gaja Trustee Company Private Limited) and Gaja Capital Fund II Limited
S&R Associates
One Indiabulls Centre, 1403 Tower 2 B
841, Senapati Bapat Marg, Lower Parel
Mumbai 400 013
Maharashtra, India
Tel: +91 22 4302 8000

Indian Legal counsel to DWM (International) Mauritius Ltd
Cyril Amarchand Mangaldas,
4th floor, Prius Platinum
D-3, District Centre
Saket
New Delhi 110 017
India
Tel: +91 (11) 6622 9000

Legal counsel to HDFC Holdings Limited
Cyril Amarchand Mangaldas,
5th floor, Peninsula Chambers
Peninsula Corporate Park
Ganpatrao Kadam Marg
Lower Parel, Mumbai 400 013
Maharashtra, India
Tel: +91 (22) 2496 4455

Indian Legal counsel to IDFC FIRST Bank Limited
J. Sagar Associates
Vakils House 18, Sprott Road
Ballard Estate
Mumbai 400 001
Maharashtra, India
Tel: +91 22 4341 8600

Legal counsel to Americorp Ventures Limited
Rajani Associates, Solicitors
204-207, Krishna Chambers
59, New Marine Lines
Churchgate, Mumbai 400 020
Maharashtra, India
Tel: +91 22 4096 1002

Legal counsel to Kotak Mahindra Life Insurance Company Limited
Cyril Amarchand Mangaldas,
5th floor, Peninsula Chambers
Peninsula Corporate Park
Ganpatrao Kadam Marg
Lower Parel, Mumbai 400 013
Maharashtra, India
Tel: +91 (22) 2496 4455

Statutory Auditors to our Bank

MSKC & Associates, Chartered Accountants
(formerly known as R. K. Kumar & Co.)
602, Floor 6, Raheja Titanium
Western Express Highway, Geetanjali Railway Colony,
Ram Nagar, Goregaon – East
Mumbai - 400063Maharashtra, India
Tel: +91 22 6831 1600
E-mail: tusharkurani@bdo.in
Peer Review number: 011948
Firm Registration number: 001595S

Registrar to the Issue

Kfin Technologies Private Limited
(*formerly known as Karvy Fintech Private Limited*)
Selenium Tower B, Plot No. 31 and 32
Financial District

Nanakramguda, Serilingampally,
Hyderabad, Rangareddi 500 032
Telangana, India
Tel: +91 40 6716 2222
E-mail: suryodayasfb.ipo@kfintech.com
Website: www.kfintech.com
Investor grievance ID: einward.ris@kfintech.com
Contact Person: M Murali Krishna
SEBI Registration No.: INR000000221

Bankers to the Issue

ICICI Bank Limited
Capital Market Division
1st Floor, 122 Mistry Bhawan
Dinshaw Vachha Road, Churchgate
Mumbai-400020
Telephone number: 022- 66818911/23/24
E-mail: kmr.saurabh@icicibank.com
Website: www.icicibank.com
Contact Person: Saurabh Kumar
SEBI Registration Number: INBI00000004

Syndicate Members

SBICAP Securities Limited
Marathon Futurex, A&B Wing, 12th Floor
N M Joshi Marg, Lower Parel
Mumbai 400 013
Maharashtra, India
Tel: 022 4227 3300
E-mail: archana.dedhia@sbicapsec.com
Website: www.sbismart.com
Contact person: Archana Dedhia
SEBI Registration Number: INZ000200032

Investec Capital Services (India) Private Limited
1103-04, 11th Floor
B Wing, Parinee Crescenzo
Bandra Kurla Complex
Mumbai 400 051
Tel: +91 22 6849 7400
E-mail: suhani.bhareja@investec.co.in
Website: https://www.investec.com/india.html
Contact Person: Suhani Bhareja
SEBI Registration Number: INZ000007138

Designated Intermediaries

Self-Certified Syndicate Banks

The list of SCSBs notified by SEBI for the ASBA process is available at http://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognised=yes, or at such other website as may be prescribed by SEBI from time to time. A list of the Designated SCSB Branches with which an ASBA Bidder (other than a RII using the UPI Mechanism), not bidding through Syndicate/Sub Syndicate or through a Registered Broker, RTA or CDP may submit the Bid cum Application Forms, is available at https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognisedFpi=yes&intmId=34, or at such other websites as may be prescribed by SEBI from time to time.

SCSBs and mobile applications enabled for UPI Mechanism

In accordance with SEBI Circular No. SEBI/HO/CFD/DIL2/CIR/P/2019/76 dated June 28, 2019 and SEBI Circular No. SEBI/HO/CFD/DIL2/CIR/P/2019/85 dated July 26, 2019, Retail Individual Investors Bidding using the UPI Mechanism may apply through the SCSBs and mobile applications whose names appears on the website of the SEBI (https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognisedFpi=yes&intmId=40) and (https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognisedFpi=yes&intmId=43) respectively, as updated from time to time.

Syndicate SCSB Branches

In relation to Bids (other than Bids by Anchor Investor) submitted to a member of the Syndicate, the list of branches of the SCSBs at the Specified Locations named by the respective SCSBs to receive deposits of Bid cum Application Forms from the members of the Syndicate is available on the website of the SEBI (https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognisedFpi=yes&intmId=35) as updated from time to time. For more information on such branches collecting Bid cum Application Forms from the Syndicate at Specified Locations, see the website of the SEBI (https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognisedFpi=yes&intmId=35) as updated from time to time.

Registered Brokers

Bidders can submit ASBA Forms in the Offer using the stock broker network of the stock exchange, i.e. through the Registered Brokers at the Broker Centres. The list of the Registered Brokers, including details such as postal address, telephone number and e-mail address, is provided on the websites of the Stock Exchanges at https://www.bseindia.com and https://www.nseindia.com, as updated from time to time.

Registrar and Share Transfer Agents

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

Collecting Depository Participants

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

Inter-se allocation of responsibilities among the Book Running Lead Managers

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

S. No.	Activity	Responsibility	Co-ordinator
1.	Capital structuring, positioning strategy and due diligence of our Bank including its operations/management/business plans/legal etc. Drafting and design of the Draft Red Herring Prospectus and of statutory advertisements including a memorandum containing salient features of the Prospectus. The Managers shall ensure compliance with stipulated requirements and completion of prescribed formalities with the Stock Exchanges, RoC and SEBI including finalisation of Prospectus and RoC filing.	Axis, ICICI, IIFL, SBICAP	Axis
2.	Drafting and approval of all statutory advertisement	Axis, ICICI, IIFL, SBICAP	Axis
3.	Drafting and approval of all publicity material other than statutory advertisement as mentioned above including corporate advertising, brochure, etc. and filing of media compliance report.	Axis, ICICI, IIFL, SBICAP	SBICAP
4.	Appointment of Intermediaries - Registrar to the Issue, Advertising Agency, Printers to the Issue including co-ordination for agreements.	Axis, ICICI, IIFL, SBICAP	ICICI

S. No.	Activity	Responsibility	Co-ordinator
5.	Appointment of Bankers to the Issue including co-ordination for agreements	Axis, ICICI, IIFL, SBICAP	ICICI
6.	Preparation of road show presentation and FAQs	Axis, ICICI, IIFL, SBICAP	IIFL
7.	International institutional marketing of the Issue, which will cover, *inter alia*: • Finalizing the list and division of international investors for one-to-one meetings • Finalizing international road show and investor meeting schedules	Axis, ICICI, IIFL, SBICAP	Axis
8.	Domestic institutional marketing of the Issue, which will cover, *inter alia*: • Finalizing the list and division of domestic investors for one-to-one meetings • Finalizing domestic road show and investor meeting schedules	Axis, ICICI, IIFL, SBICAP	ICICI
9.	Conduct non-institutional marketing of the Issue, which will cover, *inter-alia*: • Finalising media, marketing and public relations strategy; • Formulating strategies for marketing to Non-Institutional Investors	Axis, ICICI, IIFL, SBICAP	IIFL
10.	Conduct retail marketing of the Issue, which will cover, *inter-alia*: • Finalising media, marketing, public relations strategy and publicity budget including list of frequently asked questions at retail road shows • Finalising collection centres • Finalising centres for holding conferences for brokers etc. • Follow-up on distribution of publicity and Issue material including form, RHP/Prospectus and deciding on the quantum of the Issue material	Axis, ICICI, IIFL, SBICAP	SBICAP
11.	Coordination with Stock-Exchanges for anchor intimation, book building software, bidding terminals and mock trading, payment of 1% security deposit to the designated stock exchange.	Axis, ICICI, IIFL, SBICAP	SBICAP
12.	Managing the book and finalization of pricing in consultation with the Bank.	Axis, ICICI, IIFL, SBICAP	Axis
13.	Post bidding activities including management of escrow accounts, coordinate non-institutional allocation, coordination with Registrar, SCSBs and Banks, intimation of allocation and dispatch of refund to Bidders, etc. Post-Issue activities, which shall involve essential follow-up steps including allocation to Anchor Investors, follow-up with Bankers to the Issue and SCSBs to get quick estimates of collection and advising the Issuer about the closure of the Issue,	Axis, ICICI, IIFL, SBICAP	SBICAP

S. No.	Activity	Responsibility	Co-ordinator
	based on correct figures, finalisation of the basis of allotment or weeding out of multiple applications, listing of instruments, dispatch of certificates or demat credit and refunds and coordination with various agencies connected with the post-Issue activity such as registrar to the Issue, Bankers to the Issue, SCSBs including responsibility for underwriting arrangements, as applicable. Payment of the applicable securities transactions tax on sale of unlisted equity shares by the Selling Shareholders under the Offer for Sale to the Government and filing of the securities transactions tax return by the prescribed due date as per Chapter VII of Finance(No. 2) Act, 2004. Co-ordination with SEBI and Stock Exchanges for refund of 1% security deposit and submission of all post Issue reports including the initial and final post Issue report to SEBI		

Filing

A copy of the Draft Red Herring Prospectus has been filed electronically on the SEBI's online portal and at cfddil@sebi.gov.in, in accordance with the instructions issued by the SEBI on March 27, 2020, in relation to "Easing of Operational Procedure – Division of Issues and Listing – CFD".

A copy of the Red Herring Prospectus, along with the material contracts and documents required to be filed under Section 32 of the Companies Act have been filed with the RoC and a copy of this Prospectus shall be filed in accordance with Section 26 of the Companies Act, 2013 with the RoC.

Book Building Process

The book building, in the context of the Issue, refers to the process of collection of Bids from investors on the basis of the Red Herring Prospectus and the Bid cum Application Forms and the Revision Forms within the Price Band. The Price Band and the minimum Bid Lot were decided by our Bank and the Selling Shareholders, in consultation with the Book Running Lead Managers, and were advertised in all editions of Financial Express, an English national daily newspaper, all editions of Jansatta, a Hindi national daily newspaper and Mumbai edition of Navshakti, a Marathi newspaper, Marathi being the regional language of Maharashtra, where our Registered and Corporate Office is located, each with wide circulation, at least two Working Days prior to the Bid/Issue Opening Date and were made available to the Stock Exchanges for the purpose of uploading on their respective websites. The Issue Price was determined by our Bank and the Selling Shareholders, in consultation with the Book Running Lead Managers after the Bid/Issue Closing Date. For details, see "*Issue Procedure*" beginning on page 377.

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

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

For further details on the method and procedure for Bidding and book building process, see "*Issue Structure*" and "*Issue Procedure*" on pages 373 and 377 respectively.

The process of Book Building under the SEBI ICDR Regulations and the Bidding Process are subject to change from time to time and the investors are advised to make their own judgment about investment through this process prior to submitting a Bid in the Issue.

Bidders should note the Issue is also subject to obtaining final listing and trading approvals of the Stock Exchanges, which our Bank shall apply for after Allotment.

Underwriting Agreement

Our Bank and the Selling Shareholders have entered into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be issued and offered in the Issue. The Underwriting Agreement is dated March 20, 2021. Pursuant to the terms of the Underwriting Agreement, the obligations of each of the Underwriters are several and are subject to certain conditions specified therein.

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

Name, Address, Telephone number and E-mail address of the Underwriters	Indicative Number of Equity Shares to be Underwritten	Amount Underwritten (in ₹ million)
Axis Capital Limited 1st floor, Axis House C-2 Wadia International Centre P.B. Marg, Worli Mumbai 400 025 Maharashtra, India Tel: +91 22 4325 2183 Email: suryoday.ipo@axiscap.in	4,773,267	1,452.10
ICICI Securities Limited ICICI Centre H. T. Parekh Marg Churchgate Mumbai 400 020 Maharashtra, India Tel: +91 22 2288 2460 E-mail: suryoday.ipo@icicisecurities.com	4,773,267	1,452.10
IIFL Securities Limited 10th Floor, IIFL Centre Kamala City, Senapati Bapat Marg Lower Parel (West), Mumbai 400 013 Maharashtra, India Tel: +91 22 4646 4600 Email: suryoday.ipo@iiflcap.com	4,773,268	1,452.10
SBI Capital Markets Limited 202, Maker Tower 'E' Cuffe Parade, Mumbai 400 005 Maharashtra, India Tel: +91 22 2217 8300 Email: suryoday.ipo@sbicaps.com	4,773,068	1,452.04
SBICAP Securities Limited Marathon Futurex, A&B Wing 12th Floor N. M. Joshi Marg, Lower Parel Mumbai 400 013 Maharashtra, India Tel: +91 22 4227 3300 Email: archana.dedhia@sbicapsec.com	100	0.03
Investec Capital Services (India) Private Limited 1103-04, 11th Floor, B Wing, Parinee Crescenzo, Bandra Kurla Complex Mumbai 400 051, Maharashtra, India Tel: +91 22 6849 7400 E-mail: suhani.bhareja@investec.co.in	100	0.03

The above-mentioned underwriting commitments are indicative and will be finalised after the finalisation of Basis of Allotment and subject to the provisions of the SEBI ICDR Regulations.

In the opinion of our Board (based on representations made to our Bank by the Underwriters), the resources of the aforementioned Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. The aforementioned Underwriters are registered with SEBI under Section 12(1) of the SEBI Act or registered as brokers with the Stock Exchanges.

Our IPO Committee, at its meeting held on March 20, 2021, has accepted and entered into the Underwriting Agreement mentioned above on behalf of our Bank.

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

Notwithstanding the above table, the Underwriters shall be severally responsible for ensuring payment with respect to the Equity Shares allocated to investors respectively procured by them in accordance with the Underwriting Agreement. In the event of any default in payment, the respective Underwriter, in addition to other obligations defined in the Underwriting Agreement, will also be required to procure subscribers for or subscribe the Equity Shares to the extent of the defaulted amount in accordance with the Underwriting Agreement. The extent of underwriting obligations and the Bids underwritten in the Issue shall be as per the Underwriting Agreement.

Changes in auditors

Except as disclosed below, there are no changes to our statutory auditors in the last three years:

Particulars	Date of change	Reason for change
MSKC & Associates, Chartered Accountants (*formerly known as R. K. Kumar & Co.*) 602, Floor 6, Raheja Titanium Western Express Highway, Geetanjali Railway Colony Ram Nagar, Goregaon – East Mumbai - 400063Maharashtra, India E-mail: tusharkurani@bdo.in Peer Review number: 011948 Firm Registration number: 001595S	September 26, 2019	Appointed as Statutory Auditor
BSR & Associates LLP 5^{th} Floor, Lodha Excellus Apollo Mills Compound N.M. Joshi Marg, Mahalaxmi Mumbai 400 011 Maharashtra, India E-mail: asuvarna@bsraffiliates.com Peer review number: 011719 Firm Registration Number: 116231W/W-100024	September 26, 2019	Cessation due to completion of term as statutory auditor

Updates from the Red Herring Prospectus to this Prospectus

Except for the Issue related updates included in this Prospectus, there have been no updates in relation to our Bank since the filing of the Red Herring Prospectus with the RoC.

CAPITAL STRUCTURE

The Equity Share capital of our Bank, as on the date of this Prospectus, is set out below.

(in ₹ except share data)

Sr. No.	Particulars	Aggregate value at face value	Aggregate value at Issue Price*^
1.	**AUTHORIZED SHARE CAPITAL**(1)		
	125,000,000 Equity Shares (face value of ₹ 10)	1,250,000,000	
	Total	**1,250,000,000**	
2.	**ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL BEFORE THE ISSUE**(2)		
	97,980,826 Equity Shares (face value of ₹ 10)	979,808,260	
3.	**PRESENT ISSUE IN TERMS OF THIS PROSPECTUS**		
	Issue of 19,093,070* Equity Shares (face value of ₹ 10) (2)(3)	190,930,700	5,808,386,350
	of which		
	Fresh Issue of 8,150,000* Equity Shares aggregating to ₹ 2,479.35* million(3) #	81,500,000	2,479,347,153
	Offer for Sale of 10,943,070* Equity Shares aggregating to ₹ 3,329.04* million(4)	109,430,700	3,329,039,197
	Which includes:		
	Employee Reservation Portion of 500,000* Equity Shares aggregating to ₹ 137.50* million (4)	5,000,000	137,500,000
	Net Issue of 18,593,070* Equity Shares	185,930,700	5,670,886,350
4.	**ISSUED, SUBSCRIBED AND PAID-UP CAPITAL AFTER THE ISSUE**		
	106,130,826 Equity Shares	1,061,308,260	
5.	**SECURITIES PREMIUM ACCOUNT**		
	Before the Issue		7,540.96 million
	After the Issue		12,016.45 million(5)

* *Subject to finalisation of Basis of Allotment.*

^ *The Issue Price is ₹ 305 per Equity Share. A discount of ₹ 30 was offered to Eligible Employees bidding in the Employee Reservation Portion.*

Our Bank has undertaken a Pre-IPO placement of 5,208,226 Equity Shares comprising (i) a private placement of 3,084,833 Equity Shares to SBI Life Insurance Company Limited for cash at a price of ₹ 291.75 per Equity Share aggregating to approximately ₹ 900.00 million; (ii) a private placement of 1,713,795 Equity Shares to Axis Flexi Cap Fund for cash at a price of ₹ 291.75 per Equity Share aggregating to approximately ₹ 499.99 million; (iii) a private placement of 342,760 Equity Shares to Axis Equity Hybrid Fund for cash at a price of ₹ 291.75 per Equity Share aggregating to approximately ₹ 100.00 million; and (iv) a private placement of 66,838 Equity Shares to Kiran Vyapar Limited for cash at a price of ₹ 291.75 per Equity Share aggregating to approximately ₹ 19.50 million pursuant to shareholders' resolution dated February 13, 2021 and the resolution of the board dated February 23, 2021. The size of the Fresh Issue was reduced by 5,208,226 Equity Shares pursuant to the Pre-IPO Placement. Further, pursuant to the resolution of the Board dated March 2, 2021, our Bank has also increased the Fresh Issue size by 1,763,226 Equity Shares (within the limits for Fresh Issue approved by our Shareholders on July 27, 2020). Accordingly, the Fresh Issue size was 8,150,000 Equity Shares.

(1) *For details in relation to the changes in the authorised share capital of our Bank, see "History and Certain Corporate Matters – Amendments to the Memorandum of Association" on page 394.*

(2) *The Fresh Issue has been authorized by our Board pursuant to a resolution passed on July 3, 2020 and by our Shareholders pursuant to a special resolution passed on July 27, 2020.*

(3) *Each of the Selling Shareholders has authorized the sale of its respective portion of the Offered Shares in the Offer for Sale. For details on the authorizations of the Selling Shareholders in relation to the Offered Shares, see "Other Regulatory and Statutory Disclosures" on 344.*

(4) *Our Bank and the Selling Shareholders, in consultation with the Book Running Lead Managers, offered an Employee Discount of ₹ 30 per Equity Share, which was announced at least two Working Days prior to the Bid/Issue Opening Date.*

(5) *The amount of Securities Premium Account for post-Issue has not been adjusted for Issue expenses.*

1. **Notes to the capital structure**

Equity Share capital history of our Bank

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

Date of allotment of Equity Shares	Number of Equity Shares allotted	Face value per Equity Share (₹)	Issue price per Equity Share (₹)	Nature of allotment	Nature of consideration	Cumulative number of Equity Shares	Cumulative paid-up Equity Share capital
November 4, 2008	15,000	10	10	Initial subscription to the Memorandum of Association(1)	Cash	15,000	150,000
December 26, 2008	2,111,000	10	10	Private placement(2)	Cash	2,126,000	21,260,000
January 23, 2009	200,000	10	10	Private placement(3)	Cash	2,326,000	23,260,000
March 23, 2009	60,000	10	10	Private placement(4)	Cash	2,386,000	23,860,000
March 30, 2009	120,000	10	10	Private placement(5)	Cash	2,506,000	25,060,000
May 8, 2009	2,500,000	10	15	Private placement(6)	Cash	5,006,000	50,060,000
September 29, 2009	500,000	10	10	Private placement(7)	Cash	5,506,000	55,060,000
October 21, 2009	500,000	10	15	Private placement(8)	Cash	6,006,000	60,060,000
July 19, 2010	1,040,000	10	10	Private placement(9)	Cash	8,046,000	80, 460,000
	1,000,000	10	15	Private placement(10)	Cash		
August 30, 2010	5,000,000	10	35	Private placement(11)	Cash	13,046,000	130,460,000
February 2, 2012	380,000	10	10	Private placement(12)	Cash	13,426,000	134,260,000
June 7, 2012	517,857	10	67.59	Private placement(13)	Cash	13,943,857	139,438,570
August 13, 2012	185,000	10	10	Private placement(14)	Cash	14,128,857	141,288,570
September 28, 2012	2,895,000	10	10	Private placement(15)	Cash	17,023,857	170,238,570
September 29, 2012	1,657,289	10	42.66	Private placement(16)	Cash	18,681,146	186,811,460
October 6, 2012	1	10	42.66	Private placement(17)	Cash	18,681,147	186,811,470
January 19, 2013	4,688,232	10	42.66	Private placement(18)	Cash	23,369,379	233,693,790
September 12, 2013	2,222,223	10	45	Private placement(19)	Cash	25,591,602	255,916,020
October 25, 2013	1,111,111	10	45	Private placement(20)	Cash	26,702,713	267,027,130
May 12, 2014	2,755,556	10	45	Private placement(21)	Cash	29,458,269	294,582,690
June 16, 2014	3,333,333	10	45	Conversion of CCDs(22)	Cash	32,791,602	327,916,020
Quarter ended June 30, 2014	30,000	10	10	Allotment pursuant to ESOP 2010(23)	Cash	32,821,602	328,216,020
Quarter ended September 30, 2014	147,700	10	10	Allotment pursuant to ESOP 2010(24)	Cash	32,969,302	329,693,020
July 30, 2015	4,183,419	10	78	Rights issue(25)	Cash	37,152,721	371,527,210
Quarter ended September 30, 2015	164,700	10	10	Allotment pursuant to ESOP 2010(26)	Cash	37,317,421	373,174,210
December 28, 2015	1,000,000	10	50	Private placement(27)	Cash	38,317,421	383,174,210
Quarter ended March 31, 2016	17,800	10	36	Allotment pursuant to ESOP 2014(28)	Cash	38,335,221	383,352,210
April 29, 2016	3,705,882	10	85	Private placement(29)	Cash	42,041,103	420,411,030
June 30, 2016	9,299,065	10	107	Private placement(30)	Cash	51,340,168	513,401,680
December 27, 2016	100,000	10	75	Private placement(31)	Cash	51,440,168	514,401,680
February 21, 2017	8,330,063	10	120	Rights issue(32)	Cash	59,770,231	597,702,310
February 22, 2017	1,130,875	10	125	Private placement(33)	Cash	60,901,106	609,011,060
March 1, 2017	2,994,584	10	145	Private placement(34)	Cash	63,895,690	638,956,900
Quarter ended March 31, 2017	169,000	10	36	Allotment pursuant to ESOP 2014(35)	Cash	64,064,690	640,646,900
Quarter ended September 30, 2017	172,350	10	36	Allotment pursuant to ESOP 2014(36)	Cash	64,237,040	642,370,400
December 4, 2017	3,100,000	10	75	Private placement(37)	Cash	67,337,040	673,370,400
Quarter ended March 31, 2018	159,632	10	108	Allotment pursuant to ESOP 2016(38)	Cash	67,496,672	674,966,720

Date of allotment of Equity Shares	Number of Equity Shares allotted	Face value per Equity Share (₹)	Issue price per Equity Share (₹)	Nature of allotment	Nature of consideration	Cumulative number of Equity Shares	Cumulative paid-up Equity Share capital
Quarter ended September 30, 2018	154,310	10	36 to 125	Allotment pursuant to ESOP 2014 and ESOP 2016(39)	Cash	67,650,982	676,509,820
Quarter ended December 31, 2018	3,375	10	108	Allotment pursuant to ESOP 2016(40)	Cash	67,654,357	676,543,570
Quarter ended March 31, 2019	126,042	10	108 to 127	Allotment pursuant to ESOP 2016(41)	Cash	67,780,399	677,803,990
March 28, 2019	13,802,083	10	180	Private placement(42)	Cash	81,582,482	815,824,820
Quarter ended June 30, 2019	49,812	10	108 to 127	Allotment pursuant to ESOP 2016(43)	Cash	81,632,294	816,322,940
Quarter ended September 30, 2019	149,753	10	108 to 140	Allotment pursuant to ESOP 2016(44)	Cash	81,782,047	817,820,470
Quarter ended December 31, 2019	29,827	10	108 to 140	Allotment pursuant to ESOP 2016(45)	Cash	81,811,874	818,118,740
December 27, 2019	4,500,000	10	140	Private placement(46)	Cash	86,311,874	863,118,740
Quarter ended March 31, 2020	282,257	10	108 to 173	Allotment pursuant to ESOP 2016(47)	Cash	86,594,131	865,941,310
May 21, 2020	2,390,020	10	260	Private placement(48)	Cash	88,984,151	889,841,510
Quarter ended June 30, 2020	400	10	140 to 173	Allotment pursuant to ESOP 2016(49)	Cash	88,984,551	889,845,510
Quarter ended September 30, 2020	139,830	10	108 to 173	Allotment pursuant to ESOP 2016(50)	Cash	89,124,381	891,243,810
Quarter ended December 31, 2020	60,558	10	108 to 196	Allotment pursuant to ESOP 2016 and ESOP 2019 (51)	Cash	89,184,939	891,849,390
February 23, 2021	5,208,226	10	291.75	Private placement(52)	Cash	94,393,165	943,931,650
March 2, 2021	3,325,000	10	180	Private placement (53)	Cash	97,718,165	977,181,650
Quarter ended March 31, 2021	262,661	10	108 to 196	Allotment pursuant to ESOP 2016 and ESOP 2019(54)	Cash	97,980,826	979,808,260

1 *Subscription to 5,000 Equity Shares each, by Baskar Babu Ramachandran, Ganesh Rao and V. L. Ramakrishnan.*

2 *307,500 Equity Shares were allotted to V. L. Ramakrishnan (jointly with R. Annapurni), 150,000 Equity Shares were allotted to R. Annapurni (jointly with V. L. Ramakrishnan), 295,000 Equity Shares were allotted to Ganesh Rao (jointly with Meenakshi Rao), 150,000 Equity Shares were allotted to Meenakshi Rao (jointly with Ganesh Rao), 112,500 Equity Shares were allotted to Baskar Babu Ramachandran (jointly with Shilpa Bhaskar Babu), 200,000 Equity Shares were allotted to G. V. Alankara, 100,000 Equity Shares were allotted to NithyaShree G. Subban, 100,000 Equity Shares were allotted to K. Harihar, 90,000 Equity Shares were allotted to Pio Fernandes (jointly with Shobha Pio Fernandes), 50,000 Equity Shares were allotted to Ashish Tiwari, 50,000 Equity Shares were allotted to Praveen Choudry, 50,000 Equity Shares were allotted to R. Prema (jointly with S. Ramesh), 50,000 Equity Shares were allotted to G. Ramya (jointly with L. Ganapathy Subramanian), 50,000 Equity Shares were allotted to Lalitha ShivaPrasad (jointly with ShivaPrasad Krishnan), 50,000 Equity Shares were allotted to Ravi Tuli, 50,000 Equity Shares were allotted to K. Veeraraghavan, 30,000 Equity Shares were allotted to D. S. Madhusudan, 26,000 Equity Shares were allotted to D. Ramkumar (jointly with Roja Ramkumar), 25,000 Equity Shares were allotted to J. Prakash Rayen (jointly with Sylvia Prakash), 25,000 Equity Shares were allotted to Jacob Abraham, 25,000 Equity Shares were allotted to Ranjeet Maliwal, 25,000 Equity Shares were allotted to Vinod Kondurkar, 25,000 Equity Shares were allotted to P. Narayan Iyer, 25,000 Equity Shares were allotted to Sonia Vikrant Bhagwat (jointly with Vikrant Vishwas Bhagwat), 25,000 Equity Shares were allotted to K. Sugasini (jointly with S. Karthik) and 25,000 Equity Shares were allotted to A. Ramasamy.*

3 *200,000 Equity Shares were allotted to Lizy Andrade.*

4 *60,000 Equity Shares were allotted to Narayan Rao.*

5 *45,000 Equity Shares were allotted to Baskar Babu Ramachandran (jointly with Shilpa Bhaskar Babu), 50,000 Equity Shares were allotted to Chandra Thiruvengadam and 25,000 Equity Shares were allotted to Haribhau Govindrao Gurav.*

6 *2,500,000 Equity Shares were allotted to Aavishkaar Goodwell India Micro Finance Development Company Limited.*

7 *415,000 Equity Shares were allotted to Baskar Babu Ramachandran (jointly with Shilpa Bhaskar Babu), 35,000 Equity Shares were allotted to V. L. Ramakrishnan (jointly with R. Annapurni) and 50,000 Equity Shares were allotted to Ganesh Rao (jointly with Meenakshi Rao).*

8 *500,000 Equity Shares were allotted to Aavishkaar Goodwell India Micro Finance Development Company Limited.*

9 *50,000 Equity Shares were allotted to V. L. Ramakrishnan (jointly with R. Annapurni), 50,000 Equity Shares were allotted to R. Annapurni (jointly with V. L. Ramakrishnan), 100,000 Equity Shares were allotted to Ganesh Rao (jointly with Meenakshi Rao),*

100,000 Equity Shares were allotted to Baskar Babu Ramachandran (jointly with Shilpa Bhaskar Babu), 100,000 Equity Shares were allotted to G. V. Alankara, 25,000 Equity Shares were allotted to Nithyashree G. Subban, 81,250 Equity Shares were allotted to K. Harihar, 51,250 Equity Shares were allotted to Pio Fernandes (joinly with Shobha Pio Fernandes), 25,000 Equity Shares were allotted to Ashish Tiwari, 25,000 Equity Shares were allotted to Praveen Choudhary, 25,000 Equity Shares were allotted to R. Prema (jointly with S. Ramesh), 25,000 Equity Shares were allotted to G. Ramyya (jointly with L. Ganapathi Subramanian), 25,000 Equity Shares were allotted to Lalitha Shiv Prasad (jointly with Shiv Prasad Krishnan), 25,000 Equity Shares were allotted to Ravi Tuli, 25,000 Equity Shares were allotted to K. Veeraraghavan, 15,000 Equity Shares were allotted to D. S. Madhusudan, 12,500 Equity Shares were allotted to Dr. Ramkumar (jointly with Roja Ramkumar), 12,500 Equity Shares were allotted to Prakash Rayen (jointly with Sylvia Prakash), 12,500 Equity Shares were allotted to Jacob Abraham, 12,500 Equity Shares were allotted to Vinod Kondurkar, 12,500 Equity Shares were allotted to P. Narayan Iyer, 12,500 Equity Shares were allotted to Sonia Vikrant Bhagwat (jointly with Vikrant Vishwas Bhagwat), 12,500 Equity Shares were allotted to K. Sugasini (jointly with S. Karthik), 12,500 Equity Shares were allotted to A. Ramaswamy, 100,000 Equity Shares were allotted to Lizy Andrade, 55,000 Equity Shares were allotted to Narayan Rao, 12,500 Equity Shares were allotted to Haribhau Govindrao Gurav and 25,000 Equity Shares were allotted to Chandra Thiruvengadam.

[10] *1,000,000 Equity Shares were allotted to Aavishkaar Goodwell India Micro Finance Development Company Limited.*

[11] *2,142,857 Equity Shares were allotted to Aavishkar Goodwell India Micro Finance Development Company Limited and 2,857,143 Equity Shares were allotted to Lok Capital LLC.*

[12] *140,000 Equity Shares were allotted to Baskar Babu Ramachandran (jointly with Shilpa Bhaskar Babu), 120,000 Equity Shares were allotted to V. L. Ramakrishnan (jointly with R. Annapurni) and 120,000 Equity Shares were allotted to Ganesh Rao (jointly with Meenakshi Rao).*

[13] *517,857 Equity Shares were allotted to Aavishkaar Goodwell India Microfinance Development Company II Limited.*

[14] *60,000 Equity Shares were allotted to Baskar Babu Ramachandran (jointly with Shilpa Bhaskar Babu), 65,000 Equity Shares were allotted to V. L. Ramakrishnan (jointly with R. Annapurni) and 60,000 Equity Shares were allotted to Ganesh Rao (jointly with Meenakshi Rao).*

[15] *953,000 Equity Shares were allotted to Baskar Babu Ramachandran (jointly with Shilpa Bhaskar Babu), 968,500 Equity Shares were allotted to V. L. Ramakrishnan (jointly with R. Annapurni) and 973,500 Equity Shares were allotted to Ganesh Rao (jointly with Meenakshi Rao).*

[16] *954,055 Equity Shares were allotted to HDFC Holdings Limited and 703,234 Equity Shares were allotted to HDFC Standard Life Insurance Company Limited.*

[17] *1 Equity Share was allotted to HDFC Standard Life Insurance Company Limited.*

[18] *2,341,186 Equity Shares were allotted to Aavishkaar Goodwell India Microfinance Development Company II Limited, 2,344,116 Equity Shares were allotted to Lok Capital II LLC and 2,930 Equity Shares were allotted to Aavishkaar Venture Management Services Private Limited.*

[19] *222,223 Equity Shares were allotted to M. A. Alagappan, 666,666 Equity Shares were allotted to P. S. Jagdish and 1,333,334 Equity Shares were allotted to P. Surendra Pai (jointly with Savita S. Pai).*

[20] *1,111,111 Equity Shares were allotted to P. Surendra Pai (jointly with Savita S. Pai).*

[21] *1,376,055 Equity Shares were allotted to Aavishkaar Goodwell India Microfinance Development Company II Limited, 1,377,778 Equity Shares were allotted to Lok Capital II LLC and 1,723 Equity Shares were allotted to Aavishkaar Venture Management Services Private Limited.*

[22] *3,333,333 Equity Shares were allotted to IFC upon conversion of CCDs. Consideration for allotment of such Equity Shares was paid at the time of allotment of 3,333,333 CCDs to IFC on May 12, 2014.*

[23] *An aggregate of 30,000 Equity Shares were allotted by our Bank under ESOP 2010 on June 16, 2014.*

[24] *An aggregate of 147,700 Equity Shares were allotted by our Bank under ESOP 2010 on August 13, 2014.*

[25] *1,538,462 Equity Shares were allotted to Lok Capital II LLC, 769,231 Equity Shares were allotted to HDFC Holdings Limited, 769,230 Equity Shares were allotted to HDFC Standard Life Insurance Company Limited, 444,444 Equity Shares were allotted to IFC, 437,333 Equity Shares were allotted to DWM (International) Mauritius Ltd, 110,089 Equity Shares were allotted to P. S. Jagdish, 29,630 Equity Shares were allotted to M. A. Alagappan, 40,000 Equity Shares were allotted to Lizy Andrade, 5,000 Equity Shares were allotted to Jacob Abraham, 25,000 Equity Shares were allotted to Amit Jasani, 12,500 Equity Shares were allotted to Rupali Dasani and 2,500 Equity Shares were allotted to Narendra Jasani. The right issue was at a ratio of two Equity Shares for every 15 Equity Shares held.*

[26] *An aggregate of 164,700 Equity Shares were allotted by our Bank under ESOP 2010 on July 30, 2015.*

[27] *1,000,000 Equity Shares were allotted to Baskar Babu Ramachandran.*

[28] *An aggregate of 17,800 Equity Shares were allotted by our Bank under ESOP 2014 on March 14, 2016.*

[29] *2,470,588 Equity Shares were allotted to P. Surendra Pai and 1,235,294 Equity Shares were allotted to P. S. Jagdish.*

[30] *2,056,075 Equity Shares were allotted to ASK Wealth Advisors Private Limited, 500,667 Equity Shares were allotted to ASK Pravi Capital Advisors Private Limited, 2,556,742 Equity Shares were allotted to IDFC FIRST Bank Limited (previously known as IDFC Bank Limited), 1,381,844 Equity Shares were allotted to Arpwood Investments Advisors LLP, 1,401,869 Equity Shares were allotted to Kiran Vyapar Limited, 203,802 Equity Shares were allotted to Polaris Banyan Holding Private Limited, 450,403 Equity Shares were allotted to Dr. Aravind Srinivasan and 747,663 Equity Shares were allotted to HDFC Standard Life Insurance Company Limited.*

[31] *100,000 Equity Shares were allotted to Baskar Babu Ramachandran.*

[32] *1,757,107 Equity Shares were allotted to P. Surendra Pai and Savita S. Pai, 987,720 Equity Shares were allotted to Growth Catalyst Partners LLC, 610,111 Equity Shares were allotted to IFC, 600,349 Equity Shares were allotted to DWM (International) Mauritius Ltd, 482,305 Equity Shares were allotted to TVS Shriram Growth Fund, 412,914 Equity Shares were allotted to ASK Pravi Private Equity Opportunities Fund, 412,914 Equity Shares were allotted to Evolvence India Fund II Ltd, 412,914 Equity Shares were allotted to ResponsAibility Participations Mauritius, 392,268 Equity Shares were allotted to Gaja Capital Fund II Limited, 366,774 Equity Shares were allotted to P. S. Jagdish, 358,551 Equity Shares were allotted to HDFC Standard Life Insurance Company Limited, 347,572 Equity Shares were allotted to New Tech Investments Limited, 278,311 Equity Shares were allotted to HDFC Holdings Limited, 227,617 Equity Shares were allotted to Kiran Vyapar Limited, 223,168 Equity Shares were allotted to Jhelum Investment Fund I, 105,654 Equity Shares were allotted to Polaris Banyan Holdings Limited, 72,740 Equity*

Shares were allotted to Dr. Aravind Srinivasan, 54,910 Equity Shares were allotted to Lizy Andrade, 48,450 Equity Shares were allotted to G. V. Alankara, 40,674 Equity Shares were allotted to M. A. Alagappan, 37,347 Equity Shares were allotted to K. Harihar, 24,831 Equity Shares were allotted to Pio Fernandes, 20,646 Equity Shares were allotted to Gaja Trustee Company Private Limited (representing Gaja Capital India AIF Trust as a trustee), 15,110 Equity Shares were allotted to K. Venkatesh, 8,075 Equity Shares were allotted to Narayan Mahadevan, 6,864 Equity Shares were allotted to R. Annapurni and V. L. Ramakrishnan, 6,000 Equity Shares were allotted to Vinay Somani and Shrilekha Somani, 5,000 Equity Shares were allotted to Dayanand V. Deshpande, 4,038 Equity Shares were allotted to Amit Jasani, 2,019 Equity Shares were allotted to Rupal Jasani, 2,000 Equity Shares were allotted to Apneet Kahlon, 1,615 Equity Shares were allotted to Vasim Pathan, 1,131 Equity Shares were allotted to Hiren Jasvantlal Vasa, 565 Equity Shares were allotted to Dhanraj Bajwa, 452 Equity Shares were allotted to Sejal Solanki, 404 Equity Shares were allotted to Narendra Jasani, 226 Equity Shares were allotted to Bharat Atmaram Sonawane, 226 Equity Shares were allotted to Gorakh Vijay Gaikwad, 200 Equity Shares were allotted to Santosh Pandit, 162 Equity Shares were allotted to Vasim Rajjak Pathan and 129 Equity Shares were allotted to Sambit Kumar Mohanty. The rights issue was at a ratio of 323 Equity Shares for every 2,000 Equity Shares held.

[33] *1,130,875 Equity Shares were allotted to P. Surendra Pai (jointly with Savita S. Pai).*

[34] *2,413,793 Equity Shares were allotted to TVS Shriram Growth Fund, 204,377 Equity Shares were allotted to ResponsAibility Participations Mauritius, 194,159 Equity Shares were allotted to Gaja Capital Fund II Limited, 10,219 Equity Shares were allotted to Gaja Trustee Company Private Limited (representing Gaja Capital India AIF Trust as a trustee) and 172,036 Equity Shares were allotted to New Tech Investments Limited.*

[35] *An aggregate of 169,000 Equity Shares were allotted by our Bank under ESOP 2014 on January 3, 2017.*

[36] *An aggregate of 172,350 Equity Shares were allotted by our Bank under ESOP 2014 on September 13, 2017*

[37] *3,100,000 Equity Shares were allotted to Baskar Babu Ramachandran.*

[38] *An aggregate of 159,632 Equity Shares were allotted by our Bank under ESOP 2016 on March 26, 2018.*

[39] *An aggregate of 154,310 Equity Shares were allotted by our Bank under ESOP 2014 and ESOP 2016 on September 6, 2018.*

[40] *An aggregate of 3,375 Equity Shares were allotted by our Bank under ESOP 2016 on December 25, 2018.*

[41] *An aggregate of 126,042 Equity Shares were allotted by our Bank under ESOP 2016 on February 18, 2019.*

[42] *3,508,674 Equity Shares were allotted to DEG - Deutsche Investitions – Und Entwicklungsgesellschaft MBH, 930,183 Equity Shares were allotted to DWM (International) Mauritius Ltd, 700,000 Equity Shares were allotted to Evolvence India Fund II Ltd, 852,368 Equity Shares were allotted to Gaja Capital Fund II Limited, 45,290 Equity Shares were allotted to Gaja Trustee Company Private Limited (representing Gaja Capital India AIF Trust as a trustee), 333,333 Equity Shares were allotted to HDFC Holdings Limited, 525,649 Equity Shares were allotted to HDFC Life Insurance Company Limited, 555,556 Equity Shares were allotted to Kiran Vyapar Limited, 555,556 Equity Shares were allotted to Kotak Mahindra Life Insurance Company Limited, 1,666,665 Equity Shares were allotted to Lok Capital Growth Fund, 897,660 Equity Shares were allotted to ResponsAibility Participations Mauritius, 1,175,595 Equity Shares were allotted to TVS Shriram Growth Fund 3, a scheme of TVS Shriram Growth AIF Trust, 111,111 Equity Shares were allotted to G. V. Alankara, 555,555 Equity Shares were allotted to P. S. Jagdish, 1,388,888 Equity Shares were allotted to P. Surendra Pai.*

[43] *An aggregate of 49,812 Equity Shares were allotted by our Bank under ESOP 2016 on May 13, 2019.*

[44] *An aggregate of 149,753 Equity Shares were allotted by our Bank under ESOP 2016 on August 28, 2019.*

[45] *An aggregate of 29,827 Equity Shares were allotted by our Bank under ESOP 2016 on November 24, 2019.*

[46] *4,500,000 Equity Shares were allotted to Baskar Babu Ramachandran.*

[47] *An aggregate of 282,257 Equity Shares were allotted by our Bank under ESOP 2016 on March 5, 2020.*

[48] *1,826,923 Equity Shares were allotted to Gaja Capital Fund II Limited, 96,154 Equity Shares were allotted to Gaja Trustee Company Private Limited (representing Gaja Capital India AIF Trust as a trustee), 93,258 Equity Shares were allotted to Teachers Insurance and Annuity Association of America, 32,431 Equity Shares were allotted to Kiran Vyapar Limited, 192,308 Equity Shares were allotted to Kotak Mahindra Life Insurance Company Limited and 148,946 Equity Shares were allotted to Lok Capital Growth Fund.*

[49] *An aggregate of 400 Equity Shares were allotted by our Bank under ESOP 2016 on June 7, 2020.*

[50] *An aggregate of 139,830 Equity Shares were allotted by our Bank under ESOP 2016 on September 3, 2020.*

[51] *An aggregate of 60,558 Equity Shares were allotted by our Bank under ESOP 2016 and ESOP 2019 on December 5, 2020.*

[52] *3,084,833 Equity Shares were allotted to SBI Life Insurance Company Limited, 1,713,795 Equity Shares were allotted to Axis Flexi Cap Fund, 342,760 Equity Shares were allotted to Axis Equity Hybrid Fund and 66,838 Equity Shares were allotted to Kiran Vyapar Limited.*

[53] *3,140,000 Equity Shares were allotted to Baskar Babu Ramachandran, 100,000 were allotted to P.S. Jagdish and 85,000 Equity Shares were allotted to G.V. Alankara.*

[54] *An aggregate of 262,661 Equity Shares were allotted by our Bank under ESOP 2016 and ESOP 2019 on February 23, 2021.*

2. Issue of Equity Shares at price lower than the Issue Price in the last year

Details of issue of Equity Shares at a price which may be lower than the Issue Price during a period of one year preceding the date of this Prospectus are set forth in the table below.

Date of allotment	Allottees	Number of Equity Shares allotted	Face value per Equity Share (₹)	Issue price per Equity Share (₹)	Reason for allotment
Quarter ended March 31, 2020	An aggregate of 282,257 Equity Shares were allotted by our Bank under ESOP 2016 on March 5, 2020.	282,257	10	108 to 173	Allotment pursuant to ESOP 2016
May 21, 2020	1,826,923 Equity Shares were allotted to Gaja Capital Fund II	2,390,020	10	260	Private placement

Date of allotment	Allottees	Number of Equity Shares allotted	Face value per Equity Share (₹)	Issue price per Equity Share (₹)	Reason for allotment
	Limited, 96,154 Equity Shares were allotted to Gaja Trustee Company Private Limited (representing Gaja Capital India AIF Trust as a trustee), 93,258 Equity Shares were allotted to Teachers Insurance and Annuity Association of America, 32,431 Equity Shares were allotted to Kiran Vyapar Limited, 192,308 Equity Shares were allotted to Kotak Mahindra Life Insurance Company Limited and 148,946 Equity Shares were allotted to Lok Capital Growth Fund.				
Quarter ended June 30, 2020	An aggregate of 400 Equity Shares were allotted by our Bank under ESOP 2016 on June 7, 2020	400	10	140 to 173	Allotment pursuant to ESOP 2016
Quarter ended September 30, 2020	An aggregate of 139,830 Equity Shares were allotted by our Bank under ESOP 2016 on September 3, 2020.	139,830	10	108 to 173	Allotment pursuant to ESOP 2016
Quarter ended December 31, 2020	An aggregate of 60,558 Equity Shares were allotted by our Bank under ESOP 2016 and ESOP 2019 on December 5, 2020.	60,558	10	108 to 196	Allotment pursuant to ESOP 2016 and ESOP 2019
February 23, 2021	3,084,833 Equity Shares were allotted to SBI Life Insurance Company Limited, 1,713,795 Equity Shares were allotted to Axis Flexi Cap Fund, 342,760 Equity Shares were allotted to Axis Equity Hybrid Fund and 66,838 Equity Shares were allotted to Kiran Vyapar Limited.	5,208,226	10	291.75	Private placement
March 2, 2021	3,140,000 Equity Shares were allotted to Baskar Babu Ramachandran, 100,000 were allotted to P.S. Jagdish and 85,000 Equity Shares were allotted to G.V. Alankara	3,325,000	10	180	Preferential allotment
Quarter ended March 31, 2021	An aggregate of 262,661 Equity Shares were allotted by our Bank under ESOP 2016 and ESOP 2019 on February 23, 2021	262,661	10	108 to 196	Allotment pursuant to ESOP 2016 and ESOP 2019

3. **Issue of Equity Shares for consideration other than cash or out of revaluation reserves**

Our Bank has not issued any Equity Shares for consideration other than cash or out of revaluation reserves since its incorporation.

4. **History of the Equity Share capital held by our Promoters**

As on the date of this Prospectus, our Promoters, Baskar Babu Ramachandran, P. Surendra Pai, P. S. Jagdish and G. V. Alankara hold 12,343,578, 1,352,3215, 3,323,378 and 5,44,561 Equity Shares, respectively, aggregating to 30.35% of the pre-Issue Equity Share capital of our Bank.

The details regarding the shareholding of our Promoters since the incorporation of our Bank is set forth in the table below:

Date of allotment/ transfer	Nature of transaction	Number of Equity Shares	Nature of consideration	Face value per Equity Share (₹)	Issue price/ transfer price per Equity Share (₹)	Percentage of the pre-Equity Share Issue capital (%)	Percentage of the post-Equity Share Issue capital (%)
Baskar Babu Ramachandran [(1)]							

Date of allotment/ transfer	Nature of transaction	Number of Equity Shares	Nature of consideration	Face value per Equity Share (₹)	Issue price/ transfer price per Equity Share (₹)	Percentage of the pre-Equity Share Issue capital (%)	Percentage of the post-Equity Share Issue capital (%)
November 4, 2008	Initial subscription to the Memorandum of Association	5,000	Cash	10	10	0.01	Negligible
December 26, 2008	Private placement	112,500**	Cash	10	10	0.11	0.11
March 30, 2009	Private placement	45,000**	Cash	10	10	0.05	0.04
September 29, 2009	Private placement	415,000**	Cash	10	10	0.42	0.39
July 19, 2010	Private placement	100,000**	Cash	10	10	0.10	0.09
February 2, 2012	Private placement	140,000**	Cash	10	10	0.14	0.13
August 13, 2012	Private placement	60,000**	Cash	10	10	0.06	0.06
September 28, 2012	Private placement	953,000**	Cash	10	10	0.97	0.90
December 7, 2012	Transfer to Aavishkaar Goodwell India Micro Finance Development Company II Limited	(354,065)**	Cash	10	30	(0.36)	(0.33)
December 28, 2015	Private placement	1,000,000	Cash	10	50	1.02	0.94
May 28, 2016	Transfer to P. S. Jagdish	(100,000)**	Cash	10	80	(0.10)	(0.09)
December 27, 2016	Private placement	100,000	Cash	10	75	0.10	0.09
January 24, 2017	Transfer to P. Surendra Pai (jointly with Savita S. Pai)	(142,857)**	Cash	10	105	0.15	(0.14)
October 23, 2017	Transfer to P. S. Jagdish	(30,000)**	Cash	10	120	(0.03)	(0.03)
December 4, 2017	Private placement	3,100,000	Cash	10	75	3.16	2.92
December 31, 2018	Transfer to P. Surendra Pai (jointly with Savita S. Pai)	(700,000)	Cash	10	71.43	(0.71)	(0.66)
December 12, 2019	Transfer from the joint shareholding of Baskar Babu Ramachandran (jointly with Shilpa Bhaskar Babu) to Baskar Babu Ramachandran	(1,203,578)**	Gift	10	-	(1.23)	(1.13)
December 12, 2019	Transfer from the joint shareholding of Baskar Babu Ramachandran (jointly with Shilpa Bhaskar Babu) to Babu Ramachandran	1,203,578	Gift	10	-	1.23	1.13
December 27, 2019	Private placement	4,500,000	Cash	10	140	4.59	4.24
March 2, 2021	Preferential allotment	3,140,000	Cash	10	180	3.20	2.96
Total Equity Shares held by Baskar Babu Ramachandran (A)		**12,343,578**				**12.60**	**11.63**
P. Surendra Pai (2)							
September 12, 2013	Private placement	1,333,334*	Cash	10	45	1.36	1.26
October 21, 2013	Transfer from various shareholders#	668,500*	Cash	10	30	0.68	0.63
October 25, 2013	Private placement	1,111,111*	Cash	10	45	1.13	1.04
November 15, 2013	Transfer from Chandra Thiruvengadam	75,000*	Cash	10	30	0.08	0.07
November 15, 2013	Transfer from Haribhau Govindrao Gurav	12,500*	Cash	10	30	0.01	0.01
January 8, 2014	Transfer from V. L. Ramakrishnan (jointly with R. Annapurni)	1,394,130*	Cash	10	45	1.42	1.31
February 21, 2014	Transfer from Suseela Veeraraghavan	50,000*	Cash	10	30	0.05	0.05

Date of allotment/ transfer	Nature of transaction	Number of Equity Shares	Nature of consideration	Face value per Equity Share (₹)	Issue price/ transfer price per Equity Share (₹)	Percentage of the pre-Equity Share Issue capital (%)	Percentage of the post-Equity Share Issue capital (%)
	(jointly with K.V. Bharadwaj and K.V. Balaji)						
February 9, 2015	Transfer from Ganesh Rao (jointly with Meenakshi Rao)	184,825*	Cash	10	52	0.19	0.17
October 6, 2015	Transfer from Ganesh Rao	1,103,500	Cash	10	52	1.13	1.04
April 29, 2016	Private placement	2,470,588	Cash	10	85	2.52	2.33
January 24, 2017	Transfer from Baskar Babu Ramachandran (jointly with Shilpa Bhaskar Babu)	142,857	Cash	10	105	0.15	0.13
February 21, 2017	Rights issue	1,757,107*	Cash	10	120	1.79	1.66
February 22, 2017	Private placement	1,130,875*	Cash	10	125	1.15	1.07
December 31, 2018	Transfer from Baskar Babu Ramachandran	700,000*	Cash	10	71.43	0.71	0.66
March 28, 2019	Private placement	1,388,888	Cash	10	180	1.42	1.31
Total Equity Shares held by P. Surendra Pai (B)		**13,523,215**				**13.80**	**12.74**
P. S. Jagdish							
September 12, 2013	Private placement	666,666	Cash	10	45	0.68	0.63
October 21, 2013	Transfer from D S Madhusudan	45,000	Cash	10	30	0.05	0.04
October 21, 2013	Transfer from Narayan Rao	114,000	Cash	10	30	0.12	0.12
July 30, 2015	Rights issue	110,089	Cash	10	78	0.11	0.10
April 29, 2016	Private placement	1,235,294	Cash	10	85	1.26	1.16
May 28, 2016	Transfer from Baskar Babu Ramachandran	100,000	Cash	10	80	0.10	0.09
February 21, 2017	Rights issue	366,774	Cash	10	120	0.37	0.35
October 23, 2017	Transfer from Baskar Babu Ramachandran (jointly with Shilpa Bhaskar Babu)	30,000	Cash	10	120	0.03	0.03
March 28, 2019	Private placement	555,555	Cash	10	180	0.57	0.52
March 2, 2021	Preferential allotment	100,000	Cash	10	180	0.10	0.09
Total Equity Shares held by P.S. Jagdish (C)		**3,323,378**				**3.39**	**3.13**
G. V. Alankara							
December 26, 2008	Private placement	200,000	Cash	10	10	0.20	0.18
July 19, 2010	Private placement	100,000	Cash	10	10	0.10	0.09
February 21, 2017	Rights issue	48,450	Cash	10	120	0.05	0.05
March 28, 2019	Private placement	111,111	Cash	10	180	0.11	0.10
March 2, 2021	Preferential allotment	85,000	Cash	10	180	0.09	0.08
Total Equity Shares held by G.V. Alankara (D)		**544,561**				0.56	**0.51**
Total (A+B+C+D)		**2,97,34,732**				**30.35**	**28.02**

* *Jointly held with Savita S. Pai.*

** *Jointly with Shilpa Bhaskar Babu.*

(1) *With respect to certain allotments to Baskar Babu Ramachandran, the demat credit of the Equity Shares has been made to the joint account of Baskar Babu Ramachandran, as the first holder along with Shilpa Bhaskar Babu.*

(2) *With respect to certain allotments to P. Surendra Pai, the demat credit of the Equity Shares has been made to the joint account of P. Surendra Pai, as the first holder along with Savita S. Pai.*

\# *Transfer of 75,000 Equity Shares from Nithyashree G Subban, 75,000 Equity Shares from Ashish Tiwari, 75,000 Equity Shares from Praveen Choudhary, 75,000 Equity Shares from R Prema (jointly with S Ramesh), 75,000 Equity Shares from G Ramya (jointly with L Ganapathi Subramanian), 75,000 Equity Shares from Lalitha Shivaprasad (jointly with Shivaprasad Krishnan), 30,000 Equity Shares from Ravi Tuli, 38,500 Equity Shares from Dr. Ramkumar (jointly with RojaRamkumar, 37,500 Equity Shares from J PrakashRayen (jointly with Sylvia Prakash), 37,500 Equity Shares from Vinod Kondurkar, 37,500 Equity Shares from P Narayanan Iyer and 37,500 Equity Shares from A Ramasamy.*

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

5. **Details of Equity Shares pledged by our Promoters and Promoter Group**

Except for 11,290,000 Equity Shares held by one of our Promoters, Baskar Babu Ramachandran ("**Promoter Shares**"), of which (i) 8,150,000 Equity Shares are pledged in favour of one of our Shareholders Avendus Finance Private Limited, a Systemically Important NBFC ("**Avendus**") and one of our Shareholders and Systemically Important NBFC, Kiran Vyapar Limited ("**KVL**") and (ii) 3,140,000 Equity Shares are pledged in favour of Placid Limited, a Systemically Important NBFC ("**Placid**"), respectively, in relation to borrowing arrangements entered into by Baskar Babu Ramachandran in his personal capacity, none of the other Equity Shares held by our Promoters and Promoter Group are pledged as on the date of this Prospectus. Avendus and KVL by way of the joint consent letter dated March 4, 2021 and Placid by way of its consent letter dated March 4, 2021 (collectively, the "**Consent Letters**"), have consented for a temporary release on the pledge on Promoter Shares on the Issue Closing Date subject to certain conditions stated in the Consent Letters. In terms of the Consent Letters, the Promoter Shares are required to be repledged with the respective lenders immediately and not later than the date of listing and trading of the Equity Shares Allotted in the Issue.

Details of Promoters' contribution and lock-in

a) Pursuant to the SEBI ICDR Regulations, an aggregate of 20% of the post-Issue expanded Equity Share capital of our Bank held by our Promoters (assuming full conversion of vested options, if any, under ESOP 2016 and ESOP 2019) shall be locked in for a period of three years as minimum promoters' contribution from the date of Allotment, and the Promoters' shareholding in excess of 20% of the post-Issue expanded Equity Share capital of our Bank, if any, shall be locked in for a period of one year from the date of Allotment.

b) The total number of Equity Shares held by our Promoters which is eligible for minimum promoters' contribution is 18,259,732 Equity Shares. Further, 3,325,000 Equity Shares allotted on March 2, 2021 constituting of 3,140,000 Equity Shares allotted to Baskar Babu Ramachandran, 100,000 allotted to P.S. Jagdish and 85,000 Equity Shares allotted to G.V. Alankara, certain Promoters of our Bank, on a preferential basis, have not been considered for minimum promoters' contribution. Since the post-Issue shareholding of the Promoters eligible for minimum promoters' contribution is less than 20% of post-Issue Equity Share capital of our Bank (assuming full conversion of vested options, if any, under ESOP 2016 and ESOP 2019), in accordance with Regulation 14 of the SEBI ICDR Regulations, one of the Shareholders of our Bank, HDFC Life Insurance Company Limited ("**HDFC Life**"), has provided its consent, through its letter, dated September 29, 2020 to meet the shortfall in minimum promoters' contribution subject to (a) 3,104,328 Equity Shares, to the extent required or (b) such other number of Equity Shares, to the extent required and as may be approved by HDFC Life in writing which does not exceed 10% of the post-Issue Equity Share capital of our Bank (assuming aforementioned full dilution) and subject to:

(i) Promoters offering for the minimum promoters' contribution of at least 10% of the post-Issue paid up Equity Share capital of our Bank which shall be subject to the lock-in in accordance with the SEBI ICDR Regulations during the period commencing on the date of Allotment of the Issue and ending on the date the lock-in over the Equity Shares contributed by HDFC Life ends;

(ii) the Promoters offering all of their issued and paid up Equity Shares held and as may be subsequently acquired by them in our Bank which are eligible for minimum promoters' contribution under Regulation 15(1) of the SEBI ICDR Regulations, in respect of minimum promoters' contribution; and

(iii) the Issue taking place on or before May 31, 2021.

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

Date of allotment/ acquisition of the Equity Shares*	Nature of transaction	Number of Equity Shares	Face Value (₹)	Issue/ acquisition price per Equity Share (₹)	Percentage of the pre-Issue paid-up Equity Share capital (%)	Percentage of the post-Issue paid-up Equity Share capital (%)
Promoters						
G.V. Alankara						
December 26, 2008	Private placement	200,000	10	10.00	0.20	0.20
July 19, 2010	Private placement	100,000	10	10.00	0.10	0.09

Date of allotment/ acquisition of the Equity Shares*	Nature of transaction	Number of Equity Shares	Face Value (₹)	Issue/ acquisition price per Equity Share (₹)	Percentage of the pre-Issue paid-up Equity Share capital (%)	Percentage of the post-Issue paid-up Equity Share capital (%)
February 21, 2017	Right issue	48,450	10	120.00	0.05	0.05
March 28, 2019	Private placement	111,111	10	180.00	0.12	0.10
P. S. Jagdish						
September 12, 2013	Private placement	666,666	10	45.00	0.68	0.62
October 21, 2013	Transfer	45,000	10	30.00	0.05	0.04
October 21, 2013	Transfer	114,000	10	30.00	0.12	0.11
July 30, 2015	Right issue	110,089	10	78.00	0.11	0.10
April 29, 2016	Private placement	1,235,294	10	85.00	1.26	1.16
May 28, 2016	Transfer	100,000	10	80.00	0.10	0.09
February 2, 2017	Right issue	366,774	10	120.00	0.37	0.34
October 27, 2017	Transfer	30,000	10	120.00	0.03	0.03
March 28, 2019	Private placement	555,555	10	180.00	0.57	0.52
P. Surendra Pai						
September 12, 2013	Private placement	1,333,334	10	45.00	1.36	1.25
October 21, 2013	Transfer	668,500	10	45.00	0.68	0.63
October 25, 2013	Private placement	1,111,111	10	30.00	1.13	1.04
November 15, 2013	Transfer	87,500	10	30.00	0.09	0.08
January 8, 2014	Transfer	1,194,130	10	45.00	1.22	1.12
January 8, 2014	Transfer	200,000	10	45.00	0.20	0.19
February 21, 2014	Transfer	50,000	10	30.00	0.05	0.05
February 9, 201	Transfer	184,825	10	52.00	0.19	0.17
October 10, 2015	Transfer	1,103,500	10	52.00	1.13	1.03
April 29, 2016	Private placement	2,470,588	10	85.00	2.52	2.31
January 28, 2017	Transfer	142,857	10	105.00	0.15	0.13
February 21, 2017	Right issue	399,944	10	120.00	0.41	0.37
February 21, 2017	Right issue	1,357,163	10	120.00	1.39	1.27
February 22, 2017	Preferential allotment	1,130,875	10	125.00	1.15	1.06
December 29, 2018	Transfer	700,000	10	71.43	0.71	0.66
March 28, 2019	Private placement	1,388,888	10	180.00	1.42	1.30
Baskar Babu Ramachandran						
September 28, 2012	Private placement	503,578	10	10.00	0.51	0.47
December 28, 2015	Preferential allotment	550,000	10	50.00	0.56	0.52
HDFC Life Insurance Company Limited						
September 29, 2012	Private placement	703,234	10.00	42.66	0.72	0.66
October 6, 2012	Private placement	1	10.00	42.66	Negligible	Negligible
July 30, 2015	Rights issue	769,230	10.00	78.00	0.79	0.72
June 30, 2016	Private placement	747,663	10.00	107.00	0.76	0.70
February 21, 2017	Rights issue	120,748	10.00	120.00	0.12	0.11
February 21, 2017	Rights issue	237,803	10.00	120.00	0.24	0.22
March 28, 2019	Private placement	525,649	10.00	180.00	0.54	0.50
Total	-	**21,364,060**	-	-	**21.80**	**20.01**

* *All Equity Shares allotted to our Promoters/ HDFC Life Insurance Company Limited were fully paid-up at the time of allotment.*

c) Our Bank undertakes that the Equity Shares that are being locked-in are not ineligible for computation of Promoters' contribution in terms of the SEBI ICDR Regulations. In this connection, we confirm the following:

1. The Equity Shares offered for Promoters' contribution do not include Equity Shares acquired in the three immediately preceding years for consideration other than cash, and revaluation of assets or capitalization of intangible assets, or resulting from a bonus issue by utilization of revaluation reserves or unrealized profits of our Bank or bonus issue against Equity Shares, which are otherwise ineligible for computation of Promoters' contribution;

2. The Promoters' contribution does not include any Equity Shares acquired during the immediately preceding one year at a price lower than the price at which the Equity Shares were offered to the public in the Issue;

3. Our Bank has not been formed by the conversion of a partnership firm or a limited liability partnership firm into a company;

4. The Equity Shares forming part of the Promoters' contribution are not subject to any pledge; and

5. All the Equity Shares held by our Promoters are held in dematerialized form.

d) HDFC Life, in respect of the Equity Shares offered by it for meeting the shortfall in Promoters' contribution, confirms that such Equity Shares:

1. have not been acquired for consideration other than cash and no revaluation of assets or capitalization of intangible assets was involved in such transaction;

2. are not subject to any pledge or any other encumbrance;

3. are held in dematerialized form; and

4. have not been acquired during the preceding year at a price lower than the Issue price.

Other lock-in requirements:

1. In addition to the 20% of the post-Issue expanded Equity Share capital of our Bank held by our Promoters, and contributed by HDFC Life to meet the shortfall in minimum Promoters' contribution, and locked in for three years as specified above, the entire pre-Issue Equity Share capital of our Bank will be locked-in for a period of one year from the date of Allotment, except for (i) the Equity Shares offered pursuant to the Offer for Sale; (ii) any Equity Shares held by the eligible employees (whether currently employees or not and including the legal heirs or nominees of any deceased employees or ex-employees) of our Bank which have been allotted to them under ESOP 2010 and ESOP 2014 or which have been allotted to them or will be allotted to them under ESOP 2016 and ESOP 2019, prior to the Issue, except as required under applicable law and (iii) any Equity Shares held by a VCF or Category I AIF or Category II AIF or FVCI, as applicable, provided that such Equity Shares shall be locked in for a period of at least one year from the date of purchase by such shareholders. Further, any unsold portion of the Equity Shares offered pursuant to the Offer for Sale will be locked-in as required under the SEBI ICDR Regulations.

2. The Equity Shares held by the Promoters, which are locked-in may be transferred to and amongst the members of the Promoter Group or to another Promoter or to any new promoter of our Bank, subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with the Takeover Regulations, as applicable.

3. Our Promoters have agreed not to sell, transfer, charge, pledge or otherwise encumber in any manner, the Promoters' contribution from the date of filing this Prospectus, until the expiry of the lock-in specified above, or for such other time as required under SEBI ICDR Regulations, except as may be permitted, in accordance with the SEBI ICDR Regulations.

4. The Equity Shares held by the Promoters which are locked-in for a period of one year from the date of Allotment may be pledged only with scheduled commercial banks or public financial institutions or systemically important non-banking finance companies or housing finance companies, as collateral security for loans granted by such banks or public financial institutions or systemically important non-banking finance companies or housing finance companies, provided that pledge of the Equity Shares is one of the terms of the sanction of loans. The lock-in may continue pursuant to the invocation of pledge; however, the transferee shall not be eligible to transfer the Equity Shares until the expiry of the lock-in period.

5. The Equity Shares held by persons other than the Promoters and locked-in for a period of one year from the date of Allotment in the Issue may be transferred to any other person holding the Equity Shares which are locked-in, subject to continuation of the lock-in in the hands of transferees for the remaining period and compliance with the Takeover Regulations.

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

7. As required under the SEBI ICDR Regulations, our Bank shall ensure that details of the Equity Shares locked-in are recorded by the relevant Depository.

8. Pursuant to the SFB Licensing Guidelines, our Promoters' are required to ensure their shareholding in our Bank does not fall below 26% of the paid-up Equity Share capital during the first five years from the date of commencement of our business operations as an SFB, which was January 23, 2017 as described in "*Key Regulations and Policies*" beginning on page 172.

6. **Equity Share Capital held by our Promoter Group**

Except for 13,523,215 Equity Shares, which are jointly held by P. Surendra Pai (as the first holder) and Savita S. Pai, none of our other Promoter Group hold Equity Shares of our Bank as on the date of this Prospectus.

7. **Equity Share Capital held by the Selling Shareholders**

As on the date of this Prospectus, the Selling Shareholders hold 23,141,816 Equity Shares in aggregate, constituting 23.62% of the pre-Issue Equity Share capital of our Bank.

8. Our Promoter Group, our Directors and their relatives have not purchased or sold any Equity Shares during a period of six months preceding the date of this Prospectus. For details of shareholding of our Directors, see "*Our Management - Shareholding of Directors in our Bank*" on page 194.

9. Shareholding Pattern of our Bank

The table below presents the shareholding pattern of our Bank as on the date of filing of this Prospectus:

Category (I)	Category of Shareholder (II)	Number of Shareholders (III)	Number of fully paid up Equity Shares held (IV)	Number of partly paid-up Equity Shares held (V)	Number of Equity Shares underlying Depository Receipts (VI)	Total number of Equity Shares held (VII) =(IV)+(V) + (VI)	Shareholding as a % of total number of Equity Shares (calculated as per SCRR, 1957) (VIII) As a % of (A+B+C2)	Number of voting rights held in each class of securities (IX) – Number of Voting Rights – Class e.g.: Equity Shares	Number of Voting Rights – Class e.g.: others	Number of Voting Rights – Total	Total as a % of (A+B+C)	Number of Equity Shares underlying outstanding convertible securities (including warrants) (X)	Shareholding, as a % assuming full conversion of convertible securities (as a percentage of diluted Equity Share capital) (XI)= (VII)+(X) As a % of (A+B+C2)	Number of locked in Equity Shares (XII) – Number (a)	Number of locked in Equity Shares (XII) – As a % of total Equity Shares held (b)	Number of Equity Shares pledged or otherwise encumbered (XIII) – Number (a)	Number of Equity Shares pledged or otherwise encumbered (XIII) – As a % of total Equity Shares held (b)	Number of Equity Shares held in dematerialized form (XIV)
(A)	**Promoter and Promoter Group**	4	29,734,732[1]	-	-	29,734,732	30.35	29,734,732	-	29,734,732	30.35	-	-		-	-	-	29,734,732
(B)	**Public**	2,286	68,246,094	-	-	68,246,094	69.65	68,246,094	-	68,246,094	69.65	-	-		-			68,242,189
(C)	**Non Promoter-Non Public**			-	-							-	-		-			
(C1)	**Equity Shares underlying depository receipts**	-	-	-	-	-	-	-	-	-	-	-	-		-		-	-
(C2)	**Equity Shares held by employee trusts**	-	-	-	-	-	-	-	-	-	-	-	-		-		-	-
	Total	**2,290**	**97,980,826**	-	-	**97,980,826**	**100**	**97,980,826**	-	**97,980,826**	**100**	-	-		-	-	-	**97,976,921**

(1) Our Promoters are required to ensure that their shareholding in our Bank does not fall below 26% of the paid-up Equity Share capital during the first five years from the date of commencement of our business operations as an SFB, which was January 23, 2017.

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

a) Set forth below is a list of Shareholders holding 1% or more of the paid-up Equity Share capital of our Bank, as on the date of this Prospectus:

	Name of the Shareholder	Pre-Issue[1]	
		Number of Equity Shares on a diluted basis	Percentage of the Equity Share capital (%) on a diluted basis
1.	P. Surendra Pai[2]	13,523,215	13.71
2.	Baskar Babu Ramachandran	12,343,578	12.52
3.	Gaja Capital Fund II Limited	5,694,623	5.77
4.	DWM (International) Mauritius Ltd	5,247,865	5.32
5.	International Finance Corporation	4,387,888	4.45
6.	Responsability Participations Mauritius	4,071,693	4.13
7.	Evolvence India Fund II Ltd	3,669,656	3.72
8.	DEG-Deutsche Investitions -Und Entwicklungsgesells	3,508,674	3.56
9.	Teachers Insurance and Annuity Association of America	3,475,500	3.52
10.	P. S. Jagdish	3,323,378	3.37
11.	HDFC Life Insurance Company Limited	3,104,328	3.15
12.	SBI Life Insurance Company Limited	3,084,833	3.13
13.	ASK Pravi Private Equity Opportunities Fund	2,969,656	3.01
14.	TVS Shriram Growth Fund	2,896,098	2.94
15.	Lok Capital Growth Fund	2,803,331	2.84
16.	IDFC FIRST Bank Limited	2,556,742	2.59
17.	HDFC Holdings Limited	2,334,930	2.37
18.	Americorp Ventures Limited	1,871,758	1.90
19.	TVS Shriram Growth Fund 3, a scheme of TVS Shriram Growth AIF Trust	1,750,595	1.78
20.	Axis Flexicap Fund	1,713,795	1.74
21.	Jhelum Investment Fund I	1,605,012	1.63
22.	Kiran Vyapar Limited	1,080,338	1.10
	Total	**87,017,486**	**88.24**

(1) *Assuming the full conversion of the vested options as on the date of this Prospectus.*
(2) *Jointly held with Savita S. Pai.*

b) Set forth below is a list of Shareholders holding 1% or more of the paid-up Equity Share capital of our Bank, as of 10 days prior to the date of this Prospectus:

	Name of the Shareholder	Pre-Issue[2]	
		Number of Equity Shares on a diluted basis	Percentage of the Equity Share capital (%) on a diluted basis
1.	P. Surendra Pai[1]	13,523,215	13.71
2.	Baskar Babu Ramachandran	12,343,578	12.52
3.	Gaja Capital Fund II Limited	5,694,623	5.77
4.	DWM (International) Mauritius Ltd	5,247,865	5.32
5.	International Finance Corporation	4,387,888	4.45
6.	Responsability Participations Mauritius	4,071,693	4.13
7.	Evolvence India Fund II Ltd	3,669,656	3.72
8.	DEG-Deutsche Investitions -Und Entwicklungsgesells	3,508,674	3.56
9.	Teachers Insurance and Annuity Association of America	3,475,500	3.52
10.	P. S. Jagdish	3,323,378	3.37
11.	HDFC Life Insurance Company Limited	3,104,328	3.15
12.	SBI Life Insurance Company Limited	3,084,833	3.13
13.	Ask Pravi Private Equity Opportunities Fund	2,969,656	3.01
14.	TVS Shriram Growth Fund	2,896,098	2.94
15.	Lok Capital Growth Fund	2,803,331	2.84
16.	IDFC FIRST Bank Limited	2,556,742	2.59
17.	HDFC Holdings Limited	2,334,930	2.37

	Name of the Shareholder	Pre-Issue[(2)]	
		Number of Equity Shares on a diluted basis	Percentage of the Equity Share capital (%) on a diluted basis
18.	Americorp Ventures Limited	1,871,758	1.90
19.	TVS Shriram Growth Fund 3, a scheme of TVS Shriram Growth AIF Trust	1,750,595	1.78
20.	Axis Flexicap Fund	1,713,795	1.74
21.	Jhelum Investment Fund I	1,605,012	1.63
22.	Kiran Vyapar Limited	1,105,338	1.12
	Total	**87,042,486**	**88.27**

(1) *Jointly held with Savita S. Pai*
(2) *Full conversion of vested options as on the date of this Prospectus.*

c) Set forth below is a list of Shareholders holding 1% or more of the paid-up Equity Share capital of our Bank, as of one year prior to the date of this Prospectus:

	Name of the Shareholder	Pre-Issue[(1)]	
		Number of Equity Shares on a diluted basis	Percentage of the Equity Share capital (%) on a diluted basis
1.	Baskar Babu Ramachandran[(1)]	14,018,578	15.30
2.	P. Surendra Pai[(2)]	13,523,215	14.76
3.	DWM International Mauritius Ltd	5,247,865	5.73
4.	International Finance Corporation	4,387,888	4.79
5.	Responsability Participations Mauritius	4,071,693	4.45
6.	Gaja Capital Fund II Limited	3,867,700	4.22
7.	Evolvence India Fund II Ltd	3,669,656	4.01
8.	DEG-Deutsche Investitions -Und Entwicklungsgesells	3,508,674	3.83
9.	Teachers Insurance and Annuity Association of America	3,382,242	3.69
10.	P. S. Jagdish[(1)]	3,323,378	3.63
11.	HDFC Life Insurance Company Limited	3,104,328	3.39
12.	Ask Pravi Private Equity Opportunities Fund	2,969,656	3.24
13.	TVS Shriram Growth Fund	2,896,098	3.16
14.	Sarva Capital LLC	2,733,669	2.98
15.	Americorp Ventures Limited	2,671,758	2.92
16.	Lok Capital Growth Fund	2,654,385	2.90
17.	IDFC First Bank Limited	2,556,742	2.79
18.	HDFC Holdings Limited	2,334,930	2.55
19.	TVS Shriram Growth Fund 3, a scheme of TVS Shriram Growth AIF Trust	1,750,595	1.91
20.	Jhelum Investment Fund I	1,605,012	1.75
21.	Kiran Vyapar Limited	1,164,569	1.27
	Total	**85,442,631**	**93.28**

(1) *(i) full conversion of vested options as of one years prior to the date of this Prospectus and (ii) the issue of application form and payment of application monies and consequent preferential allotment of up to 4,815,000 Equity Shares to Baskar Babu Ramachandran, up to 1,00,000 Equity Shares to P.S. Jagdish one year prior to the date of this Prospectus*
(2) *Jointly held with Savita S. Pai*

d) Set forth below is a list of Shareholders holding 1% or more of the paid-up Equity Share capital of our Bank, as of two years prior to the date of this Prospectus:

	Name of the Shareholder	Pre-Issue[(2)]	
		Number of Equity Shares on a diluted basis	Percentage of the Equity Share capital (%) on a diluted basis
1.	P. Surendra Pai [(1)]	12,134,327	16.75
2.	Baskar Babu Ramachandran[(2)(3)]	9,203,578	12.70
3.	Sarva Capital LLC	6,115,911	8.44
4.	International Finance Corporation	4,387,888	6.06
5.	DWM International Mauritius Ltd	4,317,682	5.96
6.	Responsability Participations Mauritius	3,174,033	4.38

	Name of the Shareholder	Pre-Issue[(2)]	
		Number of Equity Shares on a diluted basis	Percentage of the Equity Share capital (%) on a diluted basis
7.	Gaja Capital Fund II Limited	3,015,332	4.16
8.	Ask Pravi Private Equity Opportunities Fund	2,969,656	4.10
9.	Evolvence India Fund II Ltd	2,969,656	4.10
10.	TVS Shriram Growth Fund	2,896,098	4.00
11.	Americorp Ventures Limited	2,671,758	3.69
12.	P. S. Jagdish	2,667,823	3.68
13.	HDFC Standard Life Insurance Company Limited	2,578,679	3.56
14.	IDFC Bank Limited	2,556,742	3.53
15.	HDFC Holdings Limited	2,001,597	2.76
16.	Kiran Vyapar Limited	1,637,013	2.26
17.	Jhelum Investment Fund I	1,605,012	2.22
18.	Lok Capital Growth Fund	987,720	1.36
19.	Polaris Banyan Holding Private Limited	759,859	1.05
	Total	**68,650,364**	**94.76**

(1) *Jointly held with Savita S. Pai*

(2) *(i) full conversion of vested options as of two years prior to the date of this Prospectus and (ii) the issue of application form and payment of application monies and consequent preferential allotment of up to 4,500,000 Equity Shares to Baskar Babu Ramachandran two years prior to the date of this Prospectus.*

(3) *1,203,578 Equity Shares were jointly held by Baskar Babu Ramachandran (as the first holder) and Shilpa Bhaskar Babu as of two years prior to the date of this Prospectus.*

11. Our Bank shall ensure that any transaction in the Equity Shares by the Promoters and the Promoter Group during the period between the date of filing of the Draft Red Herring Prospectus and the date of closure of the Issue shall be reported to the Stock Exchanges within 24 hours of such transaction.

12. Except as disclosed in "– *Notes to the capital structure - Equity Share capital history of our Bank*" on pages 73 to 77, our Bank has not made any public issue or rights issue of any kind or class of securities since its incorporation.

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

14. All Equity Shares issued pursuant to the Issue shall be fully paid-up at the time of Allotment.

15. As on the date of filing of this Prospectus, our Bank has 2,290 Shareholders.

16. Except for the issue of any Equity Shares pursuant to exercise of options granted under the ESOP Schemes, our Bank presently does not intend or propose to alter its capital structure for a period of six months from the Bid/Issue Opening Date, by way of sub-division or consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into or exchangeable, directly or indirectly for Equity Shares) whether on a preferential basis or by way of issue of bonus shares or on a rights basis or by way of further public issue of Equity Shares or otherwise.

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

18. Neither our Bank, nor the Directors have entered into any buy-back arrangements for purchase of Equity Shares from any person. Further, the Book Running Lead Managers have not entered into any buy-back arrangements for purchase of Equity Shares from any person.

19. Except as disclosed in "*Our Management*" beginning on page 188, none of our Directors or Key Managerial Personnel hold any Equity Shares of our Bank.

20. Our Bank, pursuant to the resolutions by our Board on May 29, 2010 and Shareholders on June 10, 2010, adopted the ESOP 2010. The aggregate number of Equity Shares issued under the ESOP 2010 is 342,400 Equity Shares of face value ₹ 10 each. As on the date of this Prospectus, there are no outstanding options under ESOP 2010. Our Nomination and Remuneration Committee, pursuant to its resolution dated September 23, 2020, has noted that the ESOP 2010 is closed.

The details of the ESOP 2010, as certified by C N K & Associates LLP, Chartered Accountants, through a certificate dated March 3, 2021 are as follows:

Particulars of scheme (Cumulative till date)	Total
Options granted	396,000
Options vested (excluding options that have been exercised or cancelled)	Nil
Options exercised	342,400
Exercise price of options granted (₹)	10
Exercise price of options exercised (₹)	10
Total number of Equity Shares that would arise as a result of full exercise of options granted (net of cancelled options)	-
Options forfeited/lapsed/cancelled	53,600
Variation in terms of options	NIL
Money realised by exercise of options	₹ 3.42 million
Total number of options in force	-

Particulars	Fiscal 2018	Fiscal 2019	Fiscal 2020	For the period April 1, 2020 till the date of this Prospectus
Options granted	Nil	Nil	Nil	Nil
Options vested	Nil	Nil	Nil	Nil
Options exercised	Nil	Nil	Nil	Nil
Exercise price of options granted (₹)	N/A	N/A	N/A	N/A
Exercise price of options exercised (₹)	N/A	N/A	N/A	N/A
Total number of Equity Shares that would arise as a result of full exercise of options granted (net of cancelled options)	Nil	Nil	Nil	Nil
Options forfeited/lapsed/cancelled	Nil	Nil	Nil	Nil
Variation in terms of options	N/A	N/A	N/A	N/A
Money realised by exercise of options (in lakh)	Nil	Nil	Nil	Nil
Total number of options in force	Nil	Nil	Nil	Nil
Description of the pricing formula and the method and significant assumptions used during the year to estimate the fair values of options, including weighted-average information, namely, risk-free interest rate, expected life, expected volatility, expected dividends and the price of the underlying share in market at the time of grant of the option				
Method of option valuation	N/A			
Expected Volatility (%)	N/A			
Dividend Yield (%)	N/A			
Expected life (Years)	N/A			
Risk free interest rate (%)	N/A			
Weighted average exercise prices and weighted average fair				

Particulars	Fiscal 2018	Fiscal 2019	Fiscal 2020	For the period April 1, 2020 till the date of this Prospectus
value of options whose exercise price where:				
a) Exercise price equals market price on the date of grant - Fair Value of options granted (₹) - Exercise Price (₹)	N/A			
b) Exercise price is greater than market price on the date of grant - Fair Value of options granted (₹) - Exercise Price (₹)	N/A			
c) Exercise price is less than market price on the date of grant - Fair Value of options granted (₹) - Exercise Price (₹)	N/A			
Fully diluted EPS calculated in accordance with AS 20	1.76	13.16	13.30	N/A
Difference between employee compensation cost calculated using the intrinsic value of stock options and the employee compensation cost that shall have been recognized if our Bank had used fair value of options and impact of this difference on profits and EPS of our Bank	*	*	*	*
Increase in profit/(loss) for the year (₹ million)	*	*	*	*
Revised EPS (₹)	*	*	*	*
Impact on profits and EPS of the last three years if our Bank had followed the accounting policies specified in the SEBI SBEB Regulations in respect of options granted in the last three years	*	*	*	*
Increase in profit/(loss) for the year (₹ million)	*	*	*	*
Revised EPS (₹)	*	*	*	*
** NA since accounted under fair value method*				
Intention of the existing Key Managerial Personnel and whole-time directors to sell Equity Shares (held currently or which are to be allotted on exercise of options), within three months after the listing of Equity Shares pursuant to the Issue	The existing Key Managerial Personnel and whole-time Directors may sell upto 551,150 Equity Shares or all the equity shares allotted pursuant to exercise of options granted under any ESOP scheme or under any employee stock purchase scheme within three months of the date of listing and commencement of trading of the Equity Shares of the Bank in the Issue#			
Intention to sell Equity Shares arising out of ESOP Scheme within three months after the listing of Equity Shares, by Directors, senior management personnel and employees having Equity Shares arising out of the ESOP Scheme, amounting to more than 1% of the issued	NIL			

Particulars	Fiscal 2018	Fiscal 2019	Fiscal 2020	For the period April 1, 2020 till the date of this Prospectus
capital (excluding outstanding warrants and conversions)				

Aggregate number of 551,150 Equity Shares comprise of 347,150 shares held as on date by the KMPs and 204,000 options vested but not exercised which may be allotted pursuant to exercise of options granted under any ESOP scheme.

Employee wise details of options granted to Key Management Personnel under ESOP 2010

Name and Designation	No. of options granted during the year /period	No. of options lapsed / cancelled	No. of options exercised	No. of options outstanding at the end of the year/period
Fiscal Year ending March 2018	-	-	-	-
Fiscal Year ending March 2019	-	-	-	-
Fiscal Year ending March 2019	-	-	-	-
Period from April 1, 2020 till the date of this Prospectus	-	-	-	-

List of Employees who received a grant in any one year of options amounting to 5% or more of the options granted during the year				
Name	**No. of options granted during the year/ period**	**No. of options lapsed / cancelled during the year/ period**	**No. of options exercised during the year/ period**	**No. of options outstanding**
Fiscal Year ending March 2018	-	-	-	-
Fiscal Year ending March 2019	-	-	-	-
Fiscal Year ending March 2020	-	-	-	-
Period from April 1, 2020 till the date of this Prospectus	-	-	-	-

Identified employees who are granted options, during any one year equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of our Bank at the time of grant					
Name	**Grant Period**	**No. of Options Granted**	**No. of Options lapsed / cancelled**	**No. of Options Exercised**	**No. of options outstanding**
NIL	-	-	-	-	-

21. Our Bank, pursuant to the resolutions by our Board and our Shareholders (which was passed on April 10, 2014), adopted the ESOP 2014, The aggregate number of Equity Shares, issued under the ESOP 2014 is 360,350 Equity Shares of face value ₹ 10 each. As on the date of this Prospectus, there are no outstanding option under ESOP 2014. Our Nomination and Remuneration Committee, pursuant to its resolution dated September 23, 2020, has noted that the ESOP 2014 is closed.

The details of the ESOP 2014, as certified by C N K & Associates LLP through a certificate dated March 3, 2021:

Particulars of scheme	Total
Options granted	521,500
Options vested (excluding options that have been exercised or cancelled)	Nil
Options exercised	360,350

Particulars of scheme	Total
Exercise price of options granted (₹)	36
Exercise price of options exercised (₹)	36
Total number of Equity Shares that would arise as a result of full exercise of options granted (net of cancelled options)	-
Options forfeited/lapsed/cancelled	161,150
Variation in terms of options	NIL
Money realised by exercise of options	₹ 12.97 million
Total number of options in force	-

Particulars	Fiscal 2018	Fiscal 2019	Fiscal 2020	For the period April 1, 2020 till the date of this Prospectus
Options granted	Nil	Nil	Nil	Nil
Options vested	66,750	Nil	Nil	Nil
Options exercised	172,350	1,200	Nil	Nil
Exercise price of options granted (₹)	N/A	N/A	N/A	N/A
Exercise price of options exercised (₹)	36	36	N/A	N/A
Total number of Equity Shares that would arise as a result of full exercise of options granted (net of cancelled options)	1,200	Nil	Nil	Nil
Options forfeited/lapsed/cancelled	2,400	Nil	Nil	Nil
Variation in terms of options	N/A	N/A	N/A	N/A
Money realised by exercise of options	₹ 6.20 million	₹ 0.04 million	Nil	Nil
Total number of options in force	1,200	Nil	Nil	Nil
Description of the pricing formula and the method and significant assumptions used during the year to estimate the fair values of options, including weighted-average information, namely, risk-free interest rate, expected life, expected volatility, expected dividends and the price of the underlying share in market at the time of grant of the option				
a) Method of option valuation	Black scholes valuation			
b) Expected Volatility (%)	Tranche I 37.71% Tranche II 39.01% Tranche III 36.82%			
c) Dividend Yield (%)	0%			
d) Expected life (Years)	Tranche I: 2.56 years Tranche II: 3.56 years Tranche III: 4.56 years			
e) Risk free interest rate (%)	8.65%			
Weighted average exercise prices and weighted average fair value of options whose exercise price where:				

Particulars	Fiscal 2018	Fiscal 2019	Fiscal 2020	For the period April 1, 2020 till the date of this Prospectus
a) Exercise price equals market price on the date of grant - Fair Value of options granted (₹) - Exercise Price (₹)	Nil	Nil	Nil	Nil
b) Exercise price is greater than market price on the date of grant - Fair Value of options granted (₹) - Exercise Price (₹)	Nil	Nil	Nil	Nil
c) Exercise price is less than market price on the date of grant - Fair Value of options granted (₹) - Exercise Price (₹)	Fair value: Tranche I 18.99 Tranche II 21.91 Tranche III 23.80 Exercise price: 36			

Fully diluted EPS calculated in accordance with AS 20	1.76	13.16	13.30	N/A
Difference between employee compensation cost calculated using the intrinsic value of stock options and the employee compensation cost that shall have been recognized if our Bank had used fair value of options and impact of this difference on profits and EPS of our Bank	*	*	*	*
Increase in profit/(loss) for the year (₹ million)	*	*	*	*
Revised EPS (₹)	*	*	*	*
Impact on profits and EPS of the last three years if our Bank had followed the accounting policies specified in the SEBI SBEB Regulations in respect of options granted in the last three years	*	*	*	*
Increase in profit/(loss) for the year (₹ million)	*	*	*	*
Revised EPS (₹)	*	*	*	*
* NA since accounted under fair value method				
Intention of the existing Key Managerial Personnel and whole-time Directors to sell Equity Shares (held currently or which are to be allotted on exercise of options), within three months after the listing of Equity Shares pursuant to the Issue	The existing Key Managerial Personnel and whole-time Directors may sell upto 551,150 Equity Shares or all the equity shares allotted pursuant to exercise of options granted under any ESOP scheme or under any employee stock purchase scheme within three months of the date of listing and commencement of trading of the Equity Shares of the Bank in the Issue#			
Intention to sell Equity Shares arising out of ESOP Scheme within three months after the listing of Equity Shares, by Directors, senior management personnel and employees having Equity Shares arising out of the ESOP Scheme, amounting to more than 1% of the issued capital (excluding outstanding warrants and conversions)	NIL			

Aggregate number of 551,150 Equity Shares comprise of 347,150 shares held as on date by the KMPs and 204,000 options vested but not exercised which may be allotted pursuant to exercise of options granted under any ESOP scheme.

Employee wise details of options granted to Key Management Personnel under ESOP 2014

Name and Designation	No. of options granted during the year /period	No. of options lapsed / cancelled	No. of options exercised	No. of options outstanding at the end of the year/period
Fiscal Year ending March 2018				
Narayan Rao	-	-	50,000	-
Fiscal Year ending March 2019	-	-	-	-
Fiscal Year ending March 2020	-	-	-	-
Period from April 1, 2020 till the date of this Prospectus	-	-	-	-

List of Employees who received a grant in any one year of options amounting to 5% or more of the options granted during the year				
Name	**No. of options granted during the year/ period**	**No. of options lapsed / cancelled during the year/ period**	**No. of options exercised during the year/ period**	**No. of options outstanding**
Fiscal Year ending March 2018	-	-	-	-
Fiscal Year ending March 2019	-	-	-	-
Fiscal Year ending March 2020	-	-	-	-
Period from April 1, 2020 till the date of this Prospectus	-	-	-	-

Identified employees who are granted options, during any one year equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of our Bank at the time of grant					
Name	**Grant Period**	**No. of Options Granted**	**No. of Options lapsed / cancelled**	**No. of Options Exercised**	**No. of options outstanding**
NIL	-	-	-	-	-

22. Our Bank, pursuant to the resolutions by our Board on October 25, 2016 and Shareholders on December 22, 2016, adopted the ESOP 2016, which was amended by our Bank pursuant to resolutions passed by our Board on July 9, 2018 and Shareholders on August 30, 2018. The aggregate number of Equity Shares, issued under the ESOP 2016 shall not exceed 2,856,752 Equity Shares of face value ₹ 10 each.

Our Nomination and Remuneration Committee, pursuant to its resolution dated September 23, 2020, has noted that there shall be no further grants under the ESOP 2016. The ESOP 2016 shall continue until the completion of the vesting and exercise schedule in accordance with the scheme.

The details of the ESOP 2016, as certified by C N K & Associates LLP through a certificate dated March 3, 2021 are as follows:

Particulars	Total
Options granted	3,497,950
Options vested (excluding options that have been exercised or cancelled)	326,648
Options exercised	1,260,542
Exercise price of options granted (₹)	108/-, 125/- , 127/-, 140/-, 173/- as applicable
Exercise price of options exercised (₹)	108/-, 125/- ,127/-, 140/-, 173/- as applicable
Total number of Equity Shares that would arise as a result of full exercise of options granted (net of cancelled options)	853,605
Options forfeited/lapsed/cancelled	1,383,803
Variation in terms of options	NIL
Money realized by exercise of options (₹ in million)	156.13
Total number of options in force	853,605

Particulars	Fiscal 2018	Fiscal 2019	Fiscal 2020	For the period April 1, 2020 till the date of this Prospectus
Options granted	856,950	1,131,000	NIL	NIL
Options vested (total of vested, exercised and vested cancelled)	307,245	441,770	556,729	424,518
Options exercised	159,632	282,527	511,649	306,734
Exercise price of options granted (₹)	125/- and 127/-	140/- and 173/-	N/A	N/A
Exercise price of options exercised (₹)	108/-	108/-, 125/- and 127/-	108/-, 125/- ,127/- , 140/- and 173/-	108/-, 125/- ,127/-, 140/- and 173/-
Total number of Equity Shares that would arise as a result of full exercise of options granted (net of cancelled options)	1,804,158	2,301,972	1,427,891	853,605
Options forfeited/lapsed/cancelled	403,160	350,659	362,432	2,67,552
Variation in terms of options	NIL	NIL	NIL	NIL
Money realised by exercise of options	₹ 17.24 million	₹ 32.72 million	₹ 66.72 million	₹ 39.45 million
Total number of options in force	1,804,158	2,301,972	1,427,891	8,53,605
Description of the pricing formula and the method and significant assumptions used during the year to estimate the fair values of options, including weighted-average information, namely, risk-free interest rate, expected life, expected volatility, expected dividends and the price of the underlying share in market at the time of grant of the option				
a) Method of option valuation	Black scholes valuation			
b) Expected Volatility (%)	Grant I: Tranche I 41.68% Tranche II 39.61% Tranche III 38.41% Tranche IV 40.66% Grant II: Tranche I 38.88% Tranche II 38.78% Tranche III 37.41% Tranche IV 39.34% Grant III: Tranche I 39.35% Tranche II 39.32% Tranche III 38.05% Tranche IV 37.08% Grant IV: Tranche I 33.05% Tranche II 37.71% Tranche III 38.38% Tranche IV 37.34% Grant V: Tranche I 30.63% Tranche II 38.03% Tranche III 37.18% Tranche IV 37.28%			
c) Dividend Yield (%)	0%			

Particulars	Fiscal 2018	Fiscal 2019	Fiscal 2020	For the period April 1, 2020 till the date of this Prospectus
d) Expected life (Years)	Tranche I 2.56 years Tranche II 3.56 years Tranche III 4.56 years Tranche IV 5.56 years			
e) Risk free interest rate (%)	Grant I & II: 5.5% Grant III: 6.5% **Grant IV**: Tranche I 6.65% Tranche II & III 6.70% Tranche IV 6.75% Grant V: 7.38%			
Weighted average exercise prices and weighted average fair value of options whose exercise price where:				
a) Exercise price equals market price on the date of grant - Fair Value of options granted (₹) - Exercise Price (₹)	Grant II Fair value: Tranche I 37.43 Tranche II 44.74 Tranche III 49.95 Tranche IV 57.16 Grant II Exercise price: ₹ 125 Grant III: Tranche I 39.68 Tranche II 47.58 Tranche III 53.37 Tranche IV 58.52 Grant III Exercise price: ₹ 127			
b) Exercise price is greater than market price on the date of grant - Fair Value of options granted (₹) - Exercise Price (₹)	Grant IV: Tranche I 38.86 Tranche II 51.12 Tranche III 59.19 Tranche IV 65.01 Grant IV Exercise price: ₹ 140 Grant V: Tranche I 47.50 Tranche II 65.37 Tranche III 74.07 Tranche IV 82.60 Grant V Exercise price: ₹ 173			
c) Exercise price is less than market price on the date of grant - Fair Value of options granted (₹) - Exercise Price (₹)	Grant I: Fair value Tranche I 42.82 Tranche II 48.32 Tranche III 53.26 Tranche IV 60.00 Grant I Exercise price: ₹ 108			
Fully diluted EPS calculated in accordance with AS 20	1.76	13.16	13.30	N/A
Difference between employee compensation cost calculated using the intrinsic value of stock options and the employee compensation cost that shall have been recognized if our Bank had used fair value of options and impact of this difference on profits and EPS of our Bank	*	*	*	*
Increase in profit/(loss) for the year (₹ million)	*	*	*	*

Particulars	Fiscal 2018	Fiscal 2019	Fiscal 2020	For the period April 1, 2020 till the date of this Prospectus
Revised EPS (₹)	*	*	*	*
Impact on profits and EPS of the last three years if our Bank had followed the accounting policies specified in the SEBI SBEB Regulations in respect of options granted in the last three years	*	*	*	*
Increase in profit/(loss) for the year (₹ million)	*	*	*	*
Revised EPS (₹)	*	*	*	*
* NA since accounted under fair value method				
Intention of the existing Key Managerial Personnel and whole-time Directors to sell Equity Shares (held currently or which are to be allotted on exercise of options), within three months after the listing of Equity Shares pursuant to the Issue	The existing Key Managerial Personnel and whole-time Directors may sell upto 551,150 Equity Shares or all the equity shares allotted pursuant to exercise of options granted under any ESOP scheme or under any employee stock purchase scheme within three months of the date of listing and commencement of trading of the Equity Shares of the Bank in the Issue#			
Intention to sell Equity Shares arising out of ESOP Scheme within three months after the listing of Equity Shares, by Directors, senior management personnel and employees having Equity Shares arising out of the ESOP Scheme, amounting to more than 1% of the issued capital (excluding outstanding warrants and conversions)	NIL			
Notes: Grant I refers to 1,510,000 options granted on January 19, 2017 Grant II refers to 550,000 options granted on July 27, 2017 Grant III refers to 306,950 options granted on January 23, 2018 Grant IV refers to 407,000 options granted on July 16, 2018 Grant V refers to 724,000 options granted on February 5, 2019				

Aggregate number of 551,150 Equity Shares comprise of 347,150 shares held as on date by the KMPs and 204,000 options vested but not exercised which may be allotted pursuant to exercise of options granted under any ESOP scheme.

Employee wise details of options granted to Key Management Personnel under ESOP 2016

Name and Designation	No. of options granted during the year/ period	No. of options lapsed / cancelled during the year/ period	No. of options exercised during the year/ period	No. of options outstanding
Fiscal Year ending March 2018				
Bhavin Damania	-	-	12,500	37,500
Geeta Krishnan	15,000	-	-	15,000
Narayan Rao	60,000	-	-	110,000
Sominder Singh	125,000	-	-	125,000
Dhara Manoj Vyas	35,000	-	-	35,000
Fiscal Year ending March 2019				
Bhavin Damania	25,000	-	-	62,500
Geeta Krishnan	10,000	-	3,750	21,250
Narayan Rao	100,000	-	12,500	197,500
Sominder Singh	25,000	-	31,250	118,750
Bharath Nyamathi Sondur	100,000	-	-	100,000
Dhara Manoj Vyas	15,000	-	8,750	41,250

Name and Designation	No. of options granted during the year/ period	No. of options lapsed / cancelled during the year/ period	No. of options exercised during the year/ period	No. of options outstanding
Fiscal Year ending March 2020				
Bhavin Damania	-	-	31,250	31,250
Geeta Krishnan	-	-	6,250	15,000
Narayan Rao	-	-	80,000	117,500
Sominder Singh	-	-	37,500	81,250
Bharath Nyamathi Sondur	-	-	25,000	75,000
Dhara Manoj Vyas	-	-	8,750	32,500
Period from April 1, 2020 till the date of this Prospectus				
Bhavin Damania	-	-	-	31,250
Geeta Krishnan	-	-	6,250	8,750
Narayan Rao	-	-	-	117,500
Sominder Singh	-	-	35,000	46,250
Bharath Nyamathi Sondur	-	-	-	75,000
Dhara Manoj Vyas	-	-	16,250	16,250

List of Employees who received a grant of option amounting to 5% or more of the options granted during the year				
Name	**No. of options granted during the year/ period**	**No. of options lapsed / cancelled during the year/ period**	**No. of options exercised during the year/ period**	**No. of options outstanding**
Fiscal Year ending March 2018				
Narayan Rao	60,000	-	12,500	47,500
Sominder Singh	125,000	-	-	125,000
R. Sathyanarayanan	100,000	-	-	100,000
Sarabjit Singh	75,000	-	-	75,000
Shweta Singh	60,000	-	-	60,000
Fiscal Year ending March 2019				
Narayan Rao	100,000	-	-	100,000
Bharath Nyamathi Sondur	100,000	-	-	100,000
Fiscal Year ending March 2020	-	-	-	-
Period from April 1, 2020 till the date of this Prospectus	-	-	-	-

Identified employees who are granted options, during any one year equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of our Bank at the time of grant					
Name	**Grant Period**	**No. of options Granted**	**No. of options lapsed / cancelled**	**No. of options Exercised**	**No. of options outstanding**
Nil	-	-	-	-	-

23. Our Bank, pursuant to the resolutions by our Board on July 31, 2019 and Shareholders on September 26, 2019, adopted the ESOP 2019, which was amended by our Bank pursuant to resolutions passed by our Board on July 3, 2020 and Shareholders on July 27, 2020. The aggregate number of Equity Shares, issued under the ESOP 2019, shall not exceed 4,000,000 Equity Shares of face value ₹ 10 each.

The ESOP 2019 is in compliance with the SEBI SBEB Regulations.

The details of the ESOP 2019, as certified by C N K & Associates LLP through a certificate dated March 3, 2021 are as follows:

Particulars of scheme (Cumulative till date)	Total
Options granted	2,382,100
Options vested (excluding options that have been exercised or cancelled)	303,435
Options exercised	156,715
Exercise price of options granted (₹)	196/-, 253/-, as applicable
Exercise price of options exercised (₹)	196
Total number of Equity Shares that would arise as a result of full exercise of options granted (net of cancelled options)	1,918,635
Options forfeited/lapsed/cancelled	306,750
Variation in terms of options	NIL
Money realised by exercise of options (₹ in million)	30.72
Total number of options in force	1,918,635

Particulars	Fiscal 2018	Fiscal 2019	Fiscal 2020	For the period April 1,2020 till the date of this Prospectus
Options granted	N/A	N/A	2,067,100	3,15,000
Options vested	N/A	N/A	-	4,60,150
Options exercised	N/A	N/A	-	1,56,715
Exercise price of options granted (₹)	N/A	N/A	196	253
Exercise price of options exercised (₹)	N/A	N/A	N/A	196
Total number of Equity Shares that would arise as a result of full exercise of options granted (net of cancelled options)	N/A	N/A	2,067,100	19,18,635
Options forfeited/lapsed/cancelled	N/A	N/A	-	3,06,750
Variation in terms of options	NIL	NIL	NIL	NIL
Money realised by exercise of options (₹ in million)	N/A	N/A	N/A	30.72
Total number of options in force	N/A	N/A	2,067,100	19,18,635
Description of the pricing formula and the method and significant assumptions used during the year to estimate the fair values of options, including weighted-average information, namely, risk-free interest rate, expected life, expected volatility, expected dividends and the price of the underlying share in market at the time of grant of the option				
a) Method of option valuation	Black scholes valuation			

Particulars	Fiscal 2018	Fiscal 2019	Fiscal 2020	For the period April 1,2020 till the date of this Prospectus
b) Expected Volatility (%)	**Grant I:** Tranche I 32.19% Tranche II 32.81% Tranche III 37.19% Tranche IV 37.63% **Grant II:** Tranche I 32.64% Tranche II 31.90% Tranche III 37.22% Tranche IV 36.75% **Grant III:** Tranche I 47.54% Tranche II 43.44% Tranche III 41.79% Tranche IV 43.43%			
c) Dividend Yield (%)	0%			
d) Expected life (Years) (For both Grant I and II)	Tranche I: 2.56 years Tranche II: 3.56 years Tranche III: 4.56 years Tranche IV: 5.56 years			
e) Risk free interest rate (%)	Grant I: 6.50% Grant II: 6.56% Grant III: 5.95%			
Weighted average exercise prices and weighted average fair value of options whose exercise price where:				
a) Exercise price equals market price on the date of grant - Fair Value of options granted (₹) - Exercise Price (₹)	Fair value Grant III: Tranche I 88.86 Tranche II 99.21 Tranche III 110.14 Tranche IV 124.68 Exercise price Grant III: 253			
b) Exercise price is greater than market price on the date of grant - Fair Value of options granted (₹) - Exercise Price (₹)	Nil	Nil	Nil	Nil
c) Exercise price is less than market price on the date of grant - Fair Value of options granted (₹) - Exercise Price (₹)	Fair value Grant I: Tranche I 54.00 Tranche II 66.17 Tranche III 81.67 Tranche IV 91.40 Exercise price Grant I: 196 Fair value Grant II: Tranche I 54.62 Tranche II 65.29 Tranche III 81.90 Tranche IV 90.49 Exercise price Grant II: 196			
Fully diluted EPS calculated in accordance with AS 20	1.76	13.16	13.30	N/A
Difference between employee compensation cost calculated using the intrinsic value of stock options and the employee compensation cost that shall have	*	*	*	*

Particulars	Fiscal 2018	Fiscal 2019	Fiscal 2020	For the period April 1,2020 till the date of this Prospectus
been recognized if our Bank had used fair value of options and impact of this difference on profits and EPS of our Bank				
Increase in profit/(loss) for the year (₹ million)	*	*	*	*
Revised EPS (₹)	*	*	*	*
Impact on profits and EPS of the last three years if our Bank had followed the accounting policies specified in the SEBI SBEB Regulations in respect of options granted in the last three years	*	*	*	*
Increase in profit/(loss) for the year (₹ million)	*	*	*	*
Revised EPS (₹)	*	*	*	*
* NA since accounted under fair value method				
Intention of the existing Key Managerial Personnel and whole-time directors to sell Equity Shares (held currently or which are to be allotted on exercise of options), within three months after the listing of Equity Shares pursuant to the Issue	The existing Key Managerial Personnel and whole-time Directors may sell upto 551,150 Equity Shares or all the equity shares allotted pursuant to exercise of options granted under any ESOP scheme or under any employee stock purchase scheme within three months of the date of listing and commencement of trading of the Equity Shares of the Bank in the Issue#			
Intention to sell Equity Shares arising out of ESOP Scheme within three months after the listing of Equity Shares, by Directors, senior management personnel and employees having Equity Shares arising out of the ESOP Scheme, amounting to more than 1% of the issued capital (excluding outstanding warrants and conversions)	NIL			
Notes:				
Grant I refers to 1,872,100 options granted on November 6, 2019				
Grant II refers to 195,000 options granted on January 10, 2020				
Grant III refers to 315,000 options granted on January 1, 2021				

#Aggregate number of 551,150 Equity Shares comprise of 347,150 shares held as on date by the KMPs and 204,000 options vested but not exercised which may be allotted pursuant to exercise of options granted under any ESOP scheme.

Employee wise details of options granted to Key Management Personnel under ESOP 2019

Name and designation	No. of options granted during the year /period	No. of options lapsed / cancelled	No. of options exercised	No. of options outstanding at the end of the year/period
Fiscal Year ending March 2018	Nil	Nil	Nil	Nil
Fiscal Year ending March 2019	Nil	Nil	Nil	Nil
Fiscal Year ending March 2020				
Bhavin Damania	50,000	-	-	50,000
Geeta Krishnan	15,000	-	-	15,000
Narayan Rao	90,000	-	-	90,000
Sominder Singh	50,000	-	-	50,000

Name and designation	No. of options granted during the year /period	No. of options lapsed / cancelled	No. of options exercised	No. of options outstanding at the end of the year/period
Bharath Nyamathi Sondur	50,000	-	-	50,000
Vaman Ramesh Kamat	150,000	-	-	150,000
Vanamali R Sridharan	125,000	-	-	125,000
Dhara Manoj Vyas	15,000	-	-	15,000
Period from April 1, 2020 till the date of this Prospectus				
Bhavin Damania	-	-	-	50,000
Geeta Krishnan	-	-	-	15,000
Narayan Rao	-	-	-	90,000
Sominder Singh	-	-	6,250	43,750
Bharath Nyamathi Sondur	-	-	-	50,000
Vaman Ramesh Kamat	-	-	-	150,000
Vanamali R Sridharan	-	-	-	125,000
Dhara Manoj Vyas	-	-	3,750	11,250

List of Employees who received a grant of option amounting to 5% or more of the options granted during the year				
Name	**No. of options granted during the year/ period**	**No. of options lapsed / cancelled during the year/ period**	**No. of options exercised during the year/ period**	**No. of options outstanding**
Fiscal Year ending March 2018	-	-	-	-
Fiscal Year ending March 2019	-	-	-	-
Fiscal Year ending March 2020				
Vaman Ramesh Kamat	150,000	-	-	150,000
Vanamali R Sridharan	125,000	-	-	125,000
Period from April 1, 2020 till the date of this Prospectus				
Vipr Bhardwaj	75,000	-	-	75,000
Sudhakar Mogera	75,000	-	-	75,000
Sasidhar Vavilala	75,000	-	-	75,000
Badrinarayan V	40,000	-	-	40,000

Identified employees who are granted options, during any one year equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of our Bank at the time of grant					
Name	**Grant Period**	**No. of options Granted**	**No. of options lapsed / cancelled**	**No. of options Exercised**	**No. of options outstanding**
Nil	-	-	-	-	-

OBJECTS OF THE ISSUE

The Issue comprises a Fresh Issue by our Bank and an Offer for Sale by the Selling Shareholders.

Offer for Sale

Each of the Selling Shareholders are entitled to its respective portion of the proceeds from the Offer for Sale in proportion to the Equity Shares sold by such Selling Shareholder as part of the Offer for Sale. Our Bank will not receive any proceeds from the Offer for Sale and the proceeds received from the Offer for Sale will not form part of the Net Proceeds.

Objects of the Issue

Our Bank proposes to utilize the Net Proceeds from the Fresh Issue towards augmenting our Bank's Tier – 1 capital base to meet our Bank's future capital requirements.

Our Bank expects to receive the benefits of listing the Equity Shares on the Stock Exchanges.

Net Proceeds

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

Particulars	Estimated amount (₹ in million)
Gross proceeds of the Fresh Issue(1)	2,479.35*
(Less) Issue expenses in relation to the Fresh Issue	129.81
Net Proceeds	2,349.54*

(1) *Our Bank has utilised the proceeds from the Pre-IPO Placement towards augmenting our Bank's Tier – 1 capital base.*

* *Subject to finalisation of Basis of Allotment.*

Requirement of Funds and Utilization of Net Proceeds

The Net Proceeds are proposed to be utilised towards augmentation of our Bank's Tier-I capital base to meet our Bank's future capital requirements such as organic growth and expansion and to comply with regulatory requirements for enhanced capital base, as may be prescribed in the future.

Issue expenses

The total expenses of the Issue are estimated to be approximately ₹ 303.09 million. The expenses of this Issue include, among others, listing fees, underwriting fees, selling commission, fees payable to the Book Running Lead Managers, fees payable to legal counsels, fees payable to the Registrar to the Issue, Escrow Collection Bank to the Issue and Sponsor Bank, including processing fee to the SCSBs for processing ASBA Forms, brokerage and selling commission payable to Registered Brokers, collecting RTAs and CDPs, printing and stationery expenses, advertising and marketing expenses and all other incidental and miscellaneous expenses for listing the Equity Shares on the Stock Exchanges. Except for (i) listing fee, (ii) audit fee, not incurred for the purposes of the Issue, (iii) expenses in relation to the Pre-IPO Placement, and (iv) any costs incurred in issuing corporate advertisements (i.e., any corporate advertisements consistent with past practices of our Bank and not including expenses relating to marketing and advertisements undertaken in connection with the Issue) which shall be solely borne by our Bank, all Issue expenses will be shared, upon successful completion of the Issue, between our Bank and the Selling Shareholders on a pro-rata basis, in proportion to the Equity Shares issued and allotted by our Bank in the Fresh Issue and the Offered Shares sold by the Selling Shareholders in the Offer for Sale. Any expenses paid by our Bank on behalf of Selling Shareholders in the first instance will be reimbursed to our Bank, directly from the Public Issue Account. However, in the event that the Issue is withdrawn by our Bank or not completed for any reason whatsoever, all the Issue expenses will be solely borne by our Bank. The break-up for the estimated Issue expenses is as follows:

Activity	Estimated expenses* (₹ in million)	As a % of the total estimated Issue expenses(1)	As a % of the total Issue size(1)
BRLMs fees and commissions (including underwriting commission, brokerage and selling commission)	130.69	43.12%	2.25%
Commission/processing fee for SCSBs and Bankers to the Issue and fee payable to the Sponsor Bank for Bids made by RIBs using UPI (1)	10.55	3.48%	0.18%
Brokerage and selling commission and bidding charges for Members of the Syndicate, Registered Brokers, RTAs and CDPs(2)(3)	10.38	3.43%	0.18%
Fees payable to the Registrar to the Issue	0.57	0.19%	0.01%

Activity	Estimated expenses* (₹ in million)	As a % of the total estimated Issue expenses[(1)]	As a % of the total Issue size[(1)]
Fees payable to the other advisors to the Issue	3.50	1.15%	0.06%
Others			
Fee payable to regulators including BSE and NSE listing fees, SEBI filing fees, upload fees, BSE and NSE processing fees, book building software fees and other regulatory expenses	15.64	5.16%	0.27%
-Printing and stationery	11.62	3.84%	0.20%
-Advertising and marketing expenses	64.83	21.39%	1.12%
-Fee payable to legal counsels	29.50	9.73%	0.51%
-Miscellaneous	25.81	8.51%	0.44%
Total estimated Issue expenses	303.09	100.00%	**5.22%**

* *Issue expenses are exclusive of applicable taxes, where applicable.*

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

*Portion for Retail Individual Bidders**	*0.35% of the Amount Allotted (plus applicable taxes)*
*Portion for Non-Institutional Bidders**	*0.20% of the Amount Allotted (plus applicable taxes)*
*Employee Reservation Portion**	*0.25% of the Amount Allotted (plus applicable taxes)*

* *Amount Allotted is the product of the number of Equity Shares Allotted and the Issue Price. Selling commission payable to the SCSBs will be determined on the basis of the bidding terminal id as captured in the Bid Book of BSE or NSE. No processing fees shall be payable by our Bank and the Selling Shareholders to the SCSBs on the applications directly procured by them*

Processing fees payable to the SCSBs of ₹10/- per valid application (plus applicable taxes) for processing the Bid cum Application Form for Non-Institutional Bidders and Eligible Employees which are procured by the members of the Syndicate/sub-Syndicate/Registered Broker/RTAs/ CDPs and submitted to SCSB for blocking.

(2) *Brokerage, selling commission and processing/uploading charges on the portion for Retail Individual Bidders (using the UPI mechanism), Non-Institutional Bidders and Employee Reservation Portion which are procured by members of the Syndicate (including their sub-Syndicate Members), RTAs and CDPs or for using 3-in-1 type accounts- linked online trading, demat & bank account provided by some of the brokers which are members of Syndicate (including their Sub-Syndicate Members) would be as follows:*

*Portion for Retail Individual Bidders**	*0.35% of the Amount Allotted (plus applicable taxes)*
*Portion for Non-Institutional Bidders**	*0.20%of the Amount Allotted (plus applicable taxes)*
*Employee Reservation Portion**	*0.25% of the Amount Allotted (plus applicable taxes)*

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

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

Uploading Charges payable to members of the Syndicate (including their sub-Syndicate Members), RTAs and CDPs on the applications made by RIBs and Employee Reservation Portion using 3-in-1 accounts/Syndicate ASBA mechanism and Non-Institutional Bidders which are procured by them and submitted to SCSB for blocking or using 3-in-1 accounts/Syndicate ASBA mechanism, would be as follows: ₹ 10 plus applicable taxes, per valid application bid by the Syndicate (including their sub-Syndicate Members), RTAs and CDPs.

The selling commission and bidding charges payable to Registered Brokers the RTAs and CDPs will be determined on the basis of the bidding terminal id as captured in the Bid Book of BSE or NSE.

(3) *Selling commission/ uploading charges payable to the Registered Brokers on the portion for RIBs and Employee Reservation Portion procured through UPI Mechanism and Non Institutional Bidders which are directly procured by the Registered Broker and submitted to SCSB for processing, would be as follows:*

*Portion for Retail Individual Bidders**	*₹ 10 per valid application (plus applicable taxes)*
*Portion for Non-Institutional Bidders**	*₹ 10 per valid application (plus applicable taxes)*
*Employee Reservation Portion**	*₹ 10 per valid application (plus applicable taxes)*

* *Based on valid applications*

Uploading charges/ Processing fees for applications made by RIBs and Employee Reservation Portion using the UPI Mechanism would be as under:

Members of the Syndicate / RTAs / CDPs	*₹ 30 per valid application (plus applicable taxes)*
Sponsor Bank	*₹ 8 per valid application (plus applicable taxes)* *The Sponsor Bank shall be responsible for making payments to the third parties such as remitter bank, NPCI and such other parties as required in connection with the performance of its duties under applicable SEBI circulars, agreements and other applicable laws*

All such commissions and processing fees set out above shall be paid as per the timelines in terms of the Syndicate Agreement and Escrow and Sponsor Bank Agreement.

Means of finance

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

Interim use of Net Proceeds

Our Bank, in accordance with the policies established by the Board from time to time, will have the flexibility to deploy the Net Proceeds. Pending utilization of the Net Proceeds for the purpose described above, our Bank will temporarily invest the Net Proceeds in deposits in one or more scheduled commercial banks included in the Second Schedule of Reserve Bank of India Act, 1934 as may be approved by our Board. In accordance with Section 27 of the Companies Act, 2013, our Bank confirms that it shall not use the Net Proceeds for buying, trading or otherwise dealing in equity shares of any other listed company.

Monitoring of Utilization of Funds

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

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

Pursuant to the Listing Regulations, our Bank shall, on a quarterly basis, disclose to the Audit Committee the uses and applications of the Net Proceeds. The Audit Committee shall make recommendations to the Board for further action, if appropriate. On an annual basis, our Bank shall prepare a statement of funds utilized for purposes other than those stated in this Prospectus and place it before the Audit Committee and make other disclosures as may be required until such time as the Net Proceeds remain unutilized. Such disclosure shall be made only until such time that all the Net Proceeds have been utilized in full. The statement shall be certified by the Statutory Auditor of our Bank.

Further, in accordance with the Listing Regulations, our Bank shall furnish to the Stock Exchanges on a quarterly basis, a statement indicating (i) deviations, if any, in the actual utilization of the Net Proceeds from the objects of the Issue as stated above; and (ii) details of category wise variations in the actual utilization of the Net Proceeds from the objects of the Issue as stated above. In accordance with the SEBI Listing Regulations, this information will also be published in newspapers simultaneously with the interim or annual financial results of our Bank, after review by our Audit Committee and its explanation in the directors' report.

Variation in Objects

In accordance with Sections 13(8) and 27 of the Companies Act and applicable rules, our Bank shall not vary the objects of the Issue without our Bank being authorised to do so by the Shareholders by way of a special resolution. In addition, the notice issued to the Shareholders in relation to the passing of such special resolution (the "**Notice**") shall specify the prescribed details, including justification for such variation and be published and placed on website of our Bank, in accordance with the Companies Act, 2013, read with relevant rules.

The Notice shall simultaneously be published in the newspapers, one in English and one in the vernacular language of the jurisdiction where our Registered and Corporate Office is situated. Pursuant to Section 13(8) of the Companies Act, 2013, the Promoters or controlling Shareholders will be required to provide an exit opportunity to the Shareholders who do not agree to such proposal to vary the objects, subject to the provisions of the Companies Act, 2013 and in accordance with such terms and conditions, including in respect of pricing of the Equity Shares, in accordance with our Articles of Association, the Companies Act, 2013 and the SEBI ICDR Regulations.

Other Confirmations

No part of the Net Proceeds will be utilized by our Bank as consideration to our Promoters, members of the Promoter Group, Directors or Key Managerial Personnel for any material existing or anticipated transactions. Our Bank has not entered into and is not planning to enter into any arrangement/ agreements with the Promoter, Directors, and Key Managerial Personnel in relation to the utilization of the Net Proceeds. Further, except in the ordinary course of business, there is no existing or anticipated interest of such individuals and entities in the objects of the Fresh Issue as set out above.

BASIS FOR ISSUE PRICE

The Issue Price was determined by our Bank and the Selling Shareholders, in consultation with the Book Running Lead Managers, on the basis of assessment of market demand for the Equity Shares offered through the Book Building Process and on the basis of quantitative and qualitative factors as described below. The face value of the Equity Shares is ₹10 each and the Issue Price is 30.50 times the face value. Investors should also see "*Our Business*", "*Risk Factors*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and "*Financial Information*" beginning on pages 141, 22 and 306, respectively, to have an informed view before making an investment decision.

Qualitative Factors

We believe the following business strengths allow us to successfully compete in the industry:

- Customer centric approach with a focus on financial inclusion;
- Diversified asset portfolio with a focus on retail operations;
- Fast evolving granular deposit franchise;
- Leveraging emerging technologies to enhance digital footprint;
- Strong credit processes and robust risk management framework;
- Track record of strong financial performance and cost efficient operations;
- Multiple distribution channels; and
- Experienced leadership team, professional management and strong corporate governance.

For details, see "*Our Business – Strengths*" beginning on page 143.

Quantitative Factors

Some of the information presented below relating to our Bank is derived from the Restated Financial Statements. For details, see "*Financial Information*" beginning on page 241.

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

A. Basic and Diluted Earnings Per Share ("EPS"):

Fiscal Year ended	Basic EPS (in ₹)	Diluted EPS (in ₹)	Weight
March 31, 2018	1.76	1.76	1
March 31, 2019	13.35	13.16	2
March 31, 2020	13.41	13.30	3
Weighted Average	**11.45**	**11.33**	
December 31, 2020*	6.19	6.05	
December 31, 2019 *	15.49	15.43	

• *Not annualised*

(i) *Basic earnings per share* = $\dfrac{\textit{Net profit, as restated, attributable to equity shareholders}}{\textit{Weighted average number of basic equity shares outstanding during the period/year}}$

Diluted earnings per share = $\dfrac{\textit{Net profit, as restated, attributable to equity shareholders}}{\textit{Weighted average number of diluted equity shares outstanding during the period/year}}$

(ii) *Earnings per share calculations are done in accordance with Accounting Standard 20 "Earnings Per Share" ("**AS 20**") as notified under Section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014*

(iii) *The Weighted Average basic and diluted EPS is a product of basic and diluted EPS and respective assigned weight, dividing the resultant by total aggregate weight*

B. Price/Earning ("P/E") ratio in relation to Issue Price of ₹ 305 per Equity Share:

Particulars	P/E at the Issue Price (no. of times)
Based on Basic EPS for Fiscal 2020	22.74
Based on Diluted EPS for Fiscal 2020	22.93

Industry Peer Group P/E ratio

Particulars	Industry P/E
Highest	48.34

Particulars	Industry P/E
Lowest	12.14
Average	25.15

i The industry high and low has been considered from the industry peer set provided later in this section

ii For Industry P/E, P/E figures for the peers are computed based on closing market price as on February 12, 2021 at BSE, divided by Basic EPS (on consolidated basis unless otherwise available only on standalone basis) based on financial results of the respective company for the year ended March 31, 2020 submitted to stock exchanges

C. Return on Net Worth ("RoNW")

Derived from the Restated Financial Statements:

Fiscal Year ended	RoNW (%)	Weight
March 31, 2018	2.13	1
March 31, 2019	10.27	2
March 31, 2020	10.43	3
Weighted Average	**8.99**	
December 31, 2020*	4.61	
December 31, 2019*	11.78	

• Not annualised

(i) Return on Net Worth (%) $= \dfrac{\textit{Net profit, as restated, attributable to equity shareholders}}{\textit{Net worth at the end of the period/year}}$

(ii) "Net worth" means the aggregate of Capital and Reserves and Surplus

(iii) The Weighted Average Return on Net Worth is a product of Return on Net Worth and respective assigned weight, dividing the resultant by total aggregate weight

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

Fiscal year ended/ Period ended	NAV per Equity Share (₹)
As on December 31, 2020	133.54
After the completion of the Issue at Issue Price	155.98

(i) Issue Price per Equity Share will be determined on conclusion of the Book Building Process

(ii) Net asset value per Equity Share (Basic) $= \dfrac{\textit{Net asset means total assets minus total liabilities excluding revaluation reserves.}}{\textit{Total number of Basic Equity Shares outstanding at the end of the year}}$

(iii) Net Assets for the purpose of NAV at Issue Price is computed as NAV as on December 31, 2020 as increased by proceeds of shares issued post December 31, 2020 and proceeds from fresh issue of shares at the Issue Price.

(iv) Post December 31, 2020, issue of capital comprises of the following:

a) 8,533,226 equity shares issued on private placement basis

b) 262,661 equity shares issued basis ESOPs exercised

c) 8,150,000 fresh issue of shares proposed vide resolution dared March 02, 2021 for the IPO of equity shares.

E. Comparison with Listed Industry Peers

Name of the company	Total income (₹ in million)	Face Value per equity share (₹)	P/E	EPS (Basic) (₹)	EPS (Diluted) (₹)	RoNW (%)	NAV per equity share (₹)
Suryoday Small Finance Bank Limited*	8,541.38	10	22.74	13.41	13.30	10.43	123.13
Listed Peers							
Ujjivan Small Finance Bank Limited	30,258.14	10.00	16.16	2.19	2.18	14.79	18.32
CreditAccess Grameen Limited	17,054.80	10.0	31.11	23.20	23.00	12.27	189.90
Spandana Sphoorty Financial Limited	14,695.06	10.00	12.14	56.21	55.74	13.40	408.29
Bandhan Bank Limited	1,24,346.91	10.00	17.97	18.78	18.76	41.08	94.37
AU Small Finance Bank Limited	49,919.76	10.00	48.34	22.78	22.32	51.95	142.20

* *Financial information for Suryoday Small Finance Bank Limited is derived from the Restated Financial Statements for the year ended March 31, 2020. P/E Ratio has been computed at the Issue Price/ Basic EPS for year ended March 31, 2020 from the Restated Financial Statements.*

***Notes*[#]:**

1. *All the financial information for listed industry peers mentioned above is on a consolidated basis (unless otherwise available only on standalone basis) and is sourced from the annual reports/ financial results as available of the respective company for the year ended March 31, 2020 submitted to stock exchanges*
2. *P/E ratio is calculated as closing share price (February 12, 2021 - BSE) / Basic EPS for year ended March 31, 2020.*
3. *Basic and Diluted EPS as reported in the annual report of the company for the year ended March 31, 2020.*
4. *Return on net worth (%) = Net profit/(loss) after tax / Net worth at the end of the year.*
5. *Net asset value per share (in ₹) = Net worth at the end of the year / Total number of equity shares outstanding at the end of the year*

F. The Issue price is 30.50 times of the face value of the Equity Shares

The Issue Price of ₹305.00 has been determined by our Bank and the Selling Shareholders, in consultation with the Book Running Lead Managers, on the basis of market demand from investors for Equity Shares through the Book Building Process and is justified in view of the above qualitative and quantitative parameters.

Investors should read the abovementioned information along with "*Risk Factors*", "*Our Business*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and "*Financial Information*" beginning on pages 22, 141, 306 and 241, respectively, to have a more informed view.

STATEMENT OF SPECIAL TAX BENEFITS

To,

The Board of Directors
Suryoday Small Finance Bank Limited
Unit no. 1101, Sharda Terraces
Plot No. 65, Sector 11
CBD, Belapur, Navi Mumbai
Mumbai - 400 614
Maharashtra, India

Sub: Statement of possible special tax benefits available to Suryoday Small Finance Bank Limited and its shareholders prepared in accordance with the requirements under Schedule VI (Part A)(9)(L) of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 as amended ("SEBI ICDR Regulations")

1. We, MSKC & Associates (Formerly known as R.K. Kumar & Co.) ("the Firm"), Chartered Accountants, the statutory auditors of Suryoday Small Finance Bank Limited (the "Bank"), hereby confirm that the enclosed Statement prepared and issued by the Bank, which provides the possible special tax benefits under direct and indirect tax laws presently in force in India, available to the Bank and its shareholders. Several of these benefits are dependent on the Bank and its shareholders, as the case may be, fulfilling the conditions prescribed under the relevant provisions of the relevant statues. Hence, the ability of the Bank or its shareholders to derive the special tax benefits is dependent upon their fulfilling such conditions, which based on business imperatives the Bank and its shareholders face in the future, the Bank and its shareholders may or may not choose to fulfil.

2. The benefits discussed in the enclosed Statement are not exhaustive and the preparation of the contents stated is the responsibility of the Bank's Management. We are informed that this Statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the distinct nature of the tax consequences and the changing tax laws, each investor is advised to consult their own tax consultant with respect to the specific tax implications arising out of their participation in the issue and we shall in no way be liable or responsible to any shareholder or subscriber for placing reliance upon the contents of this Statement. Also, any tax information included in this written communication was not intended or written to be used, and it cannot be used by the Bank or the investor, for the purpose of avoiding any penalties that may be imposed by any regulatory, governmental taxing authority or agency.

3. We do not express any opinion or provide any assurance whether:

   - The Bank or its shareholders will continue to obtain these benefits in future;
   - The conditions prescribed for availing the benefits have been/would be met;
   - The revenue authorities/courts will concur with the views expressed herein.

4. The contents of the enclosed Statement are based on information, explanations and representations obtained from the Bank and on the basis of our understanding of the business activities and operations of the Bank. We have relied upon the information and documents of the Bank being true, correct and complete and have not audited or tested them. Our view, under no circumstances, is to be considered as an audit opinion under any regulation or law. No assurance is given that the revenue authorities/ courts will concur with the views expressed herein. Our Firm or any of partners or affiliates, shall not be responsible for any loss, penalties, surcharges, interest or additional tax or any tax or non-tax, monetary or non-monetary, effects or liabilities (consequential, indirect, punitive or incidental) before any authority / otherwise within or outside India arising from the supply of incorrect or incomplete information of the Bank.

5. This certificate is addressed to Board of Directors and issued at specific request of the Bank. The enclosed Statement is intended solely for your information and for inclusion in red herring prospectus, the prospectus and any other material in connection with the proposed initial public offering of equity shares of the Bank, and is not to be used, referred to or distributed for any other purpose without our prior written consent. Accordingly, we do not accept or assume any liability or any duty of care for any other purpose or to any other person to whom this certificate is shown or into whose hands it may come without our prior consent in writing.

Yours sincerely,

For MSKC & Associates (Formerly known as R.K. Kumar & Co.)
Chartered Accountants
Firm Registration Number: 001595S

Tushar Kurani
Partner
Membership Number: 118580
UDIN: 21118580AAAAAL9468

Mumbai
March 3, 2021

ANNEXURE

Statement of Special Tax Benefits

SPECIAL TAX BENEFITS TO THE BANK

UNDER THE INCOME TAX LAWS

Possible Special tax benefits available under the Income Tax Act, 1961 (the Act):

As per the provisions of Section 80JJAA of the Act, a company subject to tax audit under section 44AB of the Act and whose gross total income includes any profit and gains derived from business shall be entitled to claim a deduction of an amount equal to thirty percent of additional employee cost incurred in the course of such business in the previous year, for three assessment years including the assessment year relevant to the previous year in which such employment is provided. The eligibility to claim the deduction is subject to fulfilment of prescribed conditions specified in sub-section (2) of section 80JJAA of the Act.

UNDER THE INDIRECT TAX LAWS

No special tax benefits available to the Bank.

SPECIAL TAX BENEFITS TO SHAREHOLDERS OF THE BANK

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

Notes:

1. The above Statement sets out the provisions of law in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of shares.

2. The above Statement covers only relevant direct and indirect special tax benefits and does not cover any benefit under any other law.

3. The above Statement of possible special tax benefits is as per the current direct and indirect tax laws relevant for the financial year 2020-21. Several of these benefits are dependent on the Bank fulfilling the conditions prescribed under the relevant tax laws.

4. This Statement is intended only to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of tax consequences, each investor is advised to consult his/her own tax advisor with respect to specific tax consequences of his/her investment in the shares of the Bank.

5. No assurance is given that the revenue authorities/courts will concur with the views expressed herein. Our views are based on the existing provisions of law and its interpretation, which are subject to changes from time to time. We do not assume responsibility to update the views consequent to such changes.

SECTION IV: ABOUT OUR BANK

INDUSTRY OVERVIEW

*Unless noted otherwise, the information contained in this section is obtained or derived from "Report on Small Finance Banks and Various Loan Products" dated September 2020 (the "**CRISIL Report**") prepared and issued by CRISIL Research, a division of CRISIL Limited, on our request. Neither we nor any other person connected with the Offer have independently verified this information. The data may have been re-classified by us for the purposes of presentation. Industry sources and publications generally state that the information contained therein has been obtained from sources generally believed to be reliable, but that their accuracy, completeness and underlying assumptions are not guaranteed and their reliability cannot be assured. Industry sources and publications are also prepared based on information as of specific dates and may no longer be current or reflect current trends. Industry sources and publications may also base their information on estimates, projections, forecasts and assumptions that may prove to be incorrect. Accordingly, investors must rely on their independent examination of, and should not place undue reliance on, or base their investment decision solely on this information. The recipient should not construe any of the contents in this report as advice relating to business, financial, legal, taxation or investment matters and are advised to consult their own business, financial, legal, taxation, and other advisors concerning the transaction.*

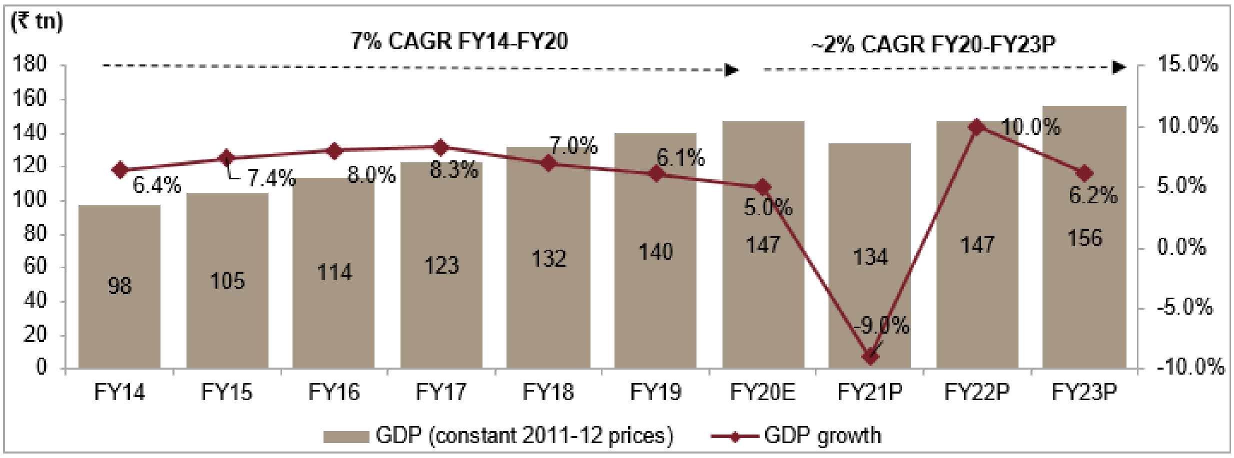
COVID-19 PANDEMIC – WORLD AND INDIAN ECONOMY

Fiscal 2020 was volatile for the global economy. The first three quarters of Fiscal 2020 experienced trade protectionist policies and disputes among major trading partners, volatile commodity and energy prices and economic uncertainties arising due to Brexit. A broad-based recovery was expected in the last quarter of Fiscal 2020. However, the last quarter witnessed the Novel Coronavirus (COVID-19) which has infected more than 28.2 million people in more than 200 countries (as of September 10, 2020 and counting), leading to considerable human suffering and economic disruption. This disruption is set to intensify with massive dislocations in global production, supply chains, trade and tourism.

Growing restrictions on the movement of people and lockdowns in the affected countries will lead to demand, supply and liquidity shocks. Falling commodity prices including crude oil, falling foreign exchange reserves and a substantial increase in the risk of debt distress in public and private debt will impact real economic activity further through trade and investment channels. An extended period of nationwide lockdown has caused economic costs to rise with a fall in industrial production and contraction of services sector and exports.

According to CRISIL, the Indian economy is estimated to shrink by 9% in Fiscal 2021 on account of COVID-19 pandemic. If the pandemic peaks in September-October, GDP growth could turn positive marginally towards the end of this fiscal. Despite some support from the rural economy, consumption is expected to decline this fiscal. The pandemic has come at the most inopportune time as India was showing signs of recovery following a slew of fiscal/monetary measures. A bounce-back in gross domestic product (GDP) growth to approximately 10% is expected in Fiscal 2022, and of approximately 6.2% in Fiscal 2023.

GDP growth outlook for India has been severely impacted by the pandemic



Note: E - Estimated and P - Projected

Source: National Statistics Office (NSO), International Monetary Fund (IMF) and CRISIL Research estimates

SMALL FINANCE BANKING INDUSTRY

In order to promote financial inclusion, the Indian banking industry has seen several changes in recent years. NBFCs such as, Bandhan and IDFC, received permission to set up universal banks. Further, a few microfinance companies, local area banks and NBFCs have received permission to set up SFBs. SFBs are allowed to take deposits, which provide them an edge of having lower cost of funds in comparison with NBFCs. MFIs that have turned into SFBs are now diversifying their advances mix, and focusing on other retail and corporate lending business.

Key growth drivers

India has the world's second largest population

India's population was approximately 1.2 billion, comprising almost 246 million households. The population, which grew at approximately 1.8% every year between 2001 and 2010, is expected to increase by around 1% every year between 2010 and 2024, to reach approximately 1.44 billion. As of 2020, India has one of the largest young populations in the world, with a median age of 28 years. About 90% of Indians will still be below the age of 60 by calendar 2020.

Financial penetration to rise with increase in awareness of financial products

With increasing financial literacy, mobile penetration, awareness and the Prime Minister's Jan Dhan Yojana (PMJDY) bank accounts (scheme aimed at bringing the unbanked under the formal banking system), there has been a rise in the participation of individuals from non-metro cities in banking. With more people attached to formal banking sector, the demand for financial products in smaller cities has seen a major increase in recent years.

Going forward, CRISIL Research expects financial penetration to increase on account of increasing financial literacy. Technology is expected to play an important role by progressively reducing the cost of reaching out to smaller markets. India has seen a tremendous rise in fintech adoption in the last few years, and among them, Unified Payments Interface (UPI) is playing a pivotal role towards financial inclusion. It provides a single click digital interface across all system for smartphones linked to bank accounts and facilitates easy P2P transactions using simple authentication method. The volume of digital transactions has also seen a surge in the past few years driven by increased adoption of UPI.

Financial inclusion and key developments

The COVID-19 lockdown in India of nearly 1.3 billion people and a large number of businesses is leading to disruption and dislocation. To provide some relief to the customers, the RBI has introduced measures that allows lending institutions to allow a moratorium of six months on repayment of instalments for term loans outstanding as on March 1, 2020. Lending institutions are permitted to defer interest payments on working capital facilities outstanding as on March 1, 2020, by a period of six months until August 31, 2020. However, banks are instructed to provide 10% additional provisioning for availing of this benefit, which could be later adjusted against the provisioning requirements for actual slippage. These measures are required to boost confidence in the economy.

In India, banks are required to maintain a capital adequacy ratio, which is higher (by 1%) than the mandatory requirement of Basel III norms. SFBs are required to maintain 15% capital adequacy ratio under Basel II norms. According to the RBI, this is done to make the financial sector resilient towards any shocks. The central bank believes that credit growth higher than nominal GDP expansion due to supply push could result into a sharp rise in bad loans. In addition, given the insolvency regime in the country that is still not matured, lower capital norms will create a notion of banks being strong and hence it is necessary to guard against any such vulnerability that could put stress on the financial system.
In these times of crisis, financial inclusion becomes more crucial than before for vulnerable households and businesses to navigate the crises and recover after the pandemic. In terms of the credit to non-financial sector, India has a low credit penetration compared with other developing countries, such as China and Brazil, indicating that the existing gap needs to be bridged.

India's performance for financial inclusion is improving in comparison with other emerging economies; however, a large section of the population is still unbanked.

According to the World Bank's Global Findex Database 2017, the global average of adult population with an account (with a bank, financial institution, or mobile money providers) was about 69% in 2017. India's financial inclusion has improved significantly in the past three years, with the adult population with bank accounts rising from 53% (as per Global Findex Database 2014) to 80% (2017) with concentrated efforts from the government and the rise of various supporting institutions. Although the rise in the number of bank accounts has not translated into a corresponding increase in the number of transactions.
To tackle financial exclusion, the Indian government introduced the PMJDY, a scheme that facilitates opening bank accounts by the unbanked. However, the effective use of these new accounts and availability of credit remain key challenges, which need to be effectively addressed as borrowings from the formal source still remains low.

Key steps taken by the government to improve financial inclusion

Government initiatives, parallel support infrastructure, SFBs and fintech

To improve financial inclusion, especially in rural areas, the government is focusing on improving the overall and rural infrastructure for penetration of financial services as well as empowering the development of parallel supporting institutions. This has provided an opportunity for small-finance banks and other financial institutions to cater to the unserved population or act as a channel between the larger financial institutions and other service providers to the underserved customers. The RBI has awarded SFB licenses to 10 institutions, which aim to service the underserved through savings instruments, and supplying credit to small business units, small and marginal farmers, micro and small industries, and other unorganised, sector/lending through informal channels. SFBs are also required to dedicate 75% of their ANBC towards priority sector. For the SFBs, nearly 23% of their deposits arise from the rural areas, whereas the credit view shows a geographic skew with 35% of the advances in rural and semi-urban areas. This has led to increasing credit penetration in the rural areas, thereby ensuring financial inclusion.

Priority sector lending aimed at facilitating financial inclusion

The definition of 'priority sector' was formalised in 1972, based on a report submitted by the Informal Study Group on Statistics, relating to advances to priority sectors, constituted by the RBI in May 1971. The requirement was set at 33.3% for SCBs in 1979, and raised to the current 40% in 1985. Targets and sub-targets for banks were further classified under the priority sector; and revised at intervals. As per the latest regulations, medium enterprises, social infrastructure and renewable energy are part of the priority sector, in addition to the existing categories. Also, non-achievement of priority sector targets has been assessed on a quarterly average basis at the end of the respective year, from fiscal 2017 onwards, instead of annually.
Considering the differentiated nature and focus of small finance banks and the role they can play in supply of credit to unbanked regions, SFBs have a target of 75% for priority sector lending (PSL) of their adjusted net bank credit (ANBC). With 40% of ANBC to be allocated under different sub sector under PSL as mentioned below, the remainder 35% can be allocated to any one or more sector where the SFBs have a competitive advantage.
As per the RBI, these sub-divisions include: (i) agriculture; (ii) social infrastructure; (iii) renewable energy; (iv) microcredit; (v) advances to weaker sections; (vi) education loans; and (vii) housing.

INDIAN BANKING INDUSTRY

Evolution of SFBs

Despite various measures taken by the Government to increase financial penetration in India, a significant percentage of India's population does not have access to basic financial services. In 2013, the RBI constituted a committee that recommended differential licensing in the form of payment bank and SFB. Accordingly, on November 27, 2014, the RBI released guidelines for a new class of banking entity, 'small finance banks', to cater to the diverse needs of the low income group. Further, on September 16, 2015, the RBI awarded SFB licenses to 10 players on account of the Government's focus towards financial inclusion and inclusive banking. Out of the 10 SFBs, there were eight microfinance players, one local area bank and one NBFC. The objective of SFB's is to extend banking services to the underserved and unserved population through savings instruments, and providing credit to small business units, small and marginal farmers, micro and small industries, and other unorganized sector.

The SFBs are technologically driven in order to reduce the cost of operations and also ensure faster reach to the untapped market. According to World Bank's Global Findex Database 2017, India's financial inclusion level has improved significantly with the adult population's bank accounts rising from 53% in 2014 to 80% in 2017 on account of various Government initiatives, institution support and increase in usage of mobile phones as a medium for distributing financial services. Technology improvements help in financial penetration, however, the primary challenge for SFBs is still the ability to generate low cost deposits. While there exists a significant opportunity, SFBs will need to innovate further in terms of introducing customized and flexible offerings to target the untapped market.

Regulation

The following table set forth certain key features of the RBI regulation in relation to SFBs:

Parameter	Key guidelines
Scope of activities	• Basic banking activities such as, acceptance of deposits and lending to underserved sections of the society; • Financial services such as distribution of mutual funds and insurance products with prior approval from the RBI;

Parameter	Key guidelines
	• Prior approval required from the RBI for branch expansion of SFBs in the initial five years; in March 2020, RBI liberalised the prior approval requirement and granted permission to all existing SFBs to open banking outlets subject to the Unbanked Rural Centre requirements. It has further exempted all existing SFBs from seeking approval of the RBI for undertaking non-risk-sharing simple financial service activities, which do not require commitment of own fund, after three years of commencement of business by the SFB; and • SFBs cannot be a BC to other banks; however, they can have their own BC network.
Prudential norms	• Requirement of maintaining CRR and SLR as applicable to existing commercial banks; • 75% of ANBC should be given to sectors eligible under PSL as per the RBI; 40% as per PSL prescriptions and remaining 35% under the PSL, where the SFB has a competitive advantage; and • Minimum 50% of loan book to constitute loans of ticket size up to ₹ 2.5 million that can be relaxed by the RBI.
Capital requirement	• Minimum paid up capital ₹ 2 billion; and • Minimum tier 1 capital: 7.5% of RWA; minimum capital adequacy ratio of 15% of RWA.
Shareholding	• For a holding company structure, initial shareholding by promoter in the bank should be brought down to 40% within a period of five years. Minimum paid-up capital of promoter should be at least 40%, which should be bought down to 30% within 10 years and to a maximum of 15% within 15 years of commencement of operations • In case of SFBs which have transitioned from urban cooperative banks (UCBs), the promoters shall hold a minimum of 26% of paid-up voting equity capital at all times during the first five years from the commencement of the bank's business. The promoter's holding in this case may be brought down to 15% over a period of 15 years • Mandatory listing requirement of SFBs within three years of reaching a net worth of ₹ 5 billion; and • FDI as per the FDI policy for private sector banks, amended from time to time.
Branch requirement	• Required to have 25% of their branches in rural unbanked centers (population shall be less than 10,000) within one year of commencement of operations.

Source: RBI, CRISIL Research

On December 5, 2019, the RBI released guidelines for on-tap licensing of SFBs which will allow the applicant to approach the regulator. The RBI seems to prefer applicants willing to set up banks in underserved or unserved clusters such as in the north-east, east and central regions in the initial stages and will prefer promoters who have a diversified shareholding and a timeframe for listing the bank. The central bank would also be open to liberation of scope of activities for SFBs after a stabilization period of five years and a review of the SFBs by the central bank. The minimum paid-up capital of ₹ 2 billion is required for the on-tap licence of SFBs, except for those that are converted from UCBs. The listing of the bank will be mandatory within three years after the SFB reaches the net worth of ₹ 5 billion for the first time.

Further, the following tables provide details in relation to the Tier-wise classification based on population and population group, in accordance with the RBI:

Details of Tier-wise classification of centers based on population

Classification of centers (tier-wise)	Population (as per 2011 census)
Tier 1	100,000 and above
Tier 2	50,000 to 99,999
Tier 3	20,000 to 49,999
Tier 4	10,000 to 19,999
Tier 5	5,000 to 9,999
Tier 6	Less than 5,000

Population-group wise classification of centers	Population (as per 2011 census)
Rural center	Population up to 9,999
Semi-urban center	From 10,000 to 99,999
Urban center	From 100,000 to 999,999
Metropolitan center	1,000,000 and above

Source: RBI, CRISIL Research

SFBs, NBFCs – Digitalization

The financial services sector is evolving with increasing digital disruptions. Customers are also witnessing enhanced experience as lenders offer personalised products and services using analytics. In order to expand their reach quickly, SFBs and NBFCs are moving beyond physical branches and using alternative electronic delivery channels.

Asset side: SFBs and NBFCs have mobile/tab-based applications to automate loan processing in the field. These apps help sales staff to assess a customer's credit worthiness in real time by accessing credit bureau information. Such credit appraisals are key in order to reduce delinquencies. Cashless disbursements have also increased in the industry. Financial institutions are also partnering with various fintech companies and payment gateway services to ensure collections.

Digitalisation and usage of technology have had the biggest impact on customer acquisition and on-boarding, followed by credit assessment to some extent. Documentation and collection and monitoring are other processes experiencing digitalisation, however, it is relatively lower. Technology is progressively being applied in these processes through digital monitoring of portfolio using dashboards and analytics.

Liability side: Digitalisation helps SFBs lower their operational cost by eliminating repetitive and time-consuming processes in account opening through increased front-end support. Use of mobile/tab-based paperless on-boarding has significantly reduced the turnaround time to a maximum of one hour from one-two days traditionally.

For instance,

During the Covid-19 lockdown, Suryoday SFB launched a working capital product with a small overdraft facility to help microfinance customers meet their urgent liquidity requirements. Equitas SFB recently launched Selfe Fixed Deposit and Selfe Savings Account which allow users to open an FD by registering their Aadhaar and PAN and other basic details from the comfort of their homes, thereby removing hassles of visiting the branch.

AU SFB on-boarded approximately 88% of its savings account customers through tab-based paperless process. Suryoday SFB has tied up with Razorpay in order to bring about a shift in the way microfinance customers transact and enable them to go digital to repay their loans.

Growth drivers

Sizeable market opportunity and credit at affordable rates

Due to the size of India's population and the lack of formal banking services for a significant section of India's population, financial inclusion has been a key priority for the Government. The banking system and PSL have been the most popular channels to bring the majority under formal credit institutions. Financial inclusion is a comprehensive exercise that constitutes several products and services, such as provision of bank accounts, insurance facilities, payment and remittance mechanisms, financial counselling and affordable credit. Further, various initiatives have been undertaken by the Government to widen financial inclusion. These initiatives are planned by NABARD and executed through entities such as regional rural banks, cooperatives and commercial banks. In addition, in 1970s, such lenders achieved significant reach and an increasing number of individuals availed credit facilities. However, major delinquencies in repayment severely impaired their financial health. Further, despite the rapid expansion in the scale of banks, several households continued to face difficulties in accessing credit facilities. Within the large range of products and services under financial inclusion, credit has particular significant and financial institutions have a major role to play in making credit available. The key growth drivers for SFB include the size of the India market in terms of financially excluded households offers sustainable credit to the poor at affordable rates. SFBs are also diversifying their product portfolio beyond microfinance into unsecured loans, auto loans, housing loans and MSME loans.

Customized products aided by technology and availability of information

Increase in the use of technology has enabled lenders to provide customized products at much lower turnaround times. Multiple data points are available to lenders that facilitates quick lending decisions by firms within a few minutes by using data-driven automated models. These models help in the supply of credit to small business units and the unorganized sector at low cost. Use of technology also enables such players in expanding their reach to under penetrated population in remote areas at a lower operating cost.

Availability of funds at cheaper rates

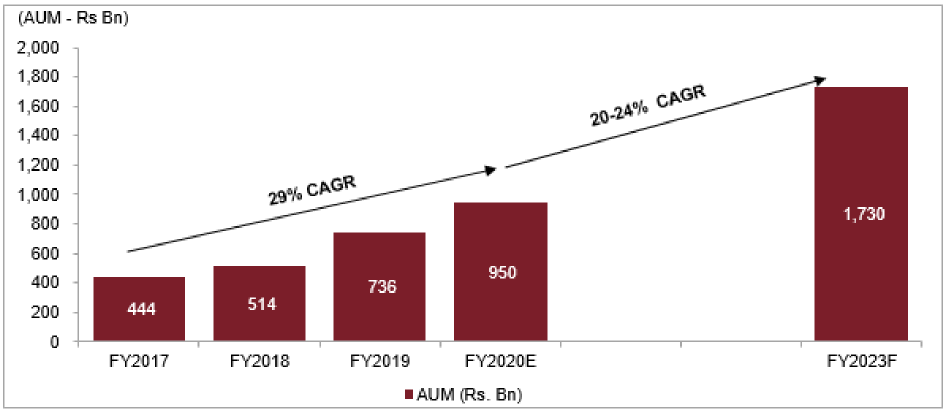
CASA and other retail deposits provide SFBs cheap source of funding which would help them expand their product portfolio and provide lower rates to compete with NBFCs. In addition, with further expansion of SFBs in the underserved regions, the deposit base is expected to further widen and will help in expanding their asset side portfolio. Accordingly, SFBs will hold an advantage over NBFCs.

Large Target audience

SFB's aim to cater to the low-income segment. Further, unlike NBFCs which expand horizontally with special focus product, SFBs have the chance to expand vertically and deep which will enable them to have a good range of medium and low value customers and as a result, help in increasing their business. Further, rural and microfinance borrowers have low credit penetration and migrate less between credit providers, therefore enabling SFBs to build a loyal customer base. In addition, factors, such as, lack of awareness of financial services, illiteracy and poverty will result in a challenge for SFBs from the demand side. However, the government's focus on increasing financial literacy and awareness is expected to help overcome this challenge. Although SFBs will fare better in terms of product and service quality due to their focused approach, SFBs will have to create convenient touchpoints to initiate customers into saving regularly and also invest in human capital to equip their staff into mobilizing deposits.

SFBs' growth and outlook

Huge opportunity to support growth over next three years (AUM)



Note: 1) Advances considered are of Jana SFB, Utkarsh SFB, North East SFB; 2) Utkarsh SFB data is as of Q2 FY20 and that of North East SFB Q3 FY20; 3) AUM considered for other players, the amounts are as of the end of the fiscal indicated

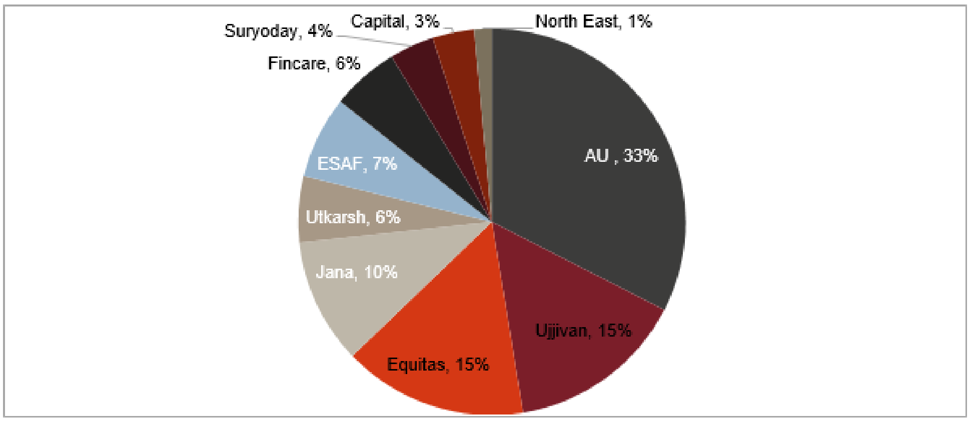
E: Estimated; F: Forecast

Source: Company reports, CRISIL Research

SFBs have grown at a CAGR of 29% from Fiscal 2017 to Fiscal 2020, in terms of assets under management (AUM). Top three SFBs accounted for 63% of the total SFB AUM in Fiscal 2020, compared to 55% in Fiscal 2017. These top three SFBs recorded a CAGR of 35% from Fiscal 2017 to Fiscal 2020.

Further, it is expected the loan portfolio will grow at a CAGR of approximately 22% in the near term. New loan origination is expected to remain low as SFBs are cautious and selective in disbursals as a result of the pandemic. However, as the economy revives and business operations normalize, growth is likely to recovery from the second half of Fiscal 2021 due to support from (i) significant market opportunity in the rural segment; (ii) presence of informal credit channels; (iii) geographic diversification; (iv) ability to manage local stakeholders, (v) access to low cost funds, and (vi) loan recovery and control on aging NPAs.

Top three players accounted for 63% of industry AUM as of fiscal 2020



Note: 1.For Jana SFB advances is considered, Data for Utkarsh SFB is for Q2FY20, Data for North East SFB is for Q3FY20

Source: Company reports; CRISIL Research

SFBs continue to diversify their portfolio beyond microfinance business

Eight of the 10 firms that were granted SFB license had been MFIs and for most of them microfinance is the central product. The microfinance segment accounted for 38% (including Capital and AU SFB) of overall business of SFBs in Fiscal 2020. From Fiscal 2016 to Fiscal 2019, SFBs shifted their focus from microfinance to other products. However, due to regulatory norms, the core customer base is unlikely to change significantly. After the conversion of NBFC-MFIs to SFBs, the focus is on diversifying the product portfolio. As a result, the share of their MFI portfolio in total advances reduced to 69% as of March 2019 from 90-95% as of Fiscal 2016.

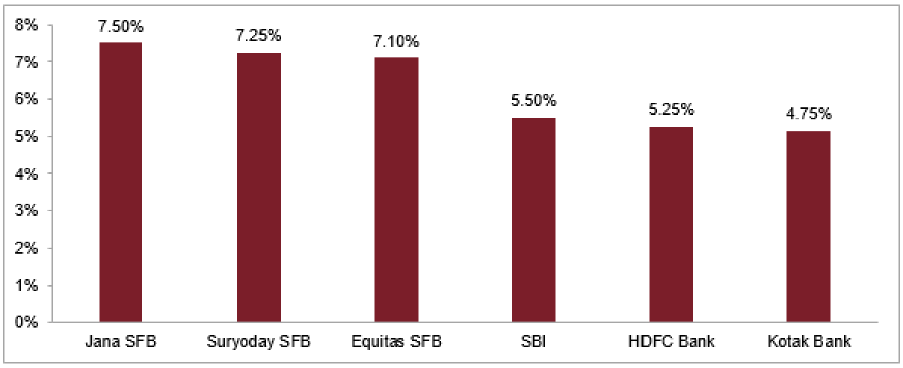
SFBs will have to focus on small-ticket size lending to financially under-served and unserved segments (loans below ₹2.5 million will have to form at least 50% of their loan book). MFIs that converted to SFBs to further diversify and focus on allied segment loans, such as MSME loans, affordable housing finance, gold loans, CV/non-CV loans and two-wheeler loans, is expected to reduce the dominance of microfinance in their overall loan portfolio.
SFB deposits to grow faster than private, public sector banks

SFBs have significant growth potential as most of them were functioning as NBFCs/ MFIs previously. On commencement of their operations, all SFBs focussed on increasing their deposit base. The overall deposit base doubled to around ₹ 557 billion as of Fiscal 2019. It further increased by approximately 48% to reach ₹ 835 billion in Fiscal 2020. The increase could be attributed to the higher interest rates. Before converting into SFB, most players did not have access to deposits and their deposit as a percent of AUM was negligible at the time of conversion. This rose to 87%. However, proportion of CASA deposits reduced marginally from 19.2% in Fiscal 2019 to 18.5% in Fiscal 2020, as customers sought higher interest in term deposits.

On account of the recent crisis with Yes Bank, several private banks are finding it challenging to convince depositors to maintain deposits. However, SFBs deposit growth is a sharp contrast to the shrinking deposit base of private banks. SFBs have witnessed strong growth in deposits despite the lockdown and have seen addition in online customers driven by higher interest rate they offer.

For instance, Jana SFB, Suryoday SFB and Equitas SFB offer 7.5%, 7.25% and 7.10%, respectively, for a one-year deposit while established players such as SBI, HDFC and Kotak Mahindra Bank offer 5.5%, 5.25% and 5.15% on deposits of a similar tenure. SFBs also provide monthly interest scheme in case of which interest is calculated for the quarter and paid monthly at discounted rate over the standard FD rates. These higher rates help in attracting the depositors, especially the ones looking for steady cash flows from these, such as senior citizens.

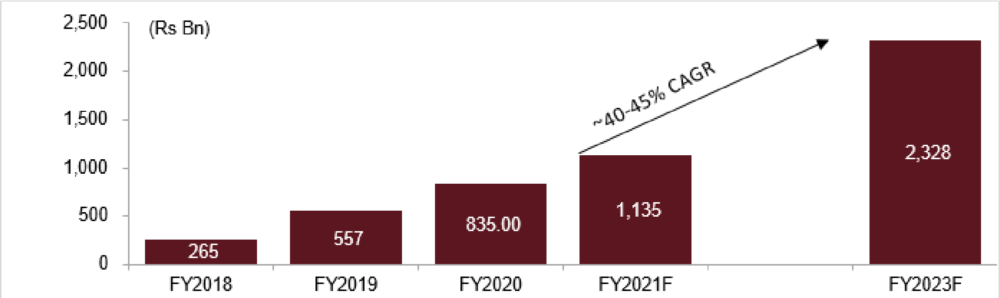
Depositors chase higher interest rates, prefer SFBs (one-year deposit rates)



Note: Term deposit interest rate for one-year tenure, amount < 2 crores; rates are as of July 8, 2020

Source: Company reports, CRISIL Research

SFB deposits to grow robustly



Note: Amounts are as at the end of fiscal year indicated

F: Forecast

Source: Company reports, CRISIL Research

Asset quality for SFBs to deteriorate in Fiscal 2021

GNPA of SFBs improved to 1.6% in Fiscal 2019 from 2.2% in Fiscal 2018. This could be attributed to diversification of product mix into relatively less risky assets, write-off of legacy loans and reduction in microfinance loans. In Fiscal 2021, SFBs are expected to continue facing severe asset quality issues, as near-term collections could experience disruptions on account of COVID-19.

However, RBI in March 2020 announced the moratorium on term loans/ working capital for instalments falling due between March 1, 2020 and May 31, 2020. This was subsequently extended in May 2020 by another three months to August 31, 2020. A stand-still in asset classification for accounts availing the moratorium was provided from March 1, 2020 to August 31, 2020. For all accounts classified as standard as on February 29, 2020, even if overdue, the moratorium period, wherever granted, was to be excluded by the lending institutions from the number of days past-due for the purpose of asset classification.

Recently, the Government of India and RBI announced various measures to support the stability of the financial service sector. These measures are likely to contain the impact of COVID-19 and economic slowdown. Key measures include:

- RBI extended the window for one-time restructuring of standard accounts of GST registered MSMEs without an asset classification downgrade that were in default as on January 1, 2020. The restructuring under the scheme had to be implemented latest by December 31, 2020 (extended from the earlier deadline of March 31, 2020). Definition of micro small and medium enterprise was broadened to include large size enterprises.

- Guarantee program for collateral-free loans aggregating up to ₹ 3.00 trillion to MSMEs. A special liquidity facility of up to ₹300.00 billion was provided for NBFCs, HFCs and microfinance companies and liquidity infusion of ₹900.00 billion was announced for power distribution companies through a central public sector enterprise.

- Resolution of stressed assets including restructuring for certain category of advances without an asset classification downgrade.

- The repo rate was reduced by 75 basis points (bps) from 5.15% to 4.40% from March 27, 2020. The repo rate was further reduced by 40 bps to 4.0% from May 22, 2020.

- Reduction in CRR requirement to 3% from 4% earlier. This was effective from March 28, 2020 for a period of one year up to March 26, 2021. The minimum daily CRR balance requirement was reduced from 90% to 80% effective from the fortnight beginning March 28, 2020 up to September 25, 2020.

- RBI announced Targeted Long Term Repo Operations (TLTRO) which were auction of targeted long term repos of up to three-years tenor at a floating rate linked to the repo rate. Liquidity availed by banks under the TLTRO had to be deployed in investment grade corporate bonds, commercial paper and non-convertible debentures, over and above the outstanding level of investments in these bonds at March 27, 2020.

Despite these, the lockdown impacted the low and middle income segments the most, that are the target customer segment of SFBs. While banks have offered a moratorium period to borrowers, SFBs' asset quality is likely to deteriorate due to difficulties faced by their borrowers. Going forward, their asset quality will vary depending on their efficiency in credit underwriting, monitoring and collection. Credit cost of SFBs had declined from 1.7% in Fiscal 2018 to 1.1% in Fiscal 2019, which increased their profitability. However, in Fiscal 2020, the cost increased due to higher provisioning related to COVID-19 in January-March, which eroded their profitability in fiscal 2020.

Profitability of SFBs to decline in Fiscal 2021, improve thereafter

Newly converted SFBs had a challenging beginning in Fiscal 2018, as many players experienced decline in profitability due to losses in the second half of the financial year on account of stressed microfinance accounts. The main reasons for the sharp increase in non-performing assets in the microfinance portfolio of SFBs was demonetization and loan waivers, and demonetization also increased credit cost in Fiscal 2018.

Profitability revived in Fiscal 2019 as credit costs on newly originated loans disbursed post demonetization was lower. Further, due to a rapid growth in deposit base and a consequent reduction in cost of funds NIMs also increased in Fiscal 2019 compared to the previous year. Profitability however remained partly constrained by high operating expenses representing approximately 5.50% to 6.00% of average assets.

In Fiscal 2020, profitability for SFBs is estimated to have declined on account of increased provisioning in the pandemic-weakened economy, which affected the daily wage earners and self-employed individuals who are the target customer base for SFBs. In Fiscal 2021, interest income growth is expected to be lower with fewer disbursements and increasing pressure on margins. CRISIL Research also expects lenders to spread their credit cost over couple of years, as and when the impact of COVID-19 becomes more apparent, hence the credit cost is expected to remain elevated in coming two fiscals. Going forward, it is expected that the ability to maintain sound asset quality in lending while managing growth will be key for profitability.

Impact of COVID-19

The financial position of Yes Bank declined since 2018 largely due to inability of the bank to raise capital to address loan losses and resultant downgrades, triggering invocation of bond covenants by investors. After careful considerations of these developments on March 5, 2020, RBI imposed a 30-day moratorium on Yes Bank, capping deposit withdrawals at ₹ 50,000 owing to deterioration in financial position of the bank. It also superseded the bank’s board. The moratorium was lifted on March 18. In the wake of the crisis, many shifted their deposits to PSBs and larger established private banks. SFBs, which have a liability franchise, are newer entities in the sector. They may find it difficult to gain customer confidence and should focus more on building a strong reputation if they have to maintain stable deposits. However, higher interest rates offered by SFBs will be an attraction. In addition, the amended Deposit Insurance Credit Guarantee Corporation (DICGC) rules benefit SFBs. The new rules increased the deposit insurance to up to ₹ 500,000 (principal and interest) from ₹ 100,000 earlier.

Even as the financial sector was dealing with the Yes Bank issues, the COVID-19 pandemic affected the sector with the nation-wide lockdown to arrest the spread of the virus impacting the normal operations of businesses.While banks continue to operate, there were very few fresh loan disbursements. The offtake is likely to remain subdued throughout the first half of Fiscal 2021 and is expected to get better in the second half. Banks with stronger deposit base, varied funding avenues, deeper distribution network, superior underwriting skills, higher capability to offer customised products, and ability to keep asset quality under check are expected to continue to drive growth and stay ahead of the pack.

SFBs differentiate themselves from other banks by offering personalised service to customers. These include home visits for deposits, withdrawals, credit underwriting, loan collections and maintaining close customer touchpoint on a monthly basis. However, the nationwide lockdown and social distancing norms have put a stop to SFBs’ doorstep service. This has prompted them to increase their focus on digital initiatives. SFBs that have already transitioned and made requisite investments in people, process and technology are expected to reap more benefits and grow faster than their peers.

Peer comparison

The following comparison of Suryoday SFB with all its peers in India is based on the latest available data for Fiscal 2020, and listed microfinance players. The information presented in this section is based on the calculations set forth below:

S no	Parameters	Formula
1	RoA	Profit after tax / average of total assets on book
2	RoE	Profit after tax / average net worth
3	NIM	(Interest income – interest paid) / average of total earning assets on book
4	Yield on advances	Interest earned on loans and advances / average of total advances on book
5	Cost to income	Operating expenses / (net interest income + other income)
6	Cost of funds	Interest paid / (average of deposits and borrowings)
7	Non-interest income	(Total income – interest income)/ average of total assets on book
8	Credit cost	Provisions / average gross advances
9	Credit to Deposit Ratio	Advances/Deposit

SFBs and other players as of end-Fiscal 2020

Players	On-book AUM FY2020 (Rs billion)	On-book AUM growth (FY2017-2020)	Deposit (Rs billion)	Deposit growth on-year (FY2019-2020)	Credit to deposit ratio	Banking outlets ^ (FY2020)	Number of employees	Capital adequacy ratio (CAR)	Tier 1 capital	Presence in states and UTs
SFBs										
AU SFB	308.9	42%	261.6	35%	1.03	647	17,112	22.00%	18.40%	12
Equitas SFB	146.1	27%	107.9	30%	1.27	854	16,104	23.61%	22.44%	15
Ujjivan SFB	141.5	30%	107.8	46%	1.30	575	17,841	28.80%	28.00%	24
Jana SFB	112.9	-4%	96.5	130%	1.03	585	16,212	19.30%	13.10%	22
ESAF SFB	68.1	66%	70.2	63%	0.93	454	3,337	24.03%	20.99%	18
Utkarsh SFB	66.6	60%	52.3	38%	1.20	507	8,831	22.19%	19.41%	17
Fincare SFB	53.4	60%	48.5	138%	0.99	711	7,363	29.29%	23.46%	19
Suryoday SFB	37.1	64%	28.5	79%	1.24	477	4,695	29.57%	28.61%	12
Capital SFB	33.0	34%	44.4	21%	0.74	150	1,646	19.11%	14.00%	5*
Microfinance										
Credit Access Grameen	98.9	38%	-	-	-	929	10,824	23.60%	22.30%	9
Spandana	68.2	56%	-	-	-	1,010	8,224	53.00%	-	18
Universal banks										
Bandhan Bank	718.5	60.5%	570.8	32%	1.17	4,559	39,750	27.43%	25.19%	34

*Notes: Players are arranged in descending order of AUM. ^ Banking outlets including bank branches, ultra-small branches and asset centres as reported by the players. NA - not available. *As at the end of fiscal 2019*

Source: Company reports, CRISIL Research

<u>Suryoday SFB has the second highest 3-year AUM growth rate</u>

Suryoday SFB and ESAF recorded the fastest three-year CAGR of 64% and 66%, respectively, in Fiscal 2020. They were followed by Utkarsh and Fincare SFB.

Deposit details of SFBs and other players as of end-Fiscal 2020

SFBs	Proportion of deposit to total loan book (%)	Proportion of deposit in total borrowing (%)	Proportion of retail deposits in total deposits (%)	CASA (% of deposits)	Retail TD (% of deposits)	Bulk TD (% of deposits)	Highest deposit rate (%), tenure (in years)*
AU SFB	96.9	71.6	48.7	15.9	32.8	51.3	6.75, 2-3yr
Equitas SFB	78.5	67.7	58.4	21.4	37.0	41.6	7.15, 2-3yr
Ujjivan SFB	76.8	73.1	49.2	14.6	34.6	50.8	6.5, 1-2yr
Jana SFB	96.9	76.9	NA	7.4	NA	NA	7.5, 2-3yr
ESAF SFB	107.3	85.3	95.07	13.66	81.41	4.93	7.0, 1-1.5yr.
Utkarsh SFB	83.3	66.2	48.20	13.50	34.70	51.8	7.50, 1.9yr.
Fincare SFB	100.8	78.0	77.00	11.90	65.10	23.00	7.50, 3-3.5yr
Suryoday SFB	80.7	69.2	54.44	11.45	43.00	45.56	7.50, 5yr
Capital SFB	134.4	91.3	NA	36.31%	NA	NA	6.65, 2.5yr
Bandhan Bank	85.7	77.7	78.4	36.8	41.6	21.6	6.0, 1.5-3 yr

*Notes: 1) NA - Not available. 2) Retail deposits includes CASA and retail term deposits. Bulk deposits include institutional deposits. 3) CASA ratio is calculated based on overall deposits excluding certificates of deposits (CoD), 4) *Interest rate for banks is as on 16th Sept 2020 for TD below Rs. 2 crores*

Source: Company reports, CRISIL Research

<u>Suryoday SFB has the third highest deposit growth rate</u>

Suryoday SFB, Jana and Fincare recorded the fastest on-year deposit growth of 79%, 130% and 138%, respectively, in Fiscal 2020, followed by ESAF and Ujjivan SFB.

<u>Suryoday and Ujjivan SFB are well capitalized compared to peers</u>

As of end-Fiscal 2020, Suryoday and Ujjivan SFB had a total capital adequacy ratio of 29.57% and 28.80%, respectively, compared with Capital SFB’s 17.47% and Jana SFB’s 19.30%.

<u>Suryoday SFB has the third highest proportion of retail term deposits in total deposits</u>

Suryoday SFB has the third highest proportion of retail term deposits to total deposits at 43% among its peers.

Operational Efficiency of SFBs as of end-Fiscal 2020

SFBs	Advances per banking outlet (Rs million)	Disbursement per banking outlet (Rs million)	Deposit per banking outlet (Rs million)	Advances per employee (Rs million)	Disbursement per employee (Rs million)	Deposit per employee (Rs million)
AU SFB	417	288	404	16	11	15
Equitas SFB	139	100	109	7	6	7
Ujjivan SFB	244	230	187	8	7	6
Jana SFB	170	-	165	6	-	6
ESAF SFB	144	163	155	20	22	21
Utkarsh SFB	124	-	103	7	-	6
Fincare SFB	68	57	68	7	6	7
Suryoday SFB	92	65	60	8	7	6
Capital SFB	221	-	296	20	-	27
Bandhan Bank	146	-	125	17	-	14

Note: Banking outlets including bank branches, ultra-small branches and asset centres as reported by the players

Source: Company reports, CRISIL Research

<u>Disbursement per banking outlet</u>

Suryoday SFB's disbursement per banking outlet was ₹ 65 million. AU SFB has the highest disbursement per banking outlet ₹ 288 million, followed by Ujjivan SFB (₹ 230 million), ESAF SFB (₹ 163 million), and Equitas SFB (₹ 100 million).

Product mix

Product mix of all SFBs and banks (as of end-Fiscal 2020)

SFBs	MFI	Vehicle loans	Mortgage loans	MSME	Large and mid-corporate loans	Gold loans	Others
AU SFB	-	50%	2%	44%	0	1%	3%
Equitas SFB	24%	24%	0%	41%	10%	0%	1%
Ujjivan SFB	77%	-	11%	10%	-	-	2%
Jana SFB	75%	0%	7%	14%	1%	1%	3%
Utkarsh SFB	89%	-	1%	4%	6%	-	1%
ESAF SFB	93%	-	-	-	2%	-	5% #
Fincare SFB	36%	31%	12%	3%	7%	2%	9%
Suryoday SFB	76%	10%	5%	5%	-	-	4%
Capital SFB	-	4%	9%	28%	-	-	59%
Bandhan Bank	64%	-	26%	4%	5%	1%	-

Note: # Include all retail loans by ESAF

Source: Company reports, CRISIL Research

Profitability

Profitability of players in Fiscal 2020

Players	Yield on advances (%)	NIMs (%)	Non-interest income (%)	Cost of borrowing** (%)	Opex (%)	Opex per banking outlet (Rs million)	Cost to income (%)	PCR (%) ^	GNPA ^ (%)	Credit cost (%)	RoE (%)	Post tax-RoA (%)
SFB												
AU SFB	13.7	5.5	1.7	7.4	3.8	2.19	56.1	52.5	1.7	1.1	15.8	1.6
Equitas SFB	19.1	9.7	1.6	8.0	6.7	1.19	66.3	45.2	2.7	1.9	9.8	1.4
Ujjivan SFB	21.7	10.8	2.0	8.1	8.2	2.29	67.4	80	1.0	2.3	14.0	2.2
Jana SFB	22.7	9.3	3.7	9.4	9.9	1.99	80.6	-	2.8	3.0	3.5	0.3
Utkarsh SFB	20.8	9.6	1.2	8.2	5.6	0.94	57.6	75.1	0.7	3.0	19.0	2.2
ESAF SFB	22.3	10.6	1.6	8.7	7.3	1.42	64.9	79.93	1.5	2.4	19.2	2.3
Fincare SFB	24.9	11.8	2.6	9.5	7.6	0.75	56.0	91.4	0.9	5.1	18.3	2.5
Capital SFB	11.2	4.2	0.9	6.4	3.4	1.09	75.5	29.5	2.0	0.9	7.7	0.5
Suryoday SFB	22.5	10.7	1.9	8.1	6.0	0.71	47.1	84.71##	2.8	4.3	11.4	2.4
Microfinance^												
Credit Access Grameen	20.4	12.1	0.3	9.0	4.3	0.42	35.9	-	1.6	3.0	13.0	3.6
Spandana	24.8	16.6	5.5	11.9	4.0	0.22	19.7	-	0.36	3.0	15.6	6.5
Universal banks												
Bandhan Bank	14.0	9.6	2.1	7.8	3.3	0.53	30.8	60.78	1.5	2.6	22.9	4.1

*Note: ^ As per company reports. ** Cost of borrowing is calculated on total borrowings, i.e. sum of borrowing and deposits. ## After including floating provision and technical write-off*

Source: Company reports, CRISIL Research

Suryoday has the second highest yield among SFBs

Suryoday SFB has the second highest yield among SFBs. High yields are a result of high share of microfinance loans in the portfolio. As SFBs diversify into other loan products, their yield is expected to decline like Equitas SFB. Among the MFIs, Spandana had the highest yield on advances as at the end of Fiscal 2020.

Suryoday has the second highest RoA amongst SFBs

Suryoday has the second highest return on assets (ROA) at 2.4%. Fincare had the highest ROA at 2.5%, followed by Utkarsh SFB (2.4%) in Fiscal 2020. Jana SFB and, Capital SFB had the lowest RoA among SFBs. Amongst MFIs, Spandana had the highest RoA of 6.5% in Fiscal 2020.

Suryoday has the best cost to income amongst SFBs

Suryoday SFB had the lowest cost to income ratio of 47.1%, followed by Fincare (56.0%) and AU SFB (56.1%) in Fiscal 2020. Jana SFB and Capital SFB had the highest cost to income among SFBs.

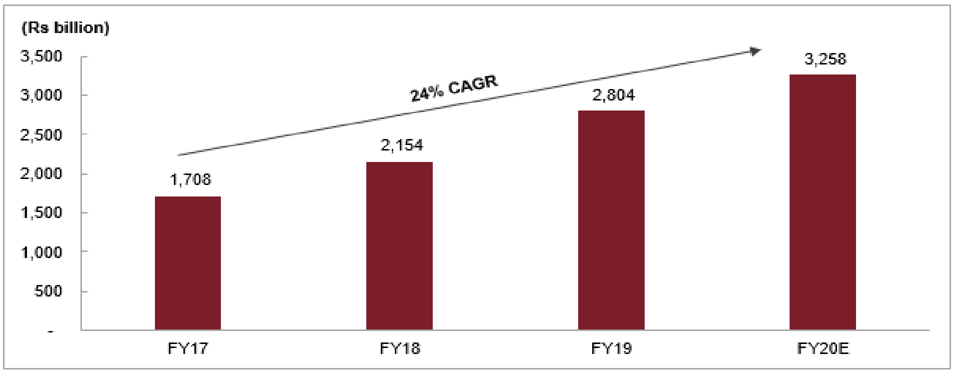
ANALYSIS OF VARIOUS SEGMENTS

Microfinance

Industry GLP recorded a CAGR of 24% since Fiscal 2017

The microfinance industry has recorded healthy growth in the past few years, and the industry's Gross Loan Portfolio (GLP) grew at a CAGR of 24% since Fiscal 2017.

GLP clocked 24% CAGR between fiscals 2017 and 2020

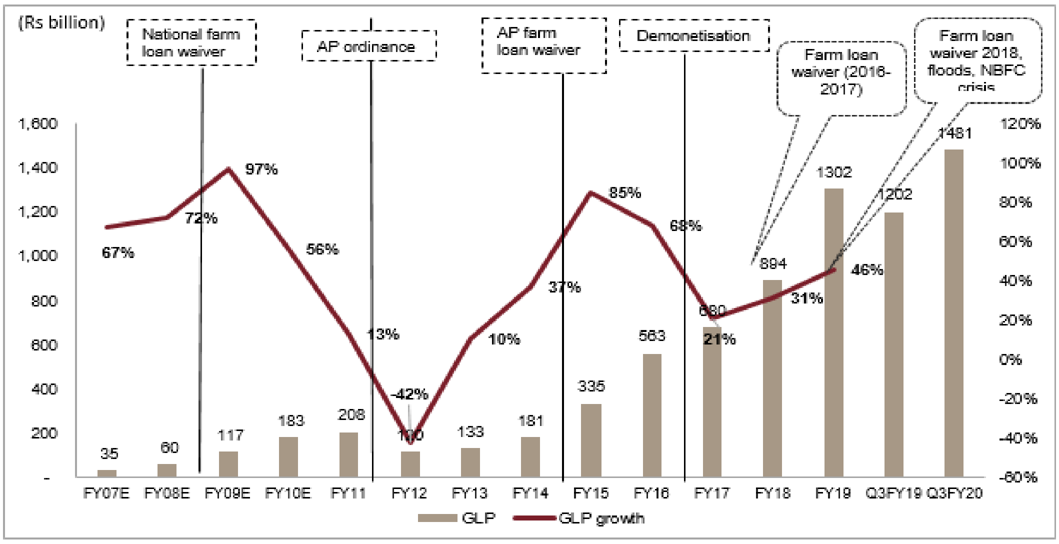


Note: E: Estimated. Data includes data for banks' lending through SHG and joint liability group (JLG), SFBs, NBFC-MFIs, other NBFCs and non-profit MFIs. The amounts are as at the end of fiscal year

Source: Company reports, CRISIL Research, industry

The industry has grown despite adverse developments in the past decade such as national farm loan waivers (2008), the Andhra Pradesh crisis (2010), Andhra Pradesh farm loan waiver (2014), demonetization (2016), and farm loan waiver across some more states (in 2017 and 2018). The liquidity crisis in 2018, however, has had a ripple effect on microfinance lending as smaller NBFC-MFIs with capital constraints and lenders relying on NBFCs for funding slowed down disbursements. With the COVID-19 pandemic, NBFC-MFIs may face asset quality and liquidity stress in the current fiscal. However, the industry is expected to rebound and grow at a healthy pace over the next few years as well, given the low penetration of credit among the target population.

MFI industry has shown resilience over the past decade



Note: Data includes values for NBFCs, NBFC-MFIs, non-profit MFIs, SFBs, and Bharat Financial Inclusion

Source: CRISIL Research, MFIN, Bharat Microfinance

On November 8, 2016, the Indian government announced the demonetization of banknotes of ₹500 and ₹1,000 denominations. Approximately 86% of the currency in value terms was removed from circulation. As a consequence, GLP of the MFI industry, which was growing at approximately 70% in the first half of Fiscal 2017 suddenly declined to

22% by the end of the year. Disbursements declined by approximately 29% in the second half of Fiscal 2017 as compared to 60% growth in the first half of Fiscal 2017.

Customers belonging to this industry are the bottom of the pyramid and majority of their earnings are cash-based. Further, customers relying on daily-businesses experienced significant earnings loss due to decreased demand on account of non-availability of cash. Most of these customers belong to rural areas where the penetration of banking is low, and the cash crunch significantly affected the industry.

NBFC liquidity crisis

The liquidity crisis affecting NBFCs in India had a minor ripple effect on micro-lenders. The lenders who relied on NBFCs for funding reduced disbursement and sought alternate sources for funding. However, the impact of the crisis was not that profound as large NBFC-MFIs had a diversified funding mix and were able to leverage this to their advantage. NBFC-MFIs' outstanding borrowings increased at 23% CAGR from Fiscal 2018 to Fiscal 2020.

COVID-19 pandemic

The extended nationwide lockdown to contain the spread of COVID-19 has affected the income-generating ability and the savings of borrowers accessing MFIs, those typically with weaker credit profiles compared with borrowers of other types of lenders. About 70% to 80% of the micro loan borrowers have sought moratorium under the 'COVID-19 - Regulatory Package' announced by the RBI. Due to the nationwide lockdown, and several state-imposed lockdowns thereafter, normal operations of MFIs – loan origination and collections – have been a challenge, as the operations of MFIs are field-intensive, involving high personal interactions, such as home visits and physical collection of cash.

Prior to the lockdown, many MFIs had managed to support their liquidity by March-end, as typically collection days are the first two weeks, prior to the lockdown was announced. Collection efficiency was largely intact at 98% to 99%. The MFIs also drew down bank loans for the purpose of on-lending in the last week of March, typically a period marked by high business activity. However, disbursements did not happen as planned on account of the lockdown.

With lockdowns being implemented by state governments, based on the infection rate trajectory in a region, and restrictions being lifted only in a phased manner, disruption of income-generating activities of borrowers is expected to continue. It is therefore crucial to assess how quickly borrowers return to normal repayment discipline once the situation normalises. Borrowers are not expected to clear their overdue immediately, therefore PAR>30 days is projected to increase by 800-900 bps on-year in the second and third quarters of Fiscal 2021.

In the past, MFIs have recovered after periods of stress, such as post demonetisation, floods and other local socio-political disturbances.

Key reforms proposed by the government for microfinance to counter COVID-19 crisis

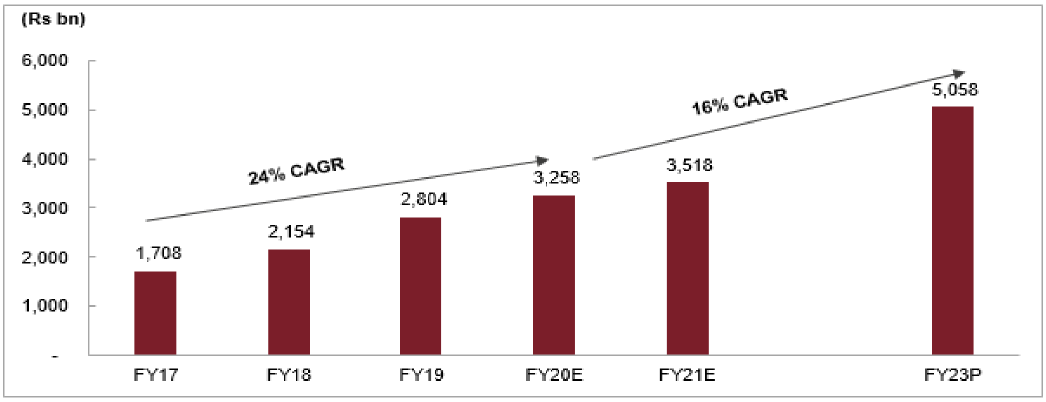
- *Refinance support from RBI*: In April 2020, the RBI announced refinancing support of ₹ 250 billion to NABARD, which provides support to NBFC-MFIs, RRBs and co-operative banks

- *Loan interest subvention scheme*: Under this scheme, the government has provided 2% interest subvention to loans given under the Mudra-Shishu scheme. These loans are up to a ticket size of ₹ 50,000, and are primarily given by NBFC-MFIs catering to low income groups.

<u>Rising penetration is expected to support healthy growth of the industry over the next three fiscals</u>

As of March 31, 2020, the microfinance industry had grown at a CAGR of 24% since Fiscal 2017. In Fiscal 2020, the industry grew by 16% to amount to ₹ 3.3 trillion in March 2020. In light of COVID-19 outbreak, the microfinance sector is expected to find it challenging in the current Fiscal 2021. Overall growth of microfinance sector is expected to remain subdued in the current fiscal to amount to ₹ 3.5 trillion owing to high sensitivity of the sector towards external shocks. However, the domestic microfinance industry has shown resilience towards external shocks in the past and is expected to gain momentum in the next two fiscals covering the least penetrated areas.

Growth in client base to drive MFI loan portfolio



E: Estimated, P: Projected

Note: Graph includes data for bank lending through joint liability group, bank lending through self-help groups, SFBs, NBFC-MFIs, other NBFCs and non-profit MFIs;

Source: MFIN, Company reports, CRISIL Research

However, over the subsequent two fiscals, the domestic microfinance industry is expected to gain momentum. Between Fiscal 2020 and 2023, the MFI loan portfolio is expected to grow at a CAGR of 16%. While considerably lower compared with the past three fiscal years, growth would be driven by continuous expansion in the client base of MFIs and also healthy penetration in rural areas, where MFI presence is much lower compared with urban areas.

Growth in the MFI business is expected to be driven by increasing presence in newer states, expanding the client base, and gradual increase of the ticket size. There has been a significant increase in the number of MFIs operating in Assam, Bihar, Odisha, and West Bengal. The presence of several credit bureaus ensures that MFIs have access to more data on borrowers, helping them make informed lending decisions.

Players tapping newer states and districts to widen client base

In the last three years, many MFIs have opened branches in untapped districts to increase their penetration. This has led to a rise in customer base and number of active loan accounts. In states where the presence of MFIs and banks is strong, there has been an increase in ticket size as well.

Average ticket size to expand, but at slower pace

The average ticket size of MFIs increased in March 2020 to ₹ 30,250 from ₹ 23,586 in March 2018, a CAGR of 13%. The ticket size increased in highly penetrated states where MFIs have been present for a long period and credit-worthiness of the client base is relatively well-established.

Going forward, MFI growth is expected to be higher in newer under-penetrated states, but ticket size in the states is expected to be lower. Further, growth is expected to be faster in rural areas, where ticket sizes are relatively low. Consequently, increase in average ticket size at the industry level is projected to be much lower than in the past.

Challenges in rural-focused business

The microfinance industry mainly caters to the economically backward section of society, giving rise to certain inherent challenges that are faced by the institutions, particularly in rural areas. These include: (i) higher costs of customer acquisition due to remote locations and sparsely populated regions; (ii) lack of financial awareness as considerable effort is spent in educating the population on the benefits of financial inclusion; (iii) vulnerability of households' income to local developments; and (iv) high proportion of cash collections giving rise to increased time spent involved in reconciliation, risks in handling cash, and higher turn-around-times from the financier's perspective.

Asset quality

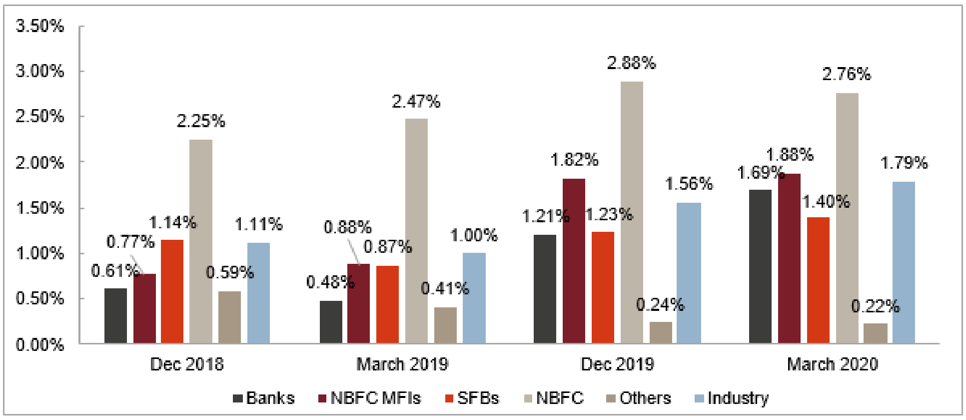
Asset quality of banks, SFBs better than industry; NBFC-MFIs worse off

PAR, the primary indicator of risk for the sector, represents the portion of loans overdue. PAR value increased sharply in Fiscal 2017 due to unavailability of cash and slowdown in business activity of individuals post demonetisation. Misinterpretation by borrowers of the RBI's norms on recognition of GNPAs to financiers as well as for loan waivers, and local level political intervention in some states led to lower collections.

SFBs were the most affected, as asset quality deteriorated post demonetisation, since some SFBs had expanded aggressively, giving higher ticket loans in the months prior to demonetisation. PAR > 30 for SFBs jumped post demonetisation, and was at 8.95% in December 2017 as compared with the industry average of 3.62% during the period. However, banks and MFIs invested significantly in educating borrowers and helping them exchange notes of demonetized denominations, which gradually improved collection efficiency and reduced their overall PAR. Further, collection efficiency of fresh loans disbursed after January 2017 has been strong. As a result, the PAR for the industry has been trending downward.

As of March 2020, overall PAR >30 for the industry as a whole was 1.79%; but SFBs had better asset quality with PAR >30 lower than the industry average. However, asset quality of the industry has been deteriorating in the last one year owing to floods in multiple major states in the second quarter of Fiscal 2020, affecting collection efficiency. As a result, PAR values had increased. Further, in the third quarter of Fiscal 2020, PAR levels negated the recovery process, with disruptions seen in Assam, where political intervention affected recoveries, leading to rise in PAR>30. In the last quarter of Fiscal 2020, the pandemic, and subsequent disruption to services and employment owing to the nationwide lockdown, deteriorated the asset quality further.

Asset quality of player groups in microfinance industry as of March 2020 (PAR >30 days)



Note: PAR>30 excludes delinquencies >180 days; Data excludes banks SHG; Data includes data for bank JLG

Source: MFIN, CRISIL Research

Asset quality is expected to deteriorate significantly as measures taken to control the spread of COVID-19 are going to impair MFI borrowers' ability to repay loans. PAR>30 days is estimated at 10% to 11% by end of Fiscal 2021. If containment of COVID-19 takes longer, the impact on asset quality may be more severe.

Profitability – sharp moderation in the medium term

In Fiscal 2019, spreads generated by NBFC-MFIs substantially increased because of higher securitisation volume. As banks, owing to the IL&FS default, chose a cautious approach towards lending to NBFCs, including MFIs, securitisation, including via direct assignment route, were commonly used to raise funds for NBFCs. Banks were comfortable to buy asset pools as they were acquiring granular retail assets as against bulk term loans. For NBFC-MFIs it was also favourable as the 10% regulatory margin cap was not applicable on funds raised through the securitisation route. Spreads widened in the second half of Fiscal 2019 due to the following reasons:

- Operating expenses reduced marginally despite NBFC-MFIs remaining aggressive in expanding their overall branch network over the fiscal;
- Transition to Ind-AS accounting framework, and the subsequent expected credit loss provisioning framework, saw NBFC-MFI's profitability jump to near four-year high of approximately 4.4%, as credit costs declined 45-50 bps
- Other income jumped 110-120 bps as players up-fronted income from the securitised portfolio, in line with provisions of Ind-AS. This was previously accounted over the tenure of the loan.

However, in Fiscal 2020, profitability is estimated to have declined a marginal 5-10 bps, based on rising credit costs, largely due to floods in several states during the year. Spreads, though, are expected to be stable as players pass on the cost to customers, and, hence, operating expense is also expected to remain stable.

In Fiscal 2021, due to COVID-19, the impact on the profitability of NBFC-MFIs would be in the range of moderate to severe, depending on the time taken to control the pandemic. On the outbreak of the pandemic, SFBs with their access to lower cost of borrowing and regulated environment would be in a better position to withstand the pressures as compared to the NBFC-MFIs and gain some market share. However, expected risk aversion to the segment due to external shock would continue to drive slower growth for all players.

Growth Drivers

Population outside formal banking channels provides huge potential for growth for MFIs

Due to the size of India's population, and considering that a large section still lacks access to formal banking services, driving financial inclusion has always been a priority for the government. The banking system and 'priority sector' lending have been the most explored channels to bring majority of the population under the ambit of formal credit institutions. India is on the threshold of a high-growth trajectory and financial inclusion is imperative for sustaining equitable growth. In India, the major reasons for financial exclusion are poverty and low income, financial illiteracy, high transaction cost, and lack of infrastructure, primarily IT infrastructure. Consequently, a significant proportion of the population still does not have access to formal banking facilities.

Within the large suite of products and services under financial inclusion, MFIs have a major role to play in the provision of credit. The sheer size of the market (in terms of financially-excluded households), a business model that offers sustainable credit to the poor at affordable rates, and a repayment cycle spread over a longer duration, have been key growth drivers for MFIs operating in India.

JLG business model in the MFI segment

MFIs focus on the JLG model for lending to borrowers due to the convenience of forming such groups, whereas banks have a dominant presence in the SHG model through their self-help group–bank linkage programme (SHG-BLP).

Under the JLG lending model, the primary task is to identify a prospective village, based on parameters such as total population, total income, and population of poor individuals. Subsequently, potential members (usually women) are identified, based on factors such as total household income and number of members in the household. These candidates are then organised into groups of 5-7 members each, with 3-5 such groups coming together to form a centre; the amount is advanced to an individual borrower. In the event an individual borrower defaults on payment, the concept of social collateral is enforced, and the other group members repay the loan amount due. In case of a default, the members of the group become ineligible to receive further loans from MFIs. This model ensures that the individual borrower is subject to constant peer pressure that compels the member to make timely repayments. In the JLG model, a minimum attendance is required, based on the organisation during loan disbursal.

Key Success Factors

Ability to attract funds/ raise capital and maintain healthy capital position

The microfinance industry has grown considerably over the past few years due to the small ticket size and doorstep disbursement practices. However, a large portion of the market remains underpenetrated, making it necessary for MFIs to raise funds at regular intervals to sustain growth. This remains a challenge for several MFIs owing to perceived risk of the borrower segment, their susceptibility to socio-political issues, and volatility in asset quality. In addition, most MFIs are dependent on banks for their funding, that lend to MFIs to meet their priority sector loan targets. The larger MFIs tend to rely on capital infusion from their promoters/ parent companies and/ or raise capital from external investors, such as private equity firms. The ability of MFIs to raise funding from diverse sources and maintain a capital positon much higher than the prescribed regulatory minimum is vital for long-term sustainability.

Geographically diversified portfolio enables MFIs mitigate risks

As fixed operating costs are relatively high, considering the value of the loan amount, the scale of operations is key for MFIs. A large, well-diversified portfolio in different geographies enables players to mitigate risks associated with a concentrated portfolio. In addition, a wider scale of operation enables them to reduce operating expenses as a percentage of outstanding loans. Expansion by MFIs in less-penetrated areas will support their growth trajectory. Rural areas are still under-penetrated in India, allowing those operating in and focused on rural areas to witness faster growth in their portfolios.

Ability to control asset quality and ageing of NPAs

MFIs' portfolios are vulnerable to local issues and events that impact the repayment ability of borrower households. It is therefore critical for them to have a strong hold on asset quality and regularly engage with borrowers to control ageing of NPAs. The operational and fraud risk for the MFI industry is high owing to the cash-intensive nature of the business during collections. MFIs are therefore required to establish methods and use analytics to understand and predict the quality of the portfolio, and minimise the frequency and size of asset quality-related risks. This is a key factor for driving profitability for the micro lenders.

MFIs' partnership with fintech companies to be key success enabler

MFIs play a crucial role in providing financial access to underserved segments in the country. There is significant opportunity for providing products and services to consumers at the bottom of the pyramid. Considering the challenges and also the latent growth opportunities in meeting consumer needs, MFIs benefit from partnering with fintech companies to tap the digital medium for financial inclusion.

The collaboration of MFIs with fintech companies enables improving operational efficiencies and reducing costs. Some of the leading MFI-NBFCs and SFBs have collaborated with fintech.

Managing local stakeholders

Considering the sensitivity around MFI operations, entities must ensure that their activities do not offend local leaders and government authorities. Apart from adherence to legal and regulatory guidelines, maintaining amicable relations with key stakeholders in their respective geographies is also critical for MFIs.

Gradual Development in Other Support Systems

Role of MFIN

In June 2014, the MFIN was officially recognized as a SRO for NBFC-MFIs in India. The MFIN is authorized by the RBI to exercise control and regulation on its behalf, to ensure compliance with regulatory instructions and the industry code of conduct. The MFIN is the first network to attain such recognition in India and Asia and also maybe internationally. In September 2017, MFIN released a MACC. Under the MACC, an institution will not lend to a borrower that has already availed of loans from three microcredit lenders. While the existing RBI regulations are applicable only to NBFC-MFIs, MACC will cover all entities excluding SHGs. In addition, MFIN's responsibilities includes research and training and submission of MFI financials to the RBI. More than 50 NBFC–MFIs in India are members of the MFIN.

Credit bureaus

Credit bureaus collect complete MFI information in their databases that captures the credit history of borrowers. The presence of a number of credit bureaus ensures that MFIs have access to more data on their borrowers, helping them make informed lending decisions in the long run. As per current norms, a borrower cannot avail of a loan from an MFI if there are already two NBFC-MFI loans existing. This is where the role of a credit bureau becomes critical, as it provides information on two levels- the number of credit lines that a borrower has already availed of, and the borrower's credit history in terms of, amongst others, repayment track record and defaults.

*Micro Units Development & Refinance Agency ("**MUDRA**")*

In Union Budget 2015-2016, the Government proposed the formation of MUDRA to facilitate the financial inclusion of the non-corporate small business sector through refinance and development support. A majority of this sector does not have access to formal sources of finance. MUDRA will be responsible for refinancing and developing the micro-enterprises sector by providing support to financial institutions that lend to small and micro business entities. It will also help reduce interest rates of the aggregate funds given to MFIs. In Fiscal 2020, ₹ 3,161 billion was disbursed under the Pradhan Mantri Mudra Yojana to 58.4 million accounts. The loan disbursal has been on the rise over the past few years but the pace of growth did slowdown reflecting caution among lenders.

NABARD refinancing MFIs to encourage lending in rural areas

NABARD is the main facilitator and mentor of microfinance initiatives in India, with a focus on rural areas. It assists eligible NBFC-MFIs and SFBs by providing them with long-term refinance support. NBFC-MFIs having continuous profit during the last three years and grading up to MFR2 (MFR3 in northeastern states and hilly areas) by CRISIL or equivalent, are eligible for refinance, subject to the fulfilling of other conditions. In April 2020, the RBI allocated ₹250 billion to NABARD for refinancing to cooperative banks, RRBs and MFIs to support financial institutions in the current challenging situation because of the pandemic.

Digitalization to bring down costs, improve efficiency and profitability for MFIs

Digitalization is critical to the MFI industry since lower operating costs can result in higher financial inclusion and increased benefits for customers. The use of technology has helped MFIs grow at a fast pace, improve efficiency, lower cash usage and turnaround times, develop new products, provide better services to customers and use analytics for portfolio monitoring and credit appraisal. In the third quarter of Fiscal 2020, approximately 48 NBFC-MFIs have reported 90% of their disbursement through cashless mode. To improve efficiency, many MFIs have provided tablets to their loan officers, thereby eliminating branch visits by loan officers for routine procedural activities. Digitalization is also helping microfinance institutions monitor disbursed loans as each borrower's data is available in digital form and can be accessed easily. Paperwork has reduced with the use of tablets and entries on disbursements and repayments are made in real time.

Direct updating of information on the core platform has also enabled better servicing of customers over their credit life cycles. It also helps in targeted marketing, cross-selling of products, and product customization. E-KYC and biometric scanners do away with the requirement for physical documents and help lower turnaround time. The lower cost of serving customers, better productivity and lower credit costs through the use of technology are expected to help MFIs improve profitability.

Affordable housing loan (Ticket size < ₹ 2.5 million)

Affordable Housing Loan is expected to increase at a CAGR of approximately 8% to 9% till Fiscal 2023

Despite the enormous unmet demand in the affordable housing finance market, the segment recorded growth at a CAGR of 9% from Fiscal 2017 to 2020. At the end of Fiscal 2020, outstanding loans amounted to ₹ 9.1 trillion growing at 8% from ₹ 8.6 trillion at the end of Fiscal 2019. The momentum in the affordable housing loans slowed down in the fourth quarter of Fiscal 2020 amid the turbulence due to the pandemic.

The economic slowdown due to pandemic-led lockdown and consequent social distancing measures are likely to impact the demand for home loans. Demand for under-construction projects is likely to be hit the most due to labour migration during the lockdown and uncertainty of project execution. Limited income and unemployment of the target customers could impact property purchase decisions in Fiscal 2021. Affordable housing segment is expected to grow at a CAGR of 8% to 9% till the end of Fiscal 2023.

Key factors contributing to competition of SFBs in affordable housing finance

- Focus on and understanding of the target market: Given the target borrower's profile, companies will need to have a clear and deeper understanding of micro markets and develop a strong local network. A strong network helps players source business from niche customer categories through references from existing customers. It is observed that successful players in the segment generally focus on a few geographies where they have a good understanding and scale up gradually to manage costs and asset quality better.

- Access to public deposits for SFBs gives it a pricing advantage due to lower cost of funds compared with HFCs.

- Collection efficiency: Given that players in the segment typically cater to the lower income customer segment, many of whom may not be financially literate, a strong focus and understanding of SFBs on collections and monitoring risk of default at the customer level will help them keep asset quality under check.

Low mortgage penetration and increasing lender interest to lead growth

While the mortgage-to-GDP ratio in India is very low at 12.4% as of March 31, 2019, mortgage penetration in affordable housing is even smaller. Due to the burgeoning traditional mortgage finance market, a few commercial banks have entered the affordable housing market. These banks tend to offer long-term mortgage loans, which extend to 20 years and require down payment between 10% and 30% of the home value, pay slips, and legal title to property. Even at such levels, affordable housing loan penetration in India is expected to remain lower than in developed markets, such as, the United States and developing countries, such as, China.

Impact of liquidity crisis on HFCs

With tightened liquidity post the IL&FS situation in September 2018, HFCs have encountered structural challenges in the form of increased refinancing risk and asset-liability mismatch, which slowed down housing loan disbursements. HFCs access to funds from the debt capital markets has also declined considerably, especially for those companies with high negative ALM mismatches. These HFCs are dependent on banks for funding, which has led to a rise in the cost of funds. SFBs, on the other hand, have access to deposits, resulting in lower cost of funds, which allows them to compete with HFCs on pricing in underpenetrated regions and take away some share from HFCs, resulting in the growth of overall business for SFBs.

Growth Drivers

Higher affordability led by increasing disposable income

India's per capita income has been growing at a steady rate and amounted to ₹ 92,718 in Fiscal 2019 (base year Fiscal 2012). According to the Ministry of Statistics and Programme Implementation (MOSPI), per capita income is estimated to have grown at 5.8% in Fiscal 2019 compared to 5.7% in Fiscal 2018. The increasing trend in per capita income is expected to continue. In the short-to-medium term, disposable income will rise as a result of implementation of the Seventh Pay Commission recommendations and the One Rank One Pension scheme, and sustained low inflation. This will be an enabler for domestic consumption. Further, increasing disposable income typically has a positive correlation with demand for housing units as it increases affordability.

Rapid urbanization will increase housing demand

Urbanization provides an incentive to housing demand, as migrants require housing units. The increasing urban population has pushed the demand for houses in urban areas. People from rural areas move to cities for various reasons, including better job opportunities, education and avail better lifestyle. Approximately 36% of India's population is expected to live in urban locations by 2020, which will drive the demand for housing in these areas. Urbanization has a similar impact on housing demand. On the one hand, it reduces the area per household, while on the other hand, there is a rise in the number of nuclear families, which leads to the formation of more households.

Rise in number of nuclear families leads to demand for new houses

Nuclearisation refers to formation of multiple single families out of one large joint family. Each family lives in separate houses, while the ancestral house may be retained or partitioned to buy new houses. Nuclearisation in urban areas is primarily driven by changing lifestyle of people, individualism, changing social/cultural attitudes and increased mobility of labour in search of better employment opportunities. Such trends are expected to continue in future.

Changing floor space requirement:

Floor space requirement is dependent upon the size of the family as well as affordability determined by the income levels. With increasing nuclearisation, the per capita floor space area required reduces as the family size shrinks. As incomes increase, people shift to bigger houses, accordingly, increasing existing demand. For lower income groups, floor space required is marginally higher in rural areas compared with urban areas, which may be attributed to lower prices in rural areas.

Last-mile affordable housing funding package and relaxation of ECB guidelines:

In September 2019, the government announced a ₹ 100 billion special window to provide last-mile funding for the completion of ongoing housing projects that are non-NPA, non-NCLT and are net worth positive in the affordable and middle-income categories. The government will contribute about ₹ 100 billion and outside investors such as Life Insurance Corporation of India, private capital, sovereign wealth funds and development finance institutions will contribute roughly the same amount. The objective of this move is to focus on the construction of unfinished units. This move is expected to benefit roughly 0.35 million projects in the country.

The government also announced that the external commercial borrowing (ECB) guidelines will be relaxed to facilitate financing of home buyers. This will be carried out in consultation with the RBI to help identify eligible beneficiaries under the PMAY. The relaxation will be in addition to the existing ECB norms for affordable housing.

Tax incentives

The Government has traditionally used tax regulations to promote the housing sector. Tax incentives for the housing sector have been instrumental in driving growth in the housing and housing finance sectors. Tax benefits announced in the Union Budget 2019-20 include interest deduction on loans taken until March 31, 2020, for the purchase of a house valued up to ₹ 4.5 million, which has been enhanced to ₹ 0.35 million from ₹ 0.2 million. The additional interest deduction of ₹ 0.15 million would reduce the effective home loan interest rate by 40-50 basis points (bps) for a typical 15-year loan. In addition, certain other tax benefits are as follows:

- As per Section 24 (B) of the Income Tax Act, 1961, annual interest payments of up to ₹ 200,000 (₹ 300,000 for senior citizens) on housing loans can be claimed as a deduction from taxable income;

- As per Section 80 C (read with Section 80 CCE) of the Income Tax Act, 1961, principal repayments of up to ₹ 150,000 on a home loan are allowed as a deduction from gross total income; and
- As per Section 80 EE, an additional deduction in respect of interest of ₹ 50,000 per annum has been provided exclusively for first-time home buyers, given the property value is up to ₹ 5 million and the loan is up to ₹ 3.5 million.

Interest subvention scheme to boost loan disbursements

Under the Housing for All scheme, in order to expand institutional credit flow to the urban population, the government introduced the Credit Linked Subsidy Scheme (CLSS) as a demand-side intervention. In May 2020, the government extended the CLSS component till March 2021. This move will help in supporting the loan disbursements over the coming fiscal.

The CLSS will be provided on home loans for eligible urban population to acquire and construct houses. For loans of up to ₹ 0.6 million for EWS and LIG beneficiaries, the interest subsidy has been fixed at 6.5% for eligible borrowers buying a home of up to 60 square meter carpet area. In February 2017, the CLSS was extended to include MIG households with incomes in the range of ₹ 0.6-1.8 million per annum.

Government schemes

- Under the PMAY-G, approximately 10 million houses have been constructed as of May 15, 2020. The Government has set up a construction target of 19.5 million houses up to Fiscal 2022 under Phase II. Further, the scheme relies heavily on extra budgetary resources raised through the NABARD bonds. The flow of funds for the second phase will be key with an investment requirement of ₹ 1.6 trillion. Only ₹ 360 billion has been provided till date with almost ₹ 3 trillion additional needs over next two years to achieve PMAY-G targets.

- Under PMAY-U, out of the estimated 11 million houses to be constructed over seven years (Fiscal 2016 to Fiscal 2022), 10.5 million houses have been sanctioned as of April 2020. Of these, while 3.35 million houses have been constructed. Like PMAY-G, PMAY-U also relies heavily on extra budgetary resources raised through Housing and Urban Development Corporation Limited bonds. The flow of funds from the central Government remains significant for the scheme's success, as it needs approximately ₹ 1.65 trillion over the life of the scheme an average of ₹ 150,000 per house. Currently, only 42% of this amount, *i.e.*, ₹ 695 billion, has been released until now and accordingly, central Government needs approximately ₹ 954 billion to achieve PMAY-U completion.

Ease of access to finance and rise in finance penetration to drive the housing industry

Growth of the housing sector in India also depends on the availability of finance and the cost of obtaining such financing. The availability of finance can broadly be evaluated through finance penetration. The increase in housing demand over the past few years was primarily due to easy availability of finance along with low interest rates. In addition, the presence of a large number of financiers across categories contributed to the growth in housing demand. Increase in finance penetration is also expected to support the housing industry's growth. Rising demand for housing from Tier II and Tier III cities, and a subsequent surge in construction activity have increased the focus of financiers on these geographies. Consequently, finance penetration in urban areas is estimated to have increased to 44.8% in Fiscal 2019, from an estimated 39% in Fiscal 2012. With the increase in the affordable housing and rising competition in mid-ticket size loans, finance penetration is expected to increase by more than 45% in urban areas over the next two fiscal years.

Impact of GST

A significant reduction in GST from 8% to 1% for under-construction affordable housing projects (effective rate after deducting one-third towards land cost) and from 12% to 5% for other under-construction housing projects (effective rate after deducting one-third for land cost), is expected to increase end user demand. In addition, the GST Council adopted a new definition for affordable housing, which is now described as a residential house/ flat with a carpet area of up to 90 square metres in non-metropolitan cities/towns, and 60 square metres in a metro, and having value of up to ₹ 4.5 million. Metros identified are Bengaluru, Chennai, National Capital Region of Delhi (limited to New Delhi, Noida, Greater Noida, Ghaziabad, Gurgaon and Faridabad), Hyderabad, Kolkata and Mumbai (whole of Mumbai Metropolitan Region). Further, approximately 40% to 45% of the on-going supply in these six cities fall below the ₹ 4.5 million ticket size, so the effective GST rate of 1% should increase the demand. Over the past two years, preference for completed projects has been clearly visible because of the additional GST burden and execution risks associated with under-construction properties. With the RERA framework evolving and GST reduced, end-user confidence towards under-construction properties is expected to improve will also gradually improve volume growth in the housing segment.

MSME FINANCE

Brief overview of MSMEs in India

MSMEs complement large corporates as suppliers and directly cater to end users. The MSME sector contributes to the India's socioeconomic development by providing vast employment opportunities in rural and backward areas, reducing regional imbalances, and assuring equitable distribution of national wealth and income. The segment currently contributes to 28% of the GDP, over 40% of exports and creates employment for approximately 110 million people in India, thus supporting economic development and growth.

The RBI has adopted the definition of MSMEs in line with the Micro, Small and Medium Enterprises Development Act, 2006 ("**MSMED Act**"). This definition is based on investments in plant and machinery in the manufacturing and services sectors. However, the Government has proposed an amendment to the MSMED Act, to have a single definition for manufacturing and services.

New definition of MSMEs

Investments in manufacturing and services	
Micro	Up to ₹ 10 million
Small	₹ 10 million - ₹ 100 million
Medium	₹ 100 million - ₹ 500 million

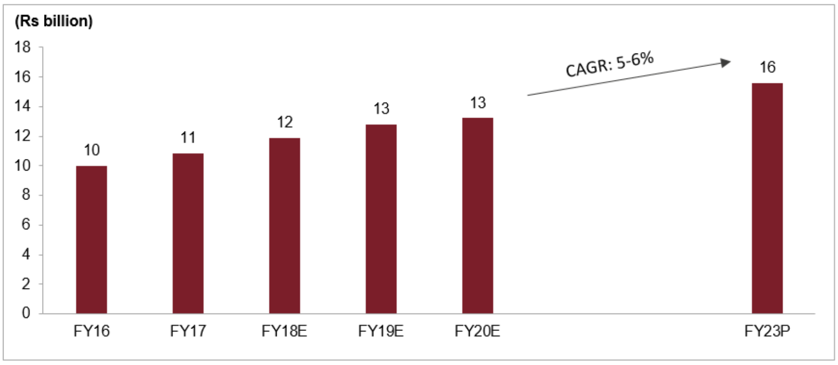
Turnover for manufacturing & services	
Micro	Up to ₹ 50 million
Small	₹ 50 million - ₹ 500 million
Medium	₹ 500 million - ₹ 2,500 million

Financial institutions also use internal business classifications to define MSMEs, based on their turnover. Majority of the banks and non-banks follow this practice.

MSME credit growth declined sharply in Fiscal 2020

The nationwide lockdown in India has disrupted economic activity, impacted working capital needs, supply chain, future investments and expansions. Domestic supplies and supplies from imports have also suffered. Contractual, wage labour have been impacted and are expected to get impacted even further, leading to layoffs, unrest and lowering of purchasing power and thus, hindering MSMEs' businesses. With risk of COVID-19 pandemic remaining strong in many parts of India, prolonged lockdown has already adversely impacted the loan growth substantially. Further, once the lockdown is lifted, the businesses would take a while to return to normalcy. Therefore, growth recovery could be expected only in the second half of Fiscal 2021. Therefore, it is estimated that the overall MSME growth will be approximately 3% to 4% in Fiscal 2020 and approximately 2% to 3% in Fiscal 2021 as already slowing economy is further worsened by COVID-19 pandemic. However, with the Government's increased focus towards manufacturing in India and easing of loan process for MSMEs, the MSME segment is expected to experience faster growth rates in Fiscal 2022 and Fiscal 2023, leading to a CAGR of approximately 5% to 6% through Fiscal 2023.

MSME credit growth to be decadal low in Fiscal 2020 and Fiscal 2021, recovery thereafter through Fiscal 2023

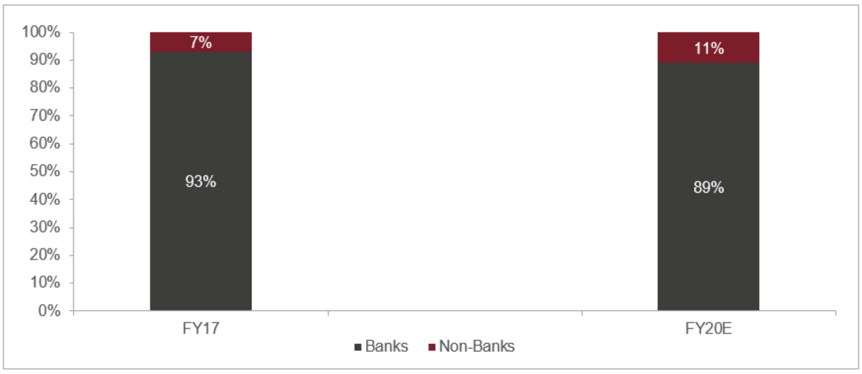


Note: E: Estimated and P: Projected

NBFCs outperform banks' MSME lending over Fiscal 2017 and Fiscal 2020

Though banks account for a majority share (approximately 89%) of lending to this segment, NBFCs gained approximately 4% of market share over Fiscal 2017 and Fiscal 2020, owing to their aggressive approach, higher risk taking ability, and better leveraging of their property appraisal capabilities, despite slowing down post the IL&FS default. Banks are also losing share as some have triggered the RBI's 'prompt corrective action', which restricts lending. However, in the future, with NBFCs finding it difficult to raise funds and public sector banks turning cautious, SFBs have a good opportunity to tap into this segment and increase their share.

Banks still account for majority share in MSME credit



Note: E - Estimated

Growth drivers

Low credit penetration for MSMEs

The majority of MSMEs in India do not have access to institutional finance, being either self-financed or availing credit from the unorganised sector. This untapped market offers significant growth potential for financial institutions.

Five forces that will drive the MSME market

- *Increased data availability and transparency*: With increased digital initiatives by the MSMEs, the shift towards their formalisation and digitisation has created an excess of data points for lenders that would help improve the efficacy of credit assessment and gradually enable provision of credit to previously underserved customer segments.

- *Reduction in risk premiums due to information asymmetry*: In the absence of reliable information about small businesses, it becomes difficult for lenders to assess the creditworthiness of the borrower. Hence, lenders often charge a hefty premium from these customers, leading to higher interest rates – typically approximately 10% to 16% for secured loans. The interest rate for low-ticket loans, say below ₹ 2.5 million, is sometimes much higher. By leveraging technology and using a combination of traditional data (bureau data, financial statements and credit score), non-traditional data (payments, telecom, provident fund contribution and psychometric data), and government data

(Aadhaar), lenders would be able to gain greater insight into their customers' data, thereby increasing the accuracy of customer assessments.

- *Increasing competition with entry of new players and partnerships between them*: More players in consumer-facing businesses with a repository of data (such as e-commerce companies and payment service providers) are expected to enter the lending business, intensifying competition. For example, Amazon India launched a platform for lenders and sellers, wherein sellers can choose loan offers from various lenders at competitive rates. Incumbent traditional lenders, either on their own or in partnership with newer players/ technology firms, will increasingly leverage the digital ecosystem to cross-sell products to existing customers, tap customers of other lenders, and also cater to new-to-credit customers.

- *Reduction in TAT and increased use of technology*: With the availability of multiple data points and technological advancement, TAT for lending to MSMEs has been continuously declining.

- *Government initiatives addressing structural issues in the MSME market*: The Government has unveiled a number of initiatives aimed at addressing some of the structural issues affecting MSME lending. These include the Pradhan Mantri Mudra Yojana ("**PMMY**"), licenses for trade receivables, TReDS and GST. The RBI has also proposed to introduce NBFC-account aggregators, which have the potential to transform the MSME finance sector. These account aggregators would provide granular insights into customers' financial assets or their borrowing history.

Government initiatives

GST to increase demand in MSME lending

It is expected that transparency in MSME operations will improve as GST compliance will compel them to record their transactions. This will improve the quality of their books of accounts, thus increasing their creditworthiness. For financial institutions, this will ease the credit appraisal process and lower credit risk. Due to improvement in the quality of books of accounts, financial institutions will be able to lend to MSMEs in the unorganised sector that were previously unable to get credit due to their books of accounts not being maintained properly or not maintained at all. This will open up previously untapped credit demand for financial institutions, leading to a robust expansion of the MSME credit market.

Credit Guarantee Fund Scheme extended to cover NBFCs

One of the major reasons why MSMEs are short of credit is the insistence by banks or financial institutions for the provision of collateral against loans. Collaterals are not easily available with such enterprises, leading to a high risk perception and higher interest rates for these MSMEs. In order to address this issue, the Government launched the Credit Guarantee Fund Scheme, in order to make collateral-free credit available to micro and small enterprises. In January 2017, the Credit Guarantee Fund Scheme was extended to cover systemically important NBFCs as well. Key eligibility criteria for this scheme are: (i) the NBFC should have made a profit for the three preceding Fiscals at the time of enrolment; and (ii) it should have long-term credit rating of at least BBB. There are a few other performance-related parameters too. The overall limit under the scheme has also been enhanced to ₹ 20 million.

Lower tax rates to increase MSME lending

Cut in corporate tax rates for MSMEs will increase investment in the MSME segment. MSMEs and retail borrowers are expected to witness higher credit flow as large corporates tap the bond market to meet the 25% target. The Government support in the form of capital allocation, interest subsidies and tax rate cuts will increase credit demand from the MSME segment.

Key reforms for MSME sectors in the Union Budget 2020

- Union budget extended one-time restructuring of MSME loan accounts without classifying these as non-performing assets ("**NPAs**") by one more year until March 31, 2021. The benefit would be available to MSME loans that were in default but 'standard' as on January 1, 2019.

- The proposal to enable banks to extend subordinate debt to MSMEs under the Credit Guarantee Fund Trust For Micro and Small Enterprises Scheme will help MSMEs augment long-term working capital and reduce the requirement for high-cost and scarce equity capital.

- NBFCs have not been able to penetrate the working capital finance segment, unlike banks. The Government's move to permit NBFCs to operate on the TReDs platform (previously restricted to NBFC factors) and engage in invoice financing is expected to give them a major opportunity to extend working capital loans. Though NBFCs are cost inefficient when it comes to competing with banks, they can cater to segments that are not the focus of the banks. Nevertheless, the existing challenges in scaling up volumes on TReDs platforms, including lack of adequate participation from large corporates and MSMEs, need to be addressed before NBFCs could benefit from the proposed move.

Segment profitability and asset quality

Asset quality to deteriorate by approximately 150 bps and 200 bps post moratorium in Fiscal 2021

Asset quality in the segment has remained high, in the range of approximately 5% to 7%, in the MSME segment over the past few years due to demand-side pressures and liquidity issues after demonetisation and implementation of GST. In Fiscal 2020, the asset quality in MSME loans weakened due to slower revenue growth and stretched working capital.

On March 27, 2020, the RBI allowed a moratorium of three months on payment of instalments for existing loans outstanding on March 1, 2020, and further extended it until August 31, 2020, which would immensely help MSME borrowers. But for these measures, defaults are expected to have significantly increased in these segments, which are not operating in view of the lockdown. MSMEs typically have limited financial flexibility. Hence, the measure would help MSMEs conserve liquidity for more urgent needs such as salary payments to employees. Overall, these sets of measures are expected not merely to ease the financial stress caused by the COVID-19 pandemic but also build confidence in such extraordinary times. However, it is expected that asset quality post moratorium to increase by approximately 150 bps and 200 bps in Fiscal 2021, the intensity of which would depend on the length of the lockdown period and the resultant economic slowdown.

MSME profitability to take a hit due to higher credit cost

The net interest income of unsecured SME loans is significantly higher than other SME products and ranges between approximately 10% to 12% for non-banks and approximately 7% to 8% for banks. Conversely, operating cost of these loans is relatively higher since 60% of them are sourced through direct selling agents ("**DSAs**"). DSAs' commission in this segment is the highest among all other retail loan segments, ranging between 1.0% and 3.0%. Delinquencies are higher in the segment and the credit cost for Fiscal 2021 is estimated to be more than 3% for the financial institutions. Overall, it is expected approximately 25bps to 30 bps decline in post-tax RoA for the industry to around 1.5% to 2.0% for Fiscal 2021, as MSMEs likely to continue to face challenges on account of the COVID-19 pandemic.

LOAN AGAINST PROPERTY

A loan against property ("**LAP**") is availed by mortgaging a property (residential or commercial) with the lender. LAP is a secured loan, as it provides collateral to the financier in the form of the property. Its interest rate is lower than personal or business loans. The end-use of the loan amount is not closely monitored. It could be used for either business or personal purposes. It can be availed by both salaried and self-employed individuals. For all these reasons, LAP has become popular among borrowers in recent years.

Evolving landscape of the LAP market

Key factors that contributed to high LAP growth are:

- *Quick turnaround time, lower interest rate, lesser documentation:* LAP loans are disbursed in about half the time taken for a secured MSME loan. It is also offered at a lower interest rate than secured MSME loans, unsecured personal and business loans. LAPs requires lesser documentation than other secured SME products, leading to fewer hassles for customers.

- *Greater transparency in the system:* Demonetisation, GST, and the Government's strong push for digitisation have led to higher transparency in the system. This will keep pushing up loan amount eligibility of borrowers. Formalisation will also help many new borrowers come under the ambit of formal lending channels.

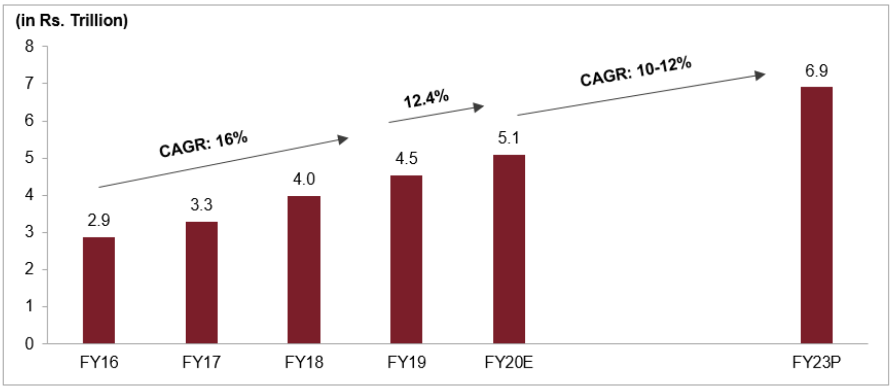
- *Rising penetration of formal channels:* Increase in penetration and availability of formal lending channels outside the top 10 cities will reduce the market share of moneylenders.

- *Higher comfort for lenders:* Lenders are comfortable disbursing LAP loans, as they offer favourable risk-return characteristics, compared with MSMEs and unsecured loans. They also offer higher recovery in case of default (supported by the Securitisation and Reconstruction of Financial Assets and Enforcement of Securities Interest Act, 2002) and better asset quality, which is only partly offset by lower yields.

LAP advances growth to slow in Fiscal 2021

LAP (banks and non-banks) registered a CAGR of approximately 17% between Fiscal 2016 and Fiscal 2019, driven by rising penetration of formal channels and higher comfort for the lenders to lend. However, the growth slowed to approximately 12% in Fiscal 2020 on account of the liquidity crisis and increasing asset quality concerns. In Fiscal 2021, the outbreak of the COVID-19 pandemic has impacted economic activity and subsequently borrower's cash flow which will impact collections, thereby resulting in high asset quality risks. This will further increase the risk aversion towards the LAP segment and players are expected to be more cautious to lend. Based on these factors, it is expected that LAP credit growth will reduce to approximately 8% in Fiscal 2021, followed by faster growth thereafter, leading to a CAGR of approximately 10% to 12% until Fiscal 2023.

Advances growth is expected to slow



Note: E: estimated and P: Projected; Data Includes data for banks and non-banks

Competitive scenario

Banks to gain market share as non-banks lose share due to restricted access to funds in the coming fiscals

After tight liquidity constraints in Fiscal 2019, non-banks have started focussing more on risk and compliance. They are changing their strategies from solely opting for growth to targeting calibrated growth by taking calculated risks. In the past few years, non-banks have lost their market share to banks owing to limited access of funds, deteriorating asset quality and yield pressure.

Private banks, others banks (small finance banks and other co-operative banks) were able to capture market share on account of the slowdown in PSUs and due to their aggressive market strategies, greater branch networks, lower cost of funds, and the advantage gained by the liquidity crisis in the non-banks sector. Better understanding of local markets will allow SFBs to capture in low ticket size LAP loans. It is expected that the trend will continue, with private and well-capitalised banks capturing more share in this segment due to the slowdown in non-banks in the near term.

Segment profitability

Profitability in LAP segment

In the past, LAP yields were on a declining trend on account of higher competition and aggressive lending in the segment, a majority of which was through balance transfers and top-up loans. Higher competition-led net interest margins ("**NIMs**") declined sharply from approximately 6.0% to 6.5% in Fiscal 2015 to approximately 3.5% to 4.0% in Fiscal 2018. In Fiscal 2019, NIMs further declined by approximately 10 bps to 15 bps since increased cost of funds could only be passed partially to the customers.

In Fiscal 2020, in the declining interest rate scenario, yields are estimated to decline by approximately 5 bps to 10 bps. Operation costs are estimated to have remained stable in Fiscal 2020. However, credit costs are estimated to have increased since gross non-performing assets have deteriorated from Fiscal 2019 levels, as portfolio seasoning, slower economic growth and the effects of the COVID-19 pandemic come into play.

It is estimated that GNPAs have increased by approximately 90 bps from approximately 3.3% to 4.2% at the end of Fiscal 2020 and it is expected further move up by approximately 80 bps to 130 bps to approximately 5.0% to 5.5% by end-Fiscal

2021. For Fiscal 2020, increase in credit costs was offset by the benefit of corporate tax rate cut and thus, RoA is estimated to be in the range of approximately 1.2% to 1.5% for Fiscal 2020. However, with deterioration in asset quality and thus increase in credit costs, RoA for LAP segment is further expected to decline to approximately 1% to 1.2% in Fiscal 2021.

COMMERCIAL VEHICLE FINANCE

Commercial vehicles (CV) sales down in Fiscal 2020 owing to introduction of new axle norms

CV sales volume witnessed a slowdown in growth in Fiscal 2019. Sales volumes grew by 18.6% as against 25.3% in the previous fiscal. In July 2018, the central government revised axle norms, wherein the gross vehicle weight for 2-axle and 3-axle vehicles was increased from 16.2 tonnes to 18.5 tonnes and from 25.0 tonnes to 28.5 tonnes, respectively. This aided an increase in the freight carrying capacity of existing CVs, thereby reducing the demand for purchase of additional CVs, impacting sales. In Fiscal 2020, sales reduced by approximately 29% due to dual impact of increasing freight capacity and limited support from freight demand. Within the segment, sales of medium and heavy commercial vehicles (MHCVs) declined by approximately 48% whereas the sales of light commercial vehicles (LCVs) declined by approximately 21% due to slower private consumption and weak financing availability via lower LTVs due to NBFC liquidity constraints.

CV sales in Fiscal 2021 expected to be lowest in the past decade

Domestic commercial vehicle sales are expected to fall by 26% to 28% in Fiscal 2021 due to:

- *COVID-19 related turbulence:* The initial lockdown compelled closing of all commercial vehicle manufacturing and dealership units, leading to near-zero sales in wholesale offtake in April 2020. While certain manufacturers and dealerships are expected to commence operations, many tier 2 and tier 3 auto-component makers across the country are expected to be unable to supply to tier 1 manufacturers due to lack of availability of labour, thereby disrupting the automotive supply chain. On the demand side, due to the lockdown income generation for 'non-essential' industries and service providers and those in construction has been impacted. This is likely to subsequently manifest as lower demand for goods and services. Private consumption is also expected to be impacted. As a result, the first quarter of Fiscal 2021 is expected to be significantly impacted by the shutdowns as well as subsequent lower demand as a result of the pandemic. A slow recovery is expected from the second half of Fiscal 2021.

- *CV sales may be hindered due to some transporters surrendering their vehicles to financiers:* Transporters' profitability has been affected by reduced freight demand. However, three-month moratorium on CV loan payments has prevented delinquencies in the first quarter of Fiscal 2021. However, delinquencies are expected to rise post the moratorium. In such a situation, CV sales carried out in the second half of Fiscal 2020, are at the risk of being surrendered to financiers which might lead to fairly new lower priced BS-IV vehicles coming to secondary markets for sale.

- *Inability of the government to push infrastructure:* With the finances of the government deployed in dealing with the pandemic, the government's ability to push infrastructure is not expected to be significant, posing a significant downside risk to CV sales growth.

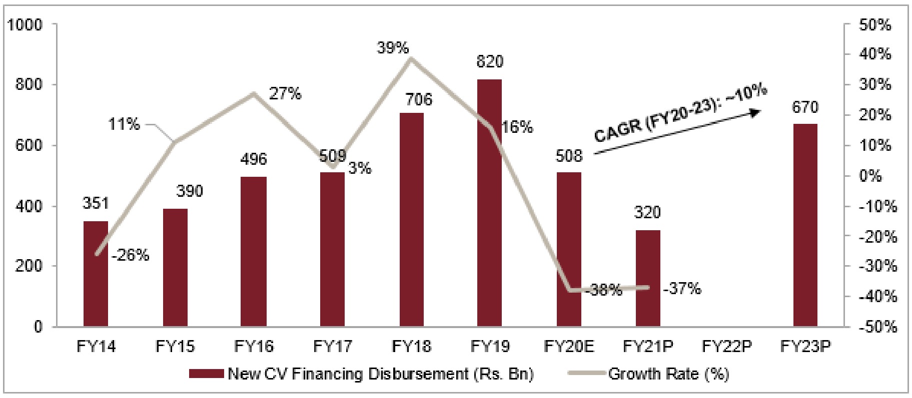
- Demand for buses was impacted due to safety regulations in Fiscal 2020, on account of increase in cost of ownership by approximately ₹ 50,000. Bus demand is expected to be driven by school, state transport undertakings (STUs) and route permit buses. However, with state budgets being dedicated to the pandemic, STU purchases will be limited. However, school bus demand is expected to be resilient in Fiscal 2021.

Disbursements to remain subdued over the coming two fiscals

New CV loan disbursement amounted to ₹ 820 billion over the five Fiscals ending 2019, recording a CAGR of 18%. The overall disbursements of the CVs is estimated to have de-grown by 35% to 40% in Fiscal 2020, with MHCV disbursements declining further as compared to LCV.

In Fiscal 2021, the demand challenges are expected to continue as a result of the macroeconomic challenges in view of the pandemic. In addition, the weakened financial profile of the fleet operators and price rise resulting from transition to BS-VI will further impact revenue of CV OEMs, thereby affecting disbursements. Over the fiscal, loan-to-value offered by the financiers is expected to reduce by 4% to 5%, further impacting overall disbursements. As a result of these developments, disbursements are expected to decrease by 38% to 40% over the fiscal, the sharpest decline in the past five fiscals. Any recovery in this segment will depend on construction activity which is expected to drive CV financing growth in Fiscals 2022 and 2023 to a limited extent.

Trend in new CV disbursements



Note: E: Estimated, P: Projected

Source: SIAM, Company Reports, CRISIL Research

MHCV segment to drive growth for used commercial vehicle market

The used-CV finance market recorded strong growth till Fiscal 2015, supported by demand from small-fleet operators and first-time users, and rising need for freight transport, healthy profitability and availability of finance. However, in Fiscals 2016 and 2017, the growth was muted due to low demand, resulting in slower disbursement growth. Also, the replacement cycle of large-fleet operators has stretched to almost five years from an average of four years owing to lack of visibility on contracts and existing unutilized capacities.

In Fiscal 2018 and Fiscal 2019, the loan disbursement for purchase of used commercial vehicle bounced back. The used medium and heavy commercial vehicle segment has witnessed a faster growth than light commercial vehicles because of increasing demand from road and mining sector along with a stricter implementation of overloading ban.

In Fiscal 2020 and the first quarter of Fiscal 2021, The demand for used commercial vehicle saw a decline on account of weak fleet demand from customers, owing to the nationwide lockdown to curb the pandemic. The pandemic has resulted in a slowdown in economic growth, leading to low capacity utilization of existing fleets of the transport operators. However, on expectations of recovery in economic growth in the second half of Fiscal 2021, recommencement of stalled real estate and infrastructure projects, the demand for used CVs is expected to bounce back faster than the new CV segment. In the backdrop of BS-VI transition, financing is expected to be stronger in case of used MHCV as transport operators are likely to shift towards cheaper BS-IV vehicles because of a jump in prices of new BS-VI vehicles.

Competitive Scenario

Over the years, banks and NBFCs have competed for the major share in the CV financing market by improving connect with customer segments, improving rural presence, offering flexible payment schemes, offering cash payments, and easy documentation facilities. As SFBs are continuously diversifying their portfolios beyond microfinance, the SFBs are expected to capture share from NBFCs.

OUR BUSINESS

Some of the information in the following discussion, including information with respect to our plans and strategies, contain forward-looking statements that involve risks and uncertainties. You should read the section "Forward-Looking Statements" on page 21 for a discussion of the risks and uncertainties related to those statements. Our actual results may differ materially from those expressed in or implied by these forward-looking statements. Also see "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations – Significant Factors Affecting our Results of Operations" on pages 22 and 306, respectively, for a discussion of certain factors that may affect our business, financial condition or results of operations.

Our Bank's Fiscal commences on April 1 and ends on March 31 of the immediately subsequent year, and references to a particular Fiscal are to the 12 months ended March 31 of that year. Unless otherwise indicated or the context otherwise requires, the financial information included herein is based on or derived from our Restated Financial Statements included in this Prospectus.

*Unless otherwise indicated, industry and market data used in this section has been derived from the report "Report on Small Finance Banks and various loan products" dated September 2020 (the "**CRISIL Report**") prepared and released by CRISIL Limited and commissioned by us in connection with the Issue. Neither we, nor the BRLMs, any of their affiliates or advisors, nor any other person connected with the Issue has independently verified such information. Unless otherwise indicated, all financial, operational, industry and other related information derived from the CRISIL Report and included herein with respect to any particular year refers to such information for the relevant fiscal year. For further information, see "Certain Conventions, Presentation of Financial, Industry and Market Data and Currency of Presentation – Industry and Market Data" on page 17.*

Overview

We were among the leading SFBs in India in terms of net interest margins, return on assets, yields and deposit growth and had the lowest cost-to-income ratio among SFBs in India in Fiscal 2020. (*Source: CRISIL Report*).

We have for over a decade been serving customers in the unbanked and underbanked segments in India and promoting financial inclusion. Pursuant to receipt of the RBI Final Approval, we started operations as an SFB on January 23, 2017. We were included in the second schedule to the RBI Act, as a scheduled bank pursuant to a notification dated July 24, 2017, issued by the RBI and published in the gazette of India dated September 2, 2017. Prior to commencement of operations as an SFB, we operated as an NBFC – MFI carrying out microfinance operations and operated the joint liability group-lending model for providing collateral-free, small ticket-size loans to economically active women belonging to weaker sections. Our average "priority sector" loans, as a percentage of average ANBC for Fiscal 2018, 2019 and 2020 and nine months ended December 31, 2020 was 99.08%, 112.10%, 103.67% and 114.09%, respectively. Over the years, we have diversified our loan portfolio to include non-micro banking loans thereby reducing our dependence on micro banking business.

We commenced our microfinance operations in 2009 and have since expanded our operations across 13 states and union territories, as of December 31, 2020. As of December 31, 2020, our customer base was 1.44 million and our employee base comprised 4,770 employees and we operated 554 Banking Outlets including 153 Unbanked Rural Centres ("**URCs**"). We have set up 661 customer service points ("**CSPs**") as additional service or touch points during April 1, 2020 and January 31, 2021 and intend to continue to expand our reach through the CSP model. Our delivery platform also includes partnering with business correspondents ("**BCs**") for sourcing both asset and liability business and have expanded our network and presence through their reach to promote financial inclusion. We have arrangements with various payment banks in India and have been able to leverage our relationship with such payment banks to grow our deposit base. Our distribution network also comprises our ATMs, phone banking, mobile banking, tablet banking, unified payment interface, CSPs, and internet banking services. Our operations are predominantly in urban and semi-urban locations due to greater income earning capabilities and employment opportunities in such areas compared with rural regions. We believe that our focus on urban and semi-urban locations also enables us to meet the financing requirements of economically graduating customers including the provision of housing finance and working capital loans for small businesses. As of December 31, 2020, 37.13%, 27.78% and 28.83% of our Gross Advances were from metropolitan, urban and semi-urban areas (based on branch locations as classified by the RBI), respectively.

We currently offer a variety of asset and liability products and services designed for inclusive finance and general banking customers. Our asset products consist of our inclusive finance portfolio (comprising loans to JLG customers), commercial vehicle loans, affordable housing loans, micro business loans, unsecured micro and small enterprise and small and medium enterprise loans, secured business loans, financial intermediary group loans and other loans. Our Gross Loan Portfolio has grown at a CAGR of 46.98% from ₹ 17,177.84 million as of March 31, 2018 to ₹ 37,108.42 million as of March 31, 2020 and was ₹ 39,082.29 million as of December 31, 2020. On the liability side, our products comprise current accounts, savings accounts, salary savings accounts and a variety of deposit accounts including recurring deposits and fixed deposits that we source from customers across India. Our deposits have grown at a CAGR of 94.95% from ₹ 7,495.22 million as of March 31, 2018 to ₹ 28,487.15 million as of March 31, 2020 and was ₹ 33,438.40 million as of December 31, 2020. As of December 31, 2020, retail deposits comprised 72.40% of our total deposits. Within retail deposits, CASA as a percentage of overall deposits was 13.32%, as of December 31, 2020. Since commencing our operations as an SFB, we have focused on growing a stable, sustainable and well-penetrated CASA base. Our CASA was ₹ 4,453.91 million as of December 31, 2020. In addition to our loan and deposit products, we also offer other banking facilities, products and services to generate non-interest income and cater towards the additional needs of our customers. These facilities, products and services include debit cards, internet banking, mobile banking, online bill payment services and the distribution of third-party life and general insurance products and mutual fund products.

We have leveraged the use of technology across all aspects of our operations. In particular, we use digital technology for customer acquisition and also customer lifecycle management. Our employees use tablets to service customers in the unbanked and underbanked segments which we believe has led to greater customer convenience and improved operational efficiency. We also have a robust back-end operating system supported by our core banking system and document management system.

Our founder, Managing Director and Chief Executive Officer, Baskar Babu Ramachandran is a first generation entrepreneur with several years of experience in the financial services sector. We have been backed by institutional investors since our inception. Our investors include a mix of development finance institutions such as IFC and DEG, private equity investors such as Gaja Capital India AIF Trust (represented by its trustee, Gaja Trustee Company Private Limited), Gaja Capital Fund II Limited, TVS Entities, ASK Pravi Private Equity Opportunities Fund and Lok Capital Growth Fund and institutional investors including HDFC Holdings Limited, HDFC Life Insurance Company Limited, IDFC FIRST Bank Limited and Kotak Mahindra Life Insurance Company Limited.

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

Metric	**As of and for the years ended March 31,**			**As of and for the nine months ended December 31,**	
	2018	**2019**	**2020**	**2019**	**2020**
	(₹ million, except percentages)				
Advances	15,686.78	26,795.84	35,319.44	33,609.03	37,822.63
Disbursements	17,088.23	28,560.30	30,904.76	23,133.99	11,597.37
Deposits	7,495.22	15,934.25	28,487.15	24,913.57	33,438.40
Retail term deposit / total term deposit ratio	33.92%	35.67%	48.55%	45.30%	68.16%
Net Worth	5,384.85	8,803.65	10,662.29	10,753.13	11,909.62
CASA Ratio	11.03%	11.25%	11.45%	11.93%	13.32%
Total Debt / Total Equity	2.72	3.09	3.86	3.14	4.06
Net Interest Income	1,658.30	3,403.74	4,909.05	3,611.32	3,532.77
Net Interest Margin	10.40%	12.80%	11.92%	12.30%* [9.22%]	8.49%* [6.36%]
Profit After Tax	114.92	903.98	1,111.98	1,266.78	548.66
Return on Average Assets	0.67%	3.17%	2.53%	4.03%* [3.02%]	1.24%* [0.93%]
Return on Average Equity	2.25%	14.77%	11.27%	17.62%* [13.22%]	6.32%* [4.74%]
Yield on average interest-earning assets	17.99%	19.93%	18.62%	21.05%* [15.79%]	19.76%* [14.82%]
Cost of Funds	10.71%	8.99%	8.55%	8.83%* [6.62%]	8.05%* [6.04%]
Provision Coverage Ratio	48.33%	75.80%	84.71%	84.22%	89.58%
GNPA	3.54%	1.81%	2.79%	2.78%	0.78%
NNPA	1.86%	0.44%	0.57%	0.52%	0.33%
Book Value Per Equity Share	79.78	107.91	123.13	124.58	133.54

*****_Annualized, and figures in square brackets represent unannualized figures_

As of March 31, 2018, 2019 and 2020 and as of December 31, 2020 our CRAR was 43.40% (Tier I capital of 40.25%), 40.22% (Tier I capital of 38.66%), 35.44% (Tier I capital of 34.30%) and 41.17 % (Tier I capital of 36.94%) respectively and was the highest among all SFBs in India as of March 31, 2020 (*Source: CRISIL Report*). As of December 31, 2020, our Bank's gross NPAs were ₹ 299.13 million, 0.78 % of gross advances, and net NPAs were ₹ 128.14 million, or 0.33 % of net advances.

Going forward, we intend to strengthen our relationship with our existing customers by leveraging our inclusive finance customer base and by offering other asset and liability products based on their requirements. Our focus will be to grow our customer base by providing quality customer service. We will continue to focus on the use of technology, explore partnerships with fintech companies, undertake data analytics to better understand the requirements of our customers, improve operational efficiency and further reduce costs. As we grow our operations, we will look to selectively expand our network of Banking Outlets across newer geographies and also penetrate further into our existing markets. We also intend to engage with BC partners and payment banks to leverage their network to help us expand and increase our market share.

Strengths

Customer centric approach with a focus on financial inclusion

We are a commercial bank focused on serving customers in the unbanked and underbanked segments in India and consider our customers to be the most significant stakeholders of our operations. As of December 31, 2020, we served 1.44 million customers and in the period between Fiscal 2018 to Fiscal 2020, our customer base increased by 0.65 million. Our inclusive finance portfolio (comprising loans to JLGs) accounted for 70.35% of our Gross Loan Portfolio, as of December 31, 2020. While our business model has transitioned over the years, initially operating as a NBFC – MFI before commencing our SFB operations in 2017, our core focus has been to serve unbanked and underbanked customers. Given our operating history as microfinance institution, a significant portion of our portfolio continues to qualify as "priority sector lending" as mandated by the RBI and helps us promote financial inclusion in India. In particular, the RBI requires (i) SFBs to locate at least 25% of their banking outlets in URCs, and (ii) at least 75% of ANBC be made to "priority sectors", which includes micro loans. Our average "priority sector" loans as a percentage of average ANBC for Fiscal 2018, 2019 and 2020 and in the nine months ended December 31, 2020 was 99.08%, 112.10%, 103.67% and 114.09%, respectively. Significant portion of our inclusive finance loans, T-Nagar loans, commercial vehicle loans, affordable housing loans and secured and unsecured business loans and some portion of our commercial vehicle loans classify as "priority sector" loans based on the criteria notified by the RBI. In addition, there has been a recent change in the definition of micro, small and medium enterprises and accordingly, our Bank shall take necessary steps to classify/reclassify certain loans as per the revised guidelines.

We believe that among our core strengths is our ability to customize products that cater to the requirements of our customers. For instance, on the asset side, we offer overdraft facility (Smile OD) for our existing inclusive finance customers. The product is offered to our existing inclusive finance customers who are regularly service their dues to enable them to meet their additional working capital requirements. Total number of accounts as at December 31, 2020 stood at 302,918 with total balance outstanding (overdraft value) of ₹ 966.73 million and balance outstanding (deposit value) of ₹ 380.89 million. We have opened 245,372 savings account for our inclusive finance customers, as of December 31, 2020. The process of opening Smile OD and savings accounts is entirely digital for existing customers. These inclusive finance loans help meet their working capital requirements and, we believe, promote inclusion of such customers as part of formal banking channels. On the liability side, we offer our inclusive finance customers with savings bank accounts and recurring deposit product that enables customers to earn from their savings as well as ensuring that they form a part of formal banking channels. In addition, we arrange and offer discounts on hotel stays for our deposit customers as part of their pilgrimages to Shirdi in Maharashtra. We have also introduced an insurance product for our inclusive finance customers to cover losses and damages on account of natural calamities. In addition, we have recently begun offering overdraft facilities targeted at small and medium size fleet owners, retail transporters. Our customer centric approach is evident from our customer retention ratio that was 67.97%, 77.58%, 79.50% and 87.36 % in Fiscal 2018, 2019 and 2020 and in the nine months ended December 31, 2020, respectively for our inclusive finance portfolio. As per a survey conducted by 60 Decibels with over 500 customers, we have been credited for impacting the quality of life of customers, ability to reach low-income customers and our high proportion of female customers.

Our 24/7 call centre, 'Smile Centre', has been set-up to resolve customer queries and actively gathers feedback to further improve our services. In Fiscal 2021, we commenced offering digital collection facilities for all our customers to pay their loan instalments digitally. We also conduct financial literacy programmes that are designed to create financial capabilities for low-income households. In Fiscal 2020 and in the nine months ended December 31, 2020, we conducted 6,379 and 889 such training programs, respectively. These programs cover key concepts of savings, credit, insurance, pension, digital financial services and information services on various social security schemes provided by the Government of India.

Diversified asset portfolio with a focus on retail operations

Over the years, our Bank has been able to diversify its product portfolio to ensure that the proportion of net unsecured portfolio has reduced from 94.81% of our net advances in Fiscal 2018 to 77.49% in Fiscal 2020 and further to 74.59% in the nine months ended December 31, 2020. We commenced operations as a microfinance institution in 2009, and following our conversion to a SFB, we have been able to diversify into other products which broadly include commercial vehicle loans, affordable home loans, micro business loans, secured and unsecured business loans to MSME/SME and corporates and financial intermediary group loans. Our products cater to customer segments across the board. For instance, we offer inclusive finance loans and micro business loans for customers that are not a part of the formal banking infrastructure and undertake small businesses and individuals involved in agricultural allied activities, while we offer affordable housing loans to customers belonging to the middle and low income segment, secured business loans to SME/ MSME/ corporates, commercial vehicle loans to fleet owners and retail customers and unsecured business loans to low and middle class individuals, self-employed individuals and micro and small enterprises. We also provide commercial vehicle loans, institutional credit to NBFCs as well as various liability products to self-employed individuals, enterprises, corporates, partnership firms, banks etc. and mid-sized enterprises. In addition, we offer funds transfer facilities and distribute various general and life insurance products and mutual fund products.

As of December 31, 2020, commercial vehicle loans, affordable housing loans, micro business loans, unsecured MSME/SME loans, secured business loans, financial intermediary group loans and other loans represented 9.42%, 6.30%, 0.99%, 1.02%, 3.63%, 4.78%, and 3.51%, respectively of our Gross Loan Portfolio. Inclusive finance loans constitute a significant portion of our Gross Loan Portfolio and as of March 31, 2018, 2019 and 2020 and as of December 31, 2020, these loans represented 89.89%, 81.44%, 75.85% and 70.35%, respectively, of our Gross Loan Portfolio as of such dates. We have over the years grown our secured net advances and as of March 31, 2018, 2019 and 2020 and as of December 31, 2020, 5.19%, 15.68%, 22.51% and 25.41 % of our net advances were secured. We have leveraged our Banking Outlet network that comprised 554 Banking Outlets across 13 states and union territories, as of December 31, 2020, to grow our asset portfolio. Our portfolio is focused in states with high GDP growth rates such as Karnataka and Gujarat and states such as Maharashtra, Tamil Nadu and Odisha with average GDP growth (*Source: CRISIL Report*).

Fast evolving granular deposit franchise

We have witnessed rapid growth in deposits between Fiscal 2018 and Fiscal 2020. Our deposit base has grown at a CAGR of 94.95% from ₹ 7,495.22 million as of March 31, 2018 to ₹ 28,487.15 million as of March 31, 2020 and was ₹ 33,438.40 million as of December 31, 2020. As of December 31, 2020, our deposit base represented 69.22% of our overall funding profile. We are among the SFBs with the highest deposit growth rate in Fiscal 2020 (*Source: CRISIL Report*). We offer a variety of demand and time deposits and other services through which our customers can realize their savings goals. We believe that our focus on productivity, better customer experience and customer acquisition along with expanding our operations has led to significant growth in our deposits. Our deposit products include a range of saving accounts, salary accounts, current accounts, recurring and fixed deposits. We also offer services such as bill pay, UPI based money transfer, safe deposit locker facilities for our customers. We offer debit cards to our customers and also make banking services available through our mobile banking application and internet banking platform. Our liability products are targeted primarily at retail customers and include senior citizens, upper middle-class individuals, self-employed and salaried individuals and HNIs.

Our retail deposit base has grown at a CAGR of 124.07% from ₹ 3,088.90 million as of March 31, 2018 to ₹ 15,508.89 million as of March 31, 2020 and was ₹ 24,210.69 million as of December 31, 2020, while our ratio of our retail deposits to total deposits as of March 31, 2018, 2019 and 2020 and as of December 31, 2020 was 41.21%, 42.91%, 54.44% and 72.40 %, respectively. The number of our CASA accounts and term deposit accounts have grown from 9,295 and 7,645 as of March 31, 2018, respectively, to 65,676 and 63,399 as of March 31, 2020, respectively and were 3,40,588 and 75,018 as of December 31, 2020, respectively. We believe that we have been able to strengthen our liability franchise while focusing on growing our retail deposit base in a gradual but sustainable manner thereby providing us with a stable, low-cost source of funding. As a result, our Cost of Funds has been 10.71%, 8.99%, 8.55% and 8.05% (annualized) / 6.04% (unannualized), in Fiscal 2018, 2019 and 2020 and in the nine months ended December 31, 2020, respectively. Our average savings account, current account and term deposit account balance excluding bulk deposits balance was ₹ 11,813.02, 88,707.93 and ₹ 263,638.21, respectively, as of December 31, 2020. Our deposit portfolio is primarily sourced from Maharashtra and Tamil Nadu with each state contributing to 49.21% and 23.57%, respectively, of our total deposit base, as of December 31, 2020. Given that a significant proportion of our Banking Outlets are located in such states we have been able to leverage our understanding and experience in these states as a micro finance NBFC to grow our deposit base. We have been able to leverage the experience and network of our BCs to grow our retail liability portfolio and their expertise to expand into newer geographies. As of December 31, 2020, we have four BC led Banking Outlets that had a deposit balance of ₹ 2,090.69 million.

Leveraging emerging technologies to enhance digital footprint

We have leveraged technology to enable smooth and seamless customer experience. We have had our digital channels such as internet banking and mobile banking since commencement of our SFB operations. We extensively use digital technologies for the entire customer lifecycle in our inclusive finance business. As of December 31, 2020, 3,261 employees use tablets/ digital services for opening of savings account and for customer on-boarding. The use of handheld devices has empowered our employees to provide assisted services to our unbanked and underbanked customer segments that, we believe, has led to greater customer convenience and operational efficiency. As a result, we have been able to significantly reduce the turn-around time for processing inclusive finance loans to five days in in the nine months ended December 31, 2020. For opening Smile OD and savings accounts for existing inclusive customers, the process of opening account is completely digital and accounts are typically opened within a day. We leverage fintech partnerships to provide value added products and services to our customers. Towards this end we have built an enterprise integration layer which facilitates integration with partner entities through APIs. We continue to invest in digital technologies to drive greater customer experience and employee empowerment. In addition, we have made investments to strengthen our security infrastructure given the paramount importance of information security.

Strong credit processes and robust risk management framework

We have a strong credit function that comprises a team of 83 individuals as of December 31, 2020, each of whom have experience in the banking and financial services industry. We have implemented credit management models such as credit history checks with various bureaus, fraud verification tools/ processes on customer profile and documentation, which have enabled us to maintain a stable portfolio quality. Our credit underwriting practices include scorecard based assessment for our retail asset products, segment-based and geography-based assessment policies. The introduction of a credit risk unit to focus on underwriting errors has led to uniformity in policy implementation. We have entered into partnerships with third parties and fintech companies to implement various enterprise-wide compliance and risk management tools on our platform, enhance our product offerings and make our loan processes faster and convenient for our customers. We have also streamlined our internal processes for credit evaluation, internal scoring and credit decisioning and have integrated them with our technology platform. Our focus is primarily to build a secured loan portfolio as part of our non-JLG businesses. We believe that our stringent credit processes have led to lower delinquency in affordable housing finance and secured business loans segments.

Our use of data analytics has played a significant role in various business decisioning particularly in the inclusive finance customer segment. Our business analytics team provides business insights and guidance to business teams based on proprietary customer data and market data available from credit bureaus. Our analytics capabilities include determining customer repayment behavior over the life cycle of a loan, estimating customer repayment capacity based on monthly obligation payable to various lenders, pin code based analysis of market to identify potential growth markets, customer behavior, customer's leverage, delinquency analytics based on statistical methods including static pool, cohort analysis and repayment behavior.

We have a quality assurance officer at each of our Banking Outlets that offer inclusive finance loans. The quality assurance officer is responsible for implementation of processes for inclusive finance loans, customer visits and control over cash at the Banking Outlet.

We have an established risk management framework to identify, assess, monitor and manage risk. Our framework is driven actively by the Board through the Risk Management Committee of the Board ("**RMCB**"). The RMCB is responsible for review of emerging risks, stress scenarios and their impact on our business, assessing risk mitigation measures, reviewing CRAR and internal capital adequacy assessment processes, besides over-seeing the functioning of the Asset Liability Management Committee and Risk Management Committee of Executives and implementation of the risk management policies and processes. We also undertake continuous monitoring of delinquent accounts and take measures for portfolio improvement from time-to-time.

As a part of our risk management process, we have maintained a higher capital adequacy ratio than the regulatory requirement. As of March 31, 2018, 2019 and 2020 and as of December 31, 2020, our CAR was 43.40%, 40.22%, 35.44% and 41.17% against the stipulated regulatory requirement of 15.00% and was the highest amongst SFBs in India as of March 31, 2020 (*Source: CRISIL Report*). Our effective credit risk management is reflected in our portfolio quality indicators such as our stable portfolio at risk and low rates of GNPA and NNPA. As of December 31, 2020, our GNPA accounted for 0.78% of our gross advances, while our NNPAs accounted for 0.33% of our net advances. Our provision coverage ratio (including technical write-offs) was 48.33%, 75.80%, 84.71% and 89.58% in Fiscal 2018, 2019 and 2020 and in the nine months ended December 31, 2020, respectively and was the second highest among SFBs in India in Fiscal 2020 (*Source: CRISIL Report*). Our risk management measures as well as our financial performance have also enabled us to improve our credit ratings, which has allowed us to access capital at competitive rates, as reflected in our credit ratings. Our certificate of deposit programme has the highest rating of A1+ by CRISIL and ICRA and our non-convertible debentures and subordinated debt programmes have both been rated A (Stable) by ICRA.

Track record of strong financial performance and cost efficient operations

We have been growing since our conversion as an SFB and are currently in a robust financial position that, we believe, will enable us to expand our business quickly. Our Gross Loan Portfolio has grown at a CAGR of 46.98% from ₹ 17,177.84 million as of March 31, 2018 to ₹ 37,108.42 million as of March 31, 2020 and was ₹ 39,028.29 million as of December 31, 2020. We have grown our Net Interest Income from ₹ 1,658.30 million in Fiscal 2018 to ₹ 3,403.74 million in Fiscal 2019 and to ₹ 4,909.05 million in Fiscal 2020 and was ₹ 3,532.77 million in the nine months ended December 31, 2020. Our profit after tax has increased from ₹ 114.92 million in Fiscal 2018 to ₹ 1,111.98 million in Fiscal 2020 and was ₹ 548.66 million in the nine months ended December 31, 2020. Our return on average assets was 0.67%, 3.17%, 2.53% and 1.24% (annualized) / 0.93% (unannualized) as of and for the years ended March 31, 2018, 2019 and 2020 and as of and for the nine months ended December 31, 2020, respectively, while our return on average equity was 2.25%, 14.77%, 11.27% and 6.32% (annualized) / 4.74% (unannualized) in similar periods.

Our cost-to-income ratio is lowest among SFBs in India (*Source: CRISIL Report*). We believe that our core strength is to perform operations in a cost efficient and effective manner without compromising on the quality of our service. Our cost-to-income ratio has reduced from 64.44% in Fiscal 2018 to 47.05% in Fiscal 2020 and was 55.39% in the nine months ended December 31, 2020. Our operating expense ratio as percentage of our average balance of Gross Loan Portfolio has reduced from 10.72% in Fiscal 2018 to 7.99% in Fiscal 2020 and was 8.38% (annualized) / 6.29% (unannualized) in the nine months ended December 31, 2020. The relatively moderate size of our Banking Outlets has led to reduction in the overall capital expenditure and operating expenditure per Banking Outlet. Our cost efficient operations are attributable to our automation and digitization of various processes including our loan sourcing in inclusive finance business. Our average cost per employee was ₹ 282,233.49 in the nine months ended December 31, 2020 that we credit to our compensation structure that includes providing stock options to employees across various levels and has led to significant reduction in overall compensation cost and resulted in employee stickiness over the years.

Multiple distribution channels

Our distribution and service channels comprise our Banking Outlets, ATMs, phone banking, mobile banking, tablet banking, CSPs and internet banking services. As of December 31, 2020, we operated 554 Banking Outlets including 153 URCs across 13 states and union territories. As of March 31, 2020, we operated 58, 150, 79 and 190 Banking Outlets (including URCs) in the north, south, east and west regions, respectively, as per RBI classification of regions while as of December 31, 2020, we operated 101, 168, 91 and 194 Banking Outlets (including URCs) in the north, south, east and west regions, respectively, as per RBI classification of regions. In addition, as of December 31, 2020, 37.13%, 27.28%, 28.83% and 6.26% of our Gross Advances were from metropolitan, urban, semi-urban and rural regions. Our deposit base is served through our Banking Outlets and as of December 31, 2020, 8.15%, 34.74%, 3.18% and 53.92% of our total deposits were in the northern, southern, eastern and western regions of India, respectively. In the nine months ended December 31, 2020, ₹ 6,342.94 million and ₹ 7820.51 million worth of transactions took place on our internet banking and mobile banking platforms, respectively. As of December 31, 2020, we also had a network of 25 owned ATMs. We have set up 661 CSPs during April 1, 2020 and January 31, 2021 as additional service points for our customers and to increase our customer base.

We also undertake a part of our operations through BCs and as of March 31, 2020, we had 18 BC outlets across our asset and liability businesses. As of December 31, 2020, we had 16 BC outlets across our asset and liability businesses. Our BC partners on the asset side carry out inclusive finance business for our Bank in existing and new geographies. Our corporate BCs help promote financial inclusion including through promotion of government schemes in rural areas. We have exclusive arrangements with certain of our BCs that helps us leverage their network and address the challenges of manpower in remote locations. These tie-ups are predominantly with partners in rural areas to open URCs. As of March 31, 2020, of the 133 URCs that we operated, 45 URCs are operated by our BCs, and of December 31, 2020 of the 153 URCs we operated, 45 were operated by our BCs. We have also collaborated with payment banks in India to grow our deposit base and offer customers of payment banks certain sweep account facilities. As per the arrangement with such payment banks, balances above ₹ 100,000 in a customer account with the payment bank are transferred to customer account maintained with our Bank at the end of each day given that payment banks are not allowed to hold more than ₹ 100,000 balance in a customer account at the end of a day.

Experienced leadership team, professional management and strong corporate governance

We are a professionally managed bank led by Baskar Babu Ramachandran, our founder, Managing Director and Chief Executive Officer. A first generation entrepreneur, he has several years of experience in the financial services sector and has held leadership positions in companies like HDFC Bank Limited, GE Capital Transportation Financial Services Limited amongst others. The members of our senior management team have experience and relevant expertise in banking and financial sectors, corporate laws, sales, technology and operations and have been instrumental in scaling up business operations. Our Board comprises of individuals from various fields of finance with varied and diverse experience. The experience of our Independent Directors helps ensure transparency and accountability in our operations across diverse functional aspects and their inputs enhance quality of our operations.

Our operations are also funded by growth capital provided by a diverse group of investors, including development finance institutions such as International Finance Corporation and DEG, private equity investors including Lok Capital Growth Fund, Gaja Capital India AIF Trust (represented by its trustee, Gaja Trustee Company Private Limited), Gaja Capital Fund II Limited, ASK Pravi Private Equity Opportunities Fund and Jhelum Investment Fund I, institutional investors such as HDFC Life Insurance Company Limited, IDFC FIRST Bank Limited and Kotak Mahindra Life Insurance Company Limited and family offices such as Kiran Vyapar Limited and Polaris Banyan Holding Private Limited. We believe this reflects the credibility of our business operations and corporate governance standards.

Strategies

Expand our asset portfolio while focusing on secured lending

We expect the Indian market for inclusive finance and general banking to continue to grow in the foreseeable future. The micro finance industry grew by 16% year-on-year to reach ₹ 3.3 trillion as of March 31, 2020. The overall growth of microfinance sector in the current fiscal is expected to reach ₹ 3.5 trillion owing to high sensitivity of the sector towards external shocks. The growth in micro finance is expected to come from increasing presence in the newer states, expanding the client base and increasing the ticket size gradually (*Source: CRISIL Report*). We aim to grow within our existing geographies as well as in new geographies in a calibrated manner based on our analytics and intelligence on industry growth. Our focus will continue to be on the inclusive finance segment in line with industry growth. We intend to continue to grow our inclusive finance portfolio in line with the projected growth in the industry.

We also intend to grow our secured portfolio which we believe will grow at a faster pace as compared to inclusive finance portfolio due to its comparatively small base currently. Amongst our retail asset products, we are focusing on lending for commercial vehicles, home loans, secured business loans, and micro business loans. In the backdrop of BS-VI transition, financing is expected to be stronger in case of used commercial vehicles as transport operators are likely to shift towards cheaper BS-IV vehicles because of a jump in prices of new BS-VI vehicles (*Source: CRISIL Report*). Our focus will be to develop loan products for the used vehicle segment targeted at small and retail transporters with existing operations and experience. We also intend to continue to advance commercial vehicle loans to large fleet operators and OEM’s to maintain and strengthen our existing relationships with these key customers. We intend to digitally onboard a potentially large customer base by offering small ticket overdraft loan facilities, in particular to our targeted customer segment, i.e., small and retail transporters.

Our affordable housing finance segment will be a key focus going forward. We anticipate growth in this segment from areas where we have an existing presence. Our focus will be to disburse loans to self-employed and salaried individuals for non-agricultural properties and in particular in the affordable housing segment and leverage our existing inclusive finance distribution reach and customer base to source home loan customers. Our micro unsecured business loan portfolio will also be key focus to grow in the future. Customers in this segment primarily include retail store owners that require funds to support their businesses including for stock fulfilment and shifting away from unorganized lenders lending at higher interest rates. We have introduced an overdraft facility for these customers to support short-term working capital requirement thereby partnering with them for long term over the life cycle of the loan. Our secured business loans are financed to MSMEs/ SMEs and to corporates for business purposes including funding their growth and expansion. We plan to deepen our relationship with such customers by opening liability accounts and selling third party products.

Strengthen our retail liability franchise

We intend to strengthen our liability franchise growing our CASA and retail deposit base in a steady manner. Our retail deposits comprised 41.21% of our total deposits as of March 31, 2018 and grew to 42.91% as of March 31, 2019 and to 54.44% as of March 31, 2020 and were 72.40 % of our total deposits as of December 31, 2020. As a result, our Cost of Funds has reduced gradually from 10.71% in Fiscal 2018, to 8.99% in Fiscal 2019 and to 8.55% in Fiscal 2020 and was 8.05% (annualized) / 6.04% (unannualized) in the nine months ended December 31, 2020. In order to grow our retail deposits, we have set up a dedicated team for acquisition of retail deposits across regions and a product development team to enhance the features of our existing products and develop new products. Our strategy will be to build relationships across various customer segments including with senior citizens, NRIs, educational institutions, NBFCs, corporates and co-operative banks. As of December 31, 2020, senior citizens and NRI deposits formed 20.78% of our deposit base and ensure long-term relationship with our Bank. We believe that the lower number of outstanding customer complaints indicate high customer service levels. Complaints outstanding as of March 31, 2018, 2019 and 2020 and as of December 31, 2020 were nil, 17, 12 and 66, respectively. Our average turnaround time for resolving complaints has been 5.47 days in the last three Fiscals and was 11.94 days in the nine months ended December 31, 2020. Our focus will be to drive productivity and add more relationships. We intend to deepen relationships with our asset customers over the next few years. We intend to develop products and services designed for rural and urban retail customers, as well as continue to actively promote our accounts and deposits. We intend to leverage our existing customer base of over 1.44 million customers as of December 31, 2020, to promote our inclusive finance products which we believe will result in a sustained and deeply penetrated deposit base.

We intend to undertake the expansion of our deposit base through measured expansion of our Banking Outlets in metropolitan and semi-urban areas. For further information, see " – *Expand geographic presence and penetrate further into existing geographies*". In addition to expansion of our Banking Outlets that we intend to open to enhance our asset base, and in order to fund those assets, we will also seek to selectively open Banking Outlets specifically focused on generating deposits in urban areas where there is a large potential deposit base. We believe that our existing Banking Outlets, as they become more mature, will continue to be a source of additional new deposits and thereby strengthen our funding base. We will also continue to engage with BCs to act as a channel for sourcing additional deposits. We will focus on entering into partnerships with individuals with prior banking experience for our urban Banking Outlets and intend to continue to strengthen our BC network in rural areas. We intend to continue our partnership with payment banks that allows us to source deposits from the customers of such payment banks.

Continue to focus on technology and data analytics to grow operations

Our strategic focus is to use technology to become an agile and data-driven SFB. We believe that the use of advanced, cost-effective technology has been a significant factor contributing to the growth of our operations. By enhancing our digital and technology platform further, our endeavor is to empower customers to access various facilities, products and services on their own, reduce our costs and thereby increase operating efficiencies. As part of our digital roadmap, we plan to also leverage partnerships with technology service providers and fintech companies to improve productivity of our field force, accuracy and quality of data captured, and reduce turnaround time. Our endeavour going forward will be to ensure that customer onboarding and deposit sourcing will be paperless through the use of 'e-KYC' and 'video-KYC'. This will also allow us to provide value-added products and services to our customers. Towards this end, we have built an enterprise integration layer that will facilitate integration with fintech organizations through APIs including open banking API framework. We are in the process of automating our business origination system ("**BOS**") for products other than our Inclusive Finance products by engaging with fintech partners. The BOS will be interfaced with a number of API's to automate aspects of loan processing including the disbursement of the loan. We will continue to invest in digital technologies to drive greater customer centricity and employee empowerment. We also plan to leverage technologies such as robotic process automation in the future to drive greater operational efficiencies.

Our focus will be on the use of data analytics to perform customer segmentation and understand their evolving requirements leading to new product development, faster and better credit decisions and pro-active risk management. We are investing into an analytics platform for enhancing our analytical capability and automating various analytical output. The platform will also help improve sales productivity of our employees and provide detailed insights for growth and risk management. We are in the process of ensuring integration of information pertaining to our customers, our geographies of operation and competitors for different product segments and customer segments on a single platform, which will enable us to perform analysis pertaining to customer segmentation, better and more targeted cross-selling and up-selling analysis and review market behavior for risk-based monitoring. This will enable us to take key decisions on a near real-time basis. We believe that greater adoption of our digital service delivery mechanisms will enable us to be more efficient, customer friendly and over time perform more reliable data analytics, resulting in target customer profiling, customized and tailor-made products to suit the diverse requirements of our customers and improved customer satisfaction.

Expand geographic presence and penetrate further into existing geographies

As of December 31, 2020, we conducted our operations through 554 Banking Outlets in 13 states and union territories in India. While historically our operations were focused in Maharashtra, Tamil Nadu and Odisha, we have expanded our operations to Gujarat, Karnataka, Madhya Pradesh, Rajasthan, Chhattisgarh, Puducherry, Telangana, Uttar Pradesh and Delhi. We intend to continue expanding our network of Banking Outlets to drive greater and deeper penetration in these states while focusing on low and middle-income individuals and small businesses that have limited or no access to formal banking channels, spread across urban and semi-urban markets. We also intend to open targeted Banking Outlets in urban/ semi-urban areas in order to grow our business amongst mass market customers in these areas. We believe these areas represent a significant opportunity for our continued growth as we expand banking services in areas where unbanked and underbanked customers have traditionally been underserved by formal banking facilities. While expanding our network of Banking Outlets we will continue to evaluate various market credit parameters using time series analysis on credit growth, delinquencies, customer growth or obligation inflation and also use publicly available metrics including household information, population, economic activities and deposit data. We believe that our use of data-based decisioning to open additional Banking Outlets will offer us better returns and lower risk.

We will also continue to penetrate further into existing geographies that have significant growth opportunities and also into newer states to mitigate risk. All such decisions would be based on data analytics of the particular region in terms of growth, customer behaviour and delinquency. Our expansion also caters to our risk management for Banking Outlets with higher advances per branch that can be split into two or more branches to take care of collection and potential growth in nearby regions.

Our engagement with BCs will allow us to penetrate further into the geographies where we currently operate. We intend to leverage the experience of BCs to manage certain Banking Outlets in rural areas and also enter into arrangements with corporate BCs to grow our asset portfolio in the states we operate. We believe that our engagement with BCs results in operational and cost efficiencies for our operations.

While we will selectively open additional Banking Outlets and expand our BC network, we also intend to strengthen our alternate delivery channels such as our ATM, mobile and internet banking and increase their adoption by our customers. We will evaluate the offerings at our Banking Outlets to customize our products to the needs and demands of our customers in the region in which our Banking Outlets are located and correspondingly update existing operations and resources utilized in a territory.

Recent Development – Effects of the COVID-19 Pandemic on our Business and Operations

Background

In late 2019, the COVID-19 pandemic emerged and by March 11, 2020 was declared a global pandemic by the World Health Organization. Governments and municipalities around the world instituted measures in an effort to control the spread of COVID-19, including quarantines, shelter-in-place orders, school closings, travel restrictions, and closure of non-essential businesses. The COVID-19 pandemic has had, and continues to have, a significant impact on the Indian economy and the communities in which we operate. While the pandemic's effect on the macroeconomic environment has yet to be fully determined and could continue for months or years, we expect that the pandemic and governmental programs created as a response to the pandemic, will affect the core aspects of our business.

Impact on our Bank's Operations

With effect from March 24, 2020, in compliance with the lockdown orders announced by the Government of India, we temporarily closed certain of our Banking Outlets and substantially all of our employees were working remotely. Additionally, many of our customers, service providers and business correspondents/ direct selling agents temporarily ceased operating their respective enterprises. Although the nation-wide lockdown was lifted on June 1, 2020, restrictions on non-essential activities and travel were imposed until August 31, 2020 in multiple states across specific districts that were witnessing a spike in COVID-19 cases. On September 1, 2020, the Government of India allowed states to resume all activities and function normally, while continuing with restrictions only in certain containment zones.

Action

- Since our operations were deemed to be an 'essential service', most of our Banking Outlets and ATMs were operating during the nation-wide lockdown (i.e., between March 25, 2020 and May 31, 2020).
- Our Bank implemented a business continuity plan, which ensured that critical areas continue to operate smoothly and separate task force were formed to coordinate with our employees in the field and also for execution on the ground level. We believe that this ensured that minimum staff were present in the workplace in line with government guidelines. Where necessary, we have also ensured secondary back-up resources where primary resources were faced with technical or other issues.
- Employees working from home were provided with remote access.
- As of December 31, 2020, all of our Banking Outlets are operating. We continue to ensure availability of personal protective equipment such as sanitizers, masks, soaps and dry foods and essential items at the Banking Outlets for use by employees.
- Our human resources team has commenced daily communication activities and online training courses and we conduct daily team meetings across all businesses and functions through virtual means.
- In terms of connecting with customers, we have been able to connect with a majority of our customers through various channels of communication including through phone calls and text messages.

The measures adopted have been successful in ensuring business continuity and none of our critical functions suffered any major disruption during the period between March 25, 2020 and May 31, 2020. However, due to the nation-wide lockdown, collection and disbursement activities were halted during lock-down period and gradually commenced from June 2020.

RBI and Government of India Initiatives

The Government of India has announced various measures, such as emergency credit line guarantee scheme ("**ECLGS**") for corporate and retail customers and loan restructuring. During the nine months ended December 31, 2020, our Bank has disbursed 29,747 ECLGS loans amounting to ₹ 337.57 million. Our Bank has also restructured 12 accounts having outstanding loan balance of ₹ 23.44 million, under the aforementioned restructuring schemes to tackle COVID-19 related stress and to support the MSMEs.

On October 23, 2020, the Government of India announced a scheme for the grant of ex-gratia payments to borrowers of certain categories of loans where the sanctioned limit and outstanding amount does not exceed ₹ 20 million irrespective of whether they opted for the moratorium or not (aggregate of all facilities with the lender) of the difference between compound interest and simple interest charged on those loans for the period March 1, 2020 to August 31, 2020. The scheme involves the lenders crediting the difference between simple interest and compound interest for the period between March 1, 2020 to August 31, 2020 to the accounts of such borrowers and the government paying such credited amounts to the lenders. Under this scheme, our Bank has paid out ₹ 8.49 million to our customers, as of December 31, 2020.

For information on the effect of the moratorium and the Supreme Court's interim order on our results of operations and financial condition as of and for the nine months ended December 31, 2020, see "*Financial Statements – Note 7*" beginning on page 274.

Advances

***Collections*:**

Our collection efficiency has been increasing across products/geographies.

The table below sets forth details of our collection efficiency for the month ended June 30, 2020, September 30, 2020 and December 31, 2020:

Product	**Collection Efficiency (%) - One EMI Adjusted#**			**Collection Efficiency (%)^**			**Paying Customer* (%)**		
	Month ended June 30, 2020	**Month ended September 30, 2020**	**Month ended December 31, 2020**	**Month ended June 30, 2020**	**Month ended September 30, 2020**	**Month ended December 31, 2020**	**Month ended June 30, 2020**	**Month ended September 30, 2020**	**Month ended December 31, 2020**
Inclusive Finance Loans	45.58%	68.59%	80.88%	45.58%	75.51%	112.05%	42.42%	68.47%	82.04%
Commercial Vehicle Loans	34.02%	76.60%	89.09%	45.21%	85.61%	103.28%	49.51%	68.45%	85.85%
Financial Intermediary Group Loans	83.38%	99.83%	100.00%	98.95%	107.36%	102.99%	100.00%	89.47%	100.00%
Affordable Housing Loans	56.60%	84.04%	94.43%	62.26%	91.32%	147.87%	83.14%	84.98%	96.50%
Secured Business Loans	37.27%	75.14%	88.34%**	55.73%	122.74%	139.37%	53.33%	70.44%	79.96%
Unsecured MSME / SME Loans	29.23%	50.30%	65.59%	35.71%	68.12%	74.55%	26.52%	36.74%	66.88%
Micro Business Loans (T-Nagar)	42.78%	65.34%	76.22%	51.20%	73.66%	96.38%	54.53%	69.74%	82.13%
Total	**45.74%**	**69.52%**	**81.96%**	**46.96%**	**77.07%**	**111.34%**	**42.49%**	**68.44%**	**82.04%**

Notes:

 # Collection Efficiency – One EMI Adjusted - Calculated as the amount collected (including arrears, advance collection and collections done in the closed accounts), which is restricted to the demand of the month, as a percentage of the total amount due for collection in such month (including the due against the accounts under the moratorium and Gross NPAs).
^ Collection Efficiency - Calculated as the amount collected (including arrears, advance collection and collections done in the closed accounts), as a percentage of the total amount due for collection in such month (including the due against the accounts under the moratorium and Gross NPAs).
** Paying Customer - Calculated as the count of paying customers (including payment towards arrears, advance collections and collections done in the closed accounts), which is restricted to the demand of the month, as a percentage of the total count of the customers having due for collection in such month (including the due against the accounts under the moratorium and Gross NPAs).*
*** Collection efficiency (one EMI restricted) for secured business loans (excluding small ticket size secured business loans i.e., defocused customer segment with inadequate documentation or credit history) was 95.59% for the month of December 2020.*

The table below sets forth details of our state-wise collection efficiency for the month ended June 30, 2020, September 30, 2020 and December 31, 2020:

State	Collection Efficiency (%) - One EMI Adjusted#			Collection Efficiency (%)^			Paying Customer* (%)		
	Month ended June 30, 2020	Month ended September 30, 2020	Month ended December 31, 2020	Month ended June 30, 2020	Month ended September 30, 2020	Month ended December 31, 2020	Month ended June 30, 2020	Month ended September 30, 2020	Month ended December 31, 2020
Chhattisgarh	77.63%	76.73%	93.69%	77.69%	85.68%	118.81%	75.40%	94.20%	94.85%
Gujarat	64.93%	81.91%	88.41%	66.64%	90.57%	114.27%	60.88%	86.76%	88.93%
Karnataka	55.76%	79.20%	87.79%	56.00%	89.25%	124.33%	49.15%	76.86%	87.18%
Madhya Pradesh	49.75%	74.70%	83.62%	51.26%	89.26%	126.61%	43.98%	69.75%	83.50%
Maharashtra	34.93%	60.77%	73.91%	36.43%	66.04%	104.72%	28.68%	55.93%	72.29%
Odisha	48.16%	66.59%	84.95%	49.95%	74.59%	117.88%	47.84%	66.66%	85.51%
Tamil Nadu	43.56%	70.60%	82.96%	44.34%	77.45%	106.41%	40.75%	69.22%	82.73%
Telangana	14.14%	91.80%	96.64%	14.17%	94.89%	104.10%	52.94%	71.79%	92.86%
Uttar Pradesh	64.70%	81.25%	92.27%	65.86%	94.06%	122.05%	57.78%	77.60%	90.93%
Rajasthan	52.88%	85.63%	80.74%	52.88%	94.94%	83.13%	50.94%	85.32%	82.00%
Total	**45.74%**	**69.52%**	**81.96%**	**46.96%**	**77.07%**	**111.34%**	**42.49%**	**68.44%**	**82.04%**

Notes:
 # Collection Efficiency – One EMI Adjusted - Calculated as the amount collected (including arrears, advance collection and collections done in the closed accounts), which is restricted to the demand of the month, as a percentage of the total amount due for collection in such month (including the due against the accounts under the moratorium and Gross NPAs).
^ Collection Efficiency - Calculated as the amount collected (including arrears, advance collection and collections done in the closed accounts), as a percentage of the total amount due for collection in such month (including the due against the accounts under the moratorium and Gross NPAs).
** Paying Customer - Calculated as the count of paying customers (including payment towards arrears, advance collections and collections done in the closed accounts), which is restricted to the demand of the month, as a percentage of the total count of the customers having due for collection in such month (including the due against the accounts under the moratorium and Gross NPAs).*

Asset quality

The Supreme Court in Gajendra Sharma v. Union of India and Another by its interim order dated September 3, 2020 has directed banks in India that accounts that were not declared NPA till August 31, 2020 shall not be declared NPA till further orders, pending disposal of the case by Supreme Court. Pursuant to the order, our Bank has not classified any borrower's account which has not been declared as NPA as at August 31, 2020 as per the RBI Prudential Norms on Income Recognition, Asset Classification, Provisioning and Other Related Matters as NPAs after August 31, 2020. However, if we had classified borrower accounts as NPA after August 31, 2020, our Bank's gross NPA ratio as on December 31, 2020 would have been 9.28%, on a proforma basis, of this 8.49% pertains to new proforma GNPA (i.e., excluding the pre-COVID GNPA). After considering, the specific NPA provisions and floating provisions, net NPAs would have been 5.38%, on a proforma basis.

Disbursements

In the nine months ended December 31, 2020, our disbursements were ₹ 11,597.37 million compared with ₹ 23,133.99 million in the nine months ended December 31, 2019.

The following table sets forth details of our Bank's disbursements across our product segments for the periods indicated:

Particulars	**Quarter ended June 30, 2019**	**Quarter ended September 30, 2019**	**Quarter ended December 31, 2019**	**Quarter ended June 30, 2020**	**Quarter ended September 30, 2020**	**Quarter ended December 31, 2020**
	(₹ million)					
Inclusive Finance Loans	6,139.27	7,038.07	5,902.22	0.09	2,330.78	5,964.97
Commercial Vehicle Loans	905.92	386.50	469.30	106.25	22.13	224.45
Affordable Housing Loans	223.90	320.50	319.65	15.33	234.94	450.49
Micro Business Loans (T-Nagar)	95.81	71.24	88.95	-	9.07	49.36
Unsecured MSME/SME	69.30	4.13	-	-	-	-
Secured Business Loans	120.67	178.10	148.02	0.81	167.78	251.73
Financial Intermediary Group Loans	102.50	350.00	200.00	-	780.00	650.00
Others*	-	-	-	-	77.64	261.55
Total	**7,657.37**	**8,348.54**	**7,128.14**	**122.48**	**3,622.34**	**7,852.55**

Notes:
** Others includes overdrafts and staff loans*

Our Bank has introduced overdraft facility (Smile OD accounts) for our inclusive finance customers. The table below sets out the number of outstanding accounts and balance as of December 31, 2020:

Number of accounts	**Limit value (₹ million)**	**Accounts drawn**	**Balance outstanding (Overdraft value) (₹ million)**	**Balance outstanding (Deposit value) (₹ million)**
302,918	2893.46	206,723	966.73	380.89

Additionally, our Bank has significantly digitized loan disbursement process for inclusive finance customers. As a part of our digitisation strategy, we have recently tied-up with a financial services entity to offer MSME loans up to ₹ 100,000 digitally.

We have also launched 'Micro Housing' finance loans (loans with ticket size of up to ₹ 1 million) mainly targeted at lower income inclusive finance customers.

Liabilities

Our Bank had a debt to equity ratio of 4.06 as of December 31, 2020.

Deposits

The following table sets forth, as at the dates indicated, deposits by each category of deposits and total borrowings.

Type of Deposit	As of June 30, 2020	As of September 30, 2020	As of December 31, 2020
	(₹ million)		
Current Accounts	478.53	464.71	496.68
Savings Accounts	2,926.48	3,020.07	3,957.23
Retail Term Deposits	14,341.59	18,662.07	19,756.78
Bulk Deposits	10,940.73	9,248.88	9,227.71
Total Deposits	**28,687.32**	**31,395.73**	**33,438.40**
Total Borrowings	**15,177.41**	**14,745.20**	**14,870.79**
Grand Total	**43,864.73**	**46,140.93**	**48,309.19**

We have entered into an arrangement with a payment bank to create fixed deposits for their customers.

Description of Our Business

Overview

We commenced operations as an SFB on January 23, 2017, pursuant to receipt of the RBI Final Approval. Prior to commencement of operations as an SFB, we operated as an NBFC – MFI carrying out microfinance operations. We were included in the second schedule to the RBI Act as a scheduled bank pursuant to a notification dated July 24, 2017, issued by the RBI and published in the gazette of India dated September 2, 2017.

Product Portfolio

Our product portfolio includes asset products, largely advanced to customers in unbanked and underbanked segment and liability products in the form of deposits.

<u>Asset Products</u>

We categorize our asset products into (i) inclusive finance loans, primarily comprising loans to joint liability groups ("**JLGs**"); (ii) commercial vehicle loans; (iii) affordable housing loans; (iv) secured business loans ("**SBL**"); (v) micro business loans (T-Nagar); (vi) MSME/ SME loans (unsecured); (vii) loans to financial intermediary groups ("**FIGs**"); and (viii) other loans.

Categorization is largely determined by customer profile, type of security and end-use.

The table below sets forth the Bank's Gross Loan Portfolio by product as of the dates indicated:

	As of March 31,						As of December 31, 2020	
	2018		2019		2020			
	(₹ million)	% of total	(₹ million)	% of total	(₹ million)	% of total	(₹ million)	% of total
Inclusive Finance (JLGs)	15,441.32	89.89%	24,191.24	81.44%	28,147.75	75.85%	27,495.76	70.35%
Commercial Vehicle Loans	85.48	0.50%	2,185.14	7.36%	3,705.49	9.99%	3,680.09	9.42%
Affordable Housing Loans	219.00	1.27%	796.76	2.68%	1,811.84	4.88%	2,460.30	6.30%
Secured Business Loans	351.56	2.05%	675.34	2.27%	1,062.51	2.86%	1,420.32	3.63%
Micro Business Loans (T-Nagar)	63.23	0.37%	273.12	0.92%	428.13	1.15%	386.72	0.99%
MSME/SME Loans	826.32	4.81%	966.79	3.25%	375.05	1.01%	399.46	1.02%
Financial Intermediary Group Loans	90.80	0.53%	484.43	1.63%	1,004.88	2.72%	1,866.96	4.78%

	As of March 31,						As of December 31, 2020	
	2018		2019		2020			
	(₹ million)	% of total	(₹ million)	% of total	(₹ million)	% of total	(₹ million)	% of total
Others*	100.13	0.58%	131.60	0.44%	572.77	1.54%	1,372.68	3.51%
Gross Loan Portfolio	**17,177.84**	**100.00%**	**29,704.42**	**100.00%**	**37,108.42**	**100.00%**	**39,082.29**	**100.00%**

**Note: Others includes overdrafts and staff loans.*

Inclusive Finance (JLGs)

Under our inclusive finance (JLG) business, we provide group loans built on the peer-guarantee loan model (joint liability group), which enables individuals to take loans without having to provide collateral or security on an individual basis, while promoting credit discipline through mutual support within the group, prudent financial conduct among the group, and prompt repayment of their loans.

Customers of our inclusive finance (JLG) business are typically located in unbanked and underbanked locations predominantly across urban and semi-urban areas. The target customer segment for our inclusive finance (JLG) loans are micro-entrepreneurial women with limited access to formal financing sources. These loans are provided essentially for use in their income generating activities such as eateries, retail trading shops like vegetable vendors and animal husbandry.

As of December 31, 2020, Gross Loan Portfolio in this segment was ₹ 27,495.76 million, representing 70.35 % of our total Gross Loan Portfolio.

These products are typically offered at ticket sizes ranging between ₹ 10,000 and ₹ 52,500 to our women customers, depending on their loan cycle during in the nine months ended December 31, 2020. These loans have a tenure of up to two years and were offered at interest rates between 20.51% and 25.49% per annum.

In Fiscal 2020 and the nine months ended December 31, 2020, the average ticket size of these loans was ₹ 30,363.84 and ₹ 34,356.68, respectively, and they were disbursed for an average tenure of 21.74 months and 20.86 months. The average yield for our inclusive finance (JLG) segment was 23.37% and 22.28% (annualized) / 16.71% (unannualized) in Fiscal 2020 and the nine months ended December 31, 2020. In Fiscal 2018, 2019 and 2020 and the nine months ended December 31, 2020, disbursements under this segment were ₹ 15,388.47 million, ₹ 23,851.16 million, ₹ 25,606.04 million and ₹ 8,295.83 million, respectively.

As of December 31, 2020, the Gross NPAs for this product segment were ₹ 8.90 million representing 0.03% of our Gross Advances in this product segment.

The number of new to bank customers for our inclusive finance (JLG) segment as of March 31, 2018, 2019 and 2020, and as of December 31, 2020 was as follows:

	As of March 31,			December 31, 2020
	2018	2019	2020	
Total Customers	789,984	1,118,578	1,386,882	1,304,085
New to Bank Customers	280,042	505,720	497,592	92,523
Customer Retention Ratio	67.97%	77.58%	79.50%	87.36%

Existing group customers may be eligible for individual loans on the basis of their prior repayment track record with us and in the market and their market exposure. The number of such outstanding individual loans as of March 31, 2018, 2019 and 2020, and as of December 31, 2020 was 7,311, 8,363, 7,300 and 7,351 respectively.

We added significant number of savings accounts during nine months ended December 31, 2020 by leveraging on our existing inclusive finance customer base. The account opening process is entirely digital for our existing customers. We added 245,372 savings accounts customers during the nine months ended December 31, 2020 with a total outstanding balance of ₹ 616.17 million as of December 31, 2020.

In June 2020, the Government of India had introduced through Small industrial Development Bank of India, an interest subvention scheme to reduce the financial stress caused by COVID-19 pandemic for the Prime Minister Mudra Yojana borrowers in 'Shishu' category (i.e., loans of up to ₹ 50,000). Total Mudra-Shishu (non-NPA loans) outstanding as of September 30, 2020 was 1.20 million and have been benefited with interest subvention of ₹ 136.38 million during the period June 1, 2020 to November 30, 2020.

Customer Sourcing and Credit Assessment

We acquire customers for inclusive finance (JLG) loans through our relationship officers ("**ROs**") who meet potential customers in person. All RO's are assigned designated areas based on the extensive knowledge they possess on these areas. They interact with existing customers every month and regularly visit their designated areas for further visibility in the region. Existing customers usually refer our ROs to potential customers, enabling sourcing of new customers within these designated areas. The RO then establishes groups of at least five customers who are familiar with each other and require credit for their business activities. After forming a potential group of customers known as a center, the RO conducts their credit assessment by undertaking KYC checks and verifying credit history. All the information collected from the customers is uploaded on our portal and linked to the central database.

We offer group loan products to groups comprising at least five members, based on each member's credit worthiness. These members are aged between 21 to 62 years who live in close proximity to one another, and within the operating radius of the same branch. An independent credit verification is carried out by the Quality Assurance Officer thereafter, who is deputed at each Banking Outlet.

We also source customers through business correspondents by leveraging on their existing extensive network.

Collection

Typically, repayments are made at group meetings, which are held on a monthly basis. At these meetings, if any member defaults in making payments or is absent, the other group members are responsible for such amount. The member is subsequently required to repay such amount to the group. The collection process is a critical part of our inclusive finance (JLG) operations. Repayments are collected in cash at center meetings. Center meetings are conducted at a scheduled time and place every month. Customers give an undertaking on center attendance, loan utilization, timely payment of instalments and on collective responsibility. A message is played in the center meetings to create awareness on social issues. The amount collected is entered into a loan card and signed by the relationship manager as an acknowledgment. The supervisory team comprising the branch and area managers are involved promptly if the customers/ centers default in repaying dues. Key functions such as center attendance, receipt issuance, and location of the transaction are tracked along with the collections. In addition, we conduct surprise center visits through the branch manager on a daily basis.

Commercial Vehicles

We commenced advancing commercial vehicle loans in Fiscal 2018. A significant proportion of the customers of our commercial vehicle portfolio comprises fleet operators engaged in road transport for various industries who have availed finance for heavy and medium commercial goods vehicles. These are used for a range of commercial purposes such as market loading operations, contract transportation and logistics services. Our customers also avail loans for purchase of buses, primarily for use as route buses, transportation as school buses and staff buses.

As of December 31, 2020, Gross Loan Portfolio in this segment was ₹ 3,680.09 million, representing 9.42 % of our total Gross Loan Portfolio.

These commercial vehicle loans are offered at ticket sizes ranging between ₹ 250,000 and ₹ 19,666,000, for a tenure of 12 months to five years during in the nine months ended December 31, 2020. These loans are offered at interest rates between 10.50% and 19.02% per annum (excluding moratorium interest, as may be applicable).

In Fiscal 2020 and the nine months ended December 31, 2020, the average ticket size of these loans was ₹ 2.80 million and ₹ 2.15 million, respectively, and they were disbursed for an average tenure of 47.58 months and 39.57 months. The average yield for Fiscal 2020 and the nine months ended December 31, 2020 was 10.46% and 10.88% (annualized) / 8.16% (unannualized), respectively. In Fiscal 2018, 2019 and 2020 and in the nine months ended December 31, 2020, disbursements under this segment were ₹ 85.48 million, ₹ 2,311.58 million, ₹ 2,259.06 million and ₹ 352.83 million, respectively.

As of December 31, 2020, the Gross NPAs for the commercial vehicle finance segment were ₹ 155.29 million that represented 4.20% of our Gross Advances in this product segment.

The number of customers of our commercial vehicle loan portfolio as of March 31, 2018, 2019 and 2020, and as of December 31, 2020 was 4, 252, 506, and 599 respectively.

Customer Sourcing and Credit Assessment

We source customers for our commercial vehicle loans based on our existing relationship with them through sales executives and visiting prospective customers to offer credit facilities. Our commercial vehicle finance operations are conducted based on our extensive knowledge of working with customers possessing sufficient credit history, which is determined based on prior vehicle ownership, experience in business and stability of office/ residence in addition to satisfying other eligibility criteria such as possessing a valid driving license.

Our commercial vehicle loan portfolio predominantly consists of customers such as fleet operators having pre-existing ownership of vehicles and significant vintage with credible repayment history. We typically finance fleet expansion of these operators in their normal course of business.

Collection

We collect repayments under our commercial vehicle finance segment in the form of cash, post-dated cheques, demand drafts and through various online portals. We also monitor our collections branch-wise/ location wise on a daily basis. Collections are carried out through personnel engaged by our Bank as well as through approved external vendors in case of sale of repossessed vehicles, once the customer fails to make payments by the due date. Our collection processes are set out in our policies and procedures that are in compliance with RBI guidelines. For instance, we issue dunning/ collection notices and file cases under Section 138 of the Negotiable Instruments Act, 1881; we commence arbitration proceedings and are also entitled to avail section 17 orders for repossession and property attachment and declare wilful defaulters as stipulated in the RBI guidelines. Our recovery processes including follow-ups and collections are categorized based on the extent of delay in making repayments, i.e. repayments overdue by 30 days and 60 days are each managed through different processes to ensure that delinquencies do not exceed the thresholds set out internally.

Affordable Housing Loans

We commenced providing affordable housing loans in Fiscal 2018. Our housing loan offerings are aimed at self-employed/ salaried applicants for purchase of apartments or self-construction of their property with a focus on non-agricultural town planning approved property (NATP). We primarily distribute these loans from Banking Outlets located in urban/ semi-urban areas. Loans are provided for purchase of house, construction of house, improvement/ restoration of home and also for refinancing construction, balance transfers and as top-ups of existing loans.

As of December 31, 2020, Gross Loan Portfolio in this segment was ₹ 2,460.30 million, representing 6.30% of our total Gross Loan Portfolio. Our advances in this segment are typically for self-occupied properties.

These affordable housing loans are offered at ticket sizes ranging between ₹ 100,000 and ₹ 8,000,000, for a tenure of five years up to 22.58 years in the nine months ended December 31, 2020. These loans are typically offered at interest rates between 9.74% and 16.00% per annum.

In Fiscal 2020 and the nine months ended December 31, 2020, the average ticket size of these loans was ₹ 0.83 million and 0.77 million, and they were disbursed for an average tenure of 198.38 months and 198.26 months, respectively. The average yield for Fiscal 2020 and the nine months ended December 31, 2020 was 11.69% and 11.87% (annualized) / 8.90% (unannualized). In Fiscal 2018, 2019 and 2020 and the nine months ended December 31, 2020, disbursements under this segment were ₹ 223.37 million, ₹ 609.46 million, ₹ 1,146.82 million and ₹ 700.77 million, respectively.

As of December 31, 2020, the Gross NPAs for this product segment were ₹ 15.21 million, representing 0.62% of our Gross Advances in this product segment.

The number of customers of our affordable housing loan portfolio as of March 31, 2018, 2019 and 2020, and as of December 31, 2020, was 220, 676, 1,518 and 1,976 respectively.

Customer Sourcing and Credit Assessment

Customers in this segment are required to have stable cash flows, and typically belong to the informal segment, or are involved in informal trade or commercial activity where income is not completely documented and requires field-based credit assessment by the credit team members personally at the customers' place of business or employment. Credit teams also liaise with external vendors for detailed credit assessments if required. We largely assess the eligibility of these customers based on cash flows, business performance if self-employed, salary details including job stability, past banking conduct and repayment track-record. The subject property which is also a security for the loan is subject to a thorough legal and technical assessment to ascertain unambiguous title to the property and verify the valuation of the property, i.e. if it adequately secures the loan being disbursed. This assessment is done with through external and independent legal and valuation experts and is verified by internal legal and valuation teams. The loans are then disbursed in tranches depending on the stage of construction of the property.

Collection

We collect repayments under our affordable housing finance segment in the form of post-dated cheques, demand drafts and through various online portals. We also monitor our collections branch-wise/ location wise on a daily basis. Collections are carried out through personnel engaged by our Bank. Our collection processes are set out in our policies and procedures that are in compliance with RBI guidelines. For instance, we are entitled to issue dunning/ collection notices under Section 138 of the Negotiable Instruments Act, 1881; we initiate proceedings under the SARFAESI Act, 2002; and can also declare wilful defaulters as stipulated in the RBI guidelines. Under the SARFAESI Act, 2002, upon obtaining a court order for repossession, we first obtain symbolic possession, followed by physical possession of the NPA properties, and subsequently dispose the assets in accordance with the RBI guidelines which includes an auction process. Our recovery processes including follow-ups and collections are categorized based on the extent of delay in making repayments, i.e. repayments overdue by 30 days, 60 days and 90 days are each managed through different processes to ensure that delinquencies do not exceed the thresholds set out internally.

Micro and Small Enterprise ("MSME"), and Small and Medium Enterprise ("SME") Finance

We commenced providing unsecured MSME/ SME loans in Fiscal 2017. We provide these loans to entities/ individuals engaged in business activities such as those operating small shops, traders, retail stores, small manufacturing units, service establishments that maintain some formal records for credit evaluation. We advance these loans to meet evolving business needs and working capital requirements including expansion, renovation, improvement of shop, office, purchase of raw materials and acquisition of equipment. Initially, the customer segment comprised customers without adequate documentation and credit histories. We then focused on developing our internal credit team which led to a shift in our target customers for these loans, and in Fiscal 2019, customers for these loans comprised individuals with adequate documentation and credit history. We have since reduced our focus on unsecured MSME/ SME loans and increased our focus on secured MSME/ SME loans.

As of December 31, 2020, Gross Loan Portfolio in this segment was ₹ 399.46 million, representing 1.02 % of our total Gross Loan Portfolio.

These MSME/ SME loans are typically offered at ticket sizes ranging between ₹ 200,000 and ₹ 10,000,000, for a tenure of 12 months to three years during Fiscal 2020. These loans were defocussed in the nine months ended December 31, 2020 and accordingly, no fresh loans were disbursed during this period. These loans are typically offered at interest rates between 18.00% and 22.00% per annum.

In Fiscal 2020 the average ticket size of these loans was ₹ 2.16 million and they were disbursed for an average tenure of 25.64 months. The average yield for Fiscal 2020 and the nine months ended December 31, 2020 was 15.98% and 14.60% (annualized) / 10.95% (unannualized), respectively. In Fiscal 2018, 2019 and 2020 and the nine months ended December 31, 2020, disbursements under this segment were ₹ 896.90 million, ₹ 536.42 million, ₹ 73.43 million and nil, respectively.

As of December 31, 2020, the Gross NPAs for this product segment were ₹ 37.55 million, representing 13.36% of our Gross Advances in this product segment.

The number of customers of our unsecured MSME/ SME loan portfolio as of March 31, 2018, 2019 and 2020 and as of December 31, 2020 was 4,976, 5,220, 3,079 and 2,481 respectively.

Customer Sourcing and Credit Assessment

We source customers for this loan segment through two channels, the direct sales model and referral model. In the direct sales model, our relationship managers engage with potential customers for onboarding. Under the referral model, we leverage our Banking Outlets to source or refer customers near our Banking Outlets.

We typically assess eligibility of these customers based on parameters including cash flows, past banking conduct and repayment track-record. We focus on determining the stability of their cash flows and repayment behavior to assess the leverage and the purpose of funds being borrowed. We also assess the actual deployment of funds made by the customer post disbursement.

Collection

We collect repayments under our MSME/ SME finance segment in the form of cash/ sending instructions on the accounts maintained with us, post-dated cheques, demand drafts and through various online portals. We also monitor our collections branch-wise/ location wise on a daily basis. Collections are carried out through personnel engaged by our Bank as well as through approved external vendors, once the customer fails to make payments by the due date. Our collection processes are set out in our policies and procedures that are in compliance with RBI guidelines. For instance, we issue dunning/ collection notices under Section 138 of the Negotiable Instruments Act, 1881; we are also entitled to commence arbitration proceedings for attachment of property if identified, and attachment and disposal followed by declaration of wilful defaulters as stipulated in the RBI guidelines. Our recovery processes including follow-ups and collections are categorized based on the extent of delay in making repayments, i.e. repayments overdue by 30 days, 60 days and 90 days are each managed through different processes to ensure that delinquencies do not exceed the thresholds set out internally.

Secured Business Loans

We commenced providing secured business loans in Fiscal 2016. Our target customer profile for this segment has evolved over the last three years based on our experience and understanding of the various customer segments we have interacted with. Initially, the customer segment comprised customers without adequate documentation and credit histories. We then focused on developing our internal credit team which led to a shift in our target customers for these loans, and in Fiscal 2019, typical customers for these loans comprised individuals with adequate documentation and acceptable credit history. This was supported by our credit team for improved credit analysis prior to onboarding. We continue to refine the asset quality of loans advanced under this segment by monitoring compliance with end-use restrictions.

As of December 31, 2020, Gross Loan Portfolio in this segment was ₹ 1,420.32 million, representing 3.63% of our total Gross Loan Portfolio.

According to our revised credit policies, the secured business loans were offered at ticket sizes ranging between ₹ 207,000 and ₹ 30,000,000, for a tenure between three years and 15 years during the nine months ended December 31, 2020. These loans are offered at interest rates between 11.25% and 18.00% per annum.

In Fiscal 2020 and the nine months ended December 31, 2020, the average ticket size of these loans was ₹ 2.47 million and 1.88 million, and they were disbursed for an average tenure of 115.46 months and 119.47 months, respectively. The average yield for Fiscal 2020 and the nine months ended December 31, 2020 was 14.82% and 14.02%, respectively. In Fiscal 2018, 2019 and 2020 and the nine months ended December 31, 2020, disbursements under this segment were ₹ 336.62 million, ₹ 404.15 million, ₹ 550.75 million and ₹ 420.33 million, respectively.

As of December 31, 2020, the Gross NPAs for this product segment were ₹ 61.43 million, representing 4.32 % of our Gross Advances in this product segment primarily in portfolio created under customer segment with inadequate documentation or credit history. Portfolio created under revised guidelines has been performing significantly better than older portfolio.

The number of customers of our secured business loans portfolio as of March 31, 2018, 2019 and 2020, and as of December 31, 2020, was 777, 810, 913 and 1,019 respectively.

Customer Sourcing and Credit Assessment

We source customers for this loan segment through two channels, the direct sales model and referral model. In the direct sales model, our relationship managers conduct field activities to engage with potential customers for onboarding. Under the referral model, we leverage our Banking Outlets to source or refer customers near our Banking Outlets.

We typically assess eligibility of these customers based on parameters including cash flows, viability of end use, past banking conduct and repayment track-record. We focus on determining the stability of their cash flows and repayment behavior to assess the leverage and the purpose of funds being borrowed. We also assess the actual deployment of funds made by the customer post disbursement.

Collection

We collect repayments under our secured business loans segment in the form of cash, post-dated cheques, demand drafts and through various online portals. We also monitor our collections branch-wise/ location wise on a daily basis. Collections are carried out through personnel engaged by our Bank as well as through approved external vendors, once the customer fails to make payments by the due date. Our collection processes are set out in our policies and procedures that are in compliance with RBI guidelines. For instance, we issue dunning/ collection notices under Section 138 of the Negotiable Instruments Act, 1881; we initiate proceedings under the SARFAESI Act, 2002; we are also entitled to commence arbitration proceedings for attachment of property, and attachment and disposal followed by declaration of wilful defaulters as stipulated in the RBI guidelines. Our recovery processes including follow-ups and collections are categorized based on the extent of delay in making repayments, i.e. repayments overdue by 30 days, 60 days and 90 days are each managed through different processes to ensure that delinquencies do not exceed the thresholds set out internally.

Micro Business Loans (T-Nagar)

We commenced providing micro business loans in Fiscal 2018. We provide these unsecured loans to self-employed individuals operating small enterprises, typically in urban and semi-urban locations. These small business loans are advanced to individuals belonging to low income groups engaged in business activities that do not maintain formal records for credit evaluation. Customers that typically comprise this product segment include small localized retail stores, stationery shops, medical shop, garment shops, and other small scale manufacturing units. We typically extend these loans to our existing group loan customers for working capital or capital investment requirements for existing businesses.

As of December 31, 2020, Gross Loan Portfolio in this segment was ₹ 386.72 million, representing 0.99 % of our total Gross Loan Portfolio.

We provide these micro business loans with ticket sizes ranging between ₹ 100,000 and ₹ 500,000. The repayment tenure for such loans is between 12 months and three years during in the nine months ended December 31, 2020. These loans are offered at interest rates between 22.00% and 25.00% per annum.

In Fiscal 2020 and the nine months ended December 31, 2020, the average ticket size of these loans was ₹ 0.10 million and ₹ 0.20 million, respectively, and they were disbursed for an average tenure of 23.15 months and 24.51 months. The average yield for Fiscal 2020 and the nine months ended December 31, 2020 was 23.57% and 23.01% (annualized). In Fiscal 2018, 2019 and 2020 and the nine months ended December 31, 2020, disbursements under this segment were ₹ 64.89 million, ₹ 282.54 million, ₹ 378.23 million and ₹ 58.41 million, respectively.

As of December 31, 2020, the Gross NPAs for this product segment were ₹ 18.32 million, representing 4.68% of our Gross Advances in this product segment.

The number of customers of our micro business loans (T-Nagar) portfolio as of March 31, 2018, 2019 and 2020 and as of December 31, 2020, was 604, 3,453, 6,270 and 5,883 respectively.

Customer Sourcing and Credit Assessment

We source customers through our sales officer by carrying out personal visits to potential customers. We also arrange trade fares such as loan 'mela', participating in various seminars organized for MSMEs. We are also in the process of entering into partnerships with fintech companies to generate leads. Other modes include digital payment channels, directories in traders' associations, and referrals from existing customers.

Collection

Collection Cycle: We collect repayments primarily in the form of online portals such NACH and through post-dated cheques. We also monitor our collections location wise on a daily basis. Collections are carried out through personnel engaged by our Bank as well as through approved external vendors.

Collection Process: The collection teams receive a demand list indicating mode of payment, at the beginning of every month. These payments are then collected in cash or through various digital modes and are monitored on a daily basis.

Legal Process: Reminder notices are issued to customers who have failed to make timely repayments, i.e. the first demand notice is sent to customers whose payments are over 30 days overdue, and finally a recall notice is issued where payments are more than 60 days overdue. Legal cases are initiated after the 60 day period and are in addition to other collection actions being carried out, i.e. tele-calling, field visits, settlement efforts. Legal actions are initiated based on the type of default, including under the Negotiable Instruments Act, 1881 and SARFAESI Act, 2002.

Financial Intermediary Group Loans ("FIG" Loans)

We extend debt capital support for onward lending purposes to financial intermediaries such as NBFCs, MFIs and HFCs operating in retail segments like housing finance, loans against property, microfinance, vehicle finance and other similar sectors. Lending to financial intermediaries serves as an opportunity to enter into strategic alliances with their ecosystem by leveraging their distribution network, technology, and expertise to appraise customer segment they are operating in. We primarily target investment grade financial intermediaries under this product.

As of December 31, 2020, Gross Loan Portfolio in this segment was ₹ 1,866.96 million, representing 4.78% of our total Gross Loan Portfolio.

These FIG loans are typically offered at ticket sizes ranging between ₹ 30.00 million and ₹ 250 million, for a tenure of 12 months to five years in the nine months ended December 31, 2020. These loans were offered at interest rates between 10.50% and 13.77% per annum during Fiscal 2020.

In Fiscal 2020 and the nine months ended December 31, 2020, the average ticket size of these loans disbursed was ₹ 80.95 million and ₹ 130 million, and they were disbursed for an average tenure of 27.91 months and 31.00 months. The average yield for Fiscal 2020 and the nine months ended December 31, 2020 was 12.46% and 11.48%. In Fiscal 2018, 2019 and 2020 and the nine months ended December 31, 2020, disbursements under this segment were ₹ 92.50 million, ₹ 565.00 million, ₹ 890.43 million and ₹ 1,430.00 million, respectively.

As of December 31, 2020, we did not record any NPAs for this product segment.

The number of financial intermediary groups we have advanced loans to as of March 31, 2018, 2019 and 2020 and as of December 31, 2020, was 4, 13, 17 and 20, respectively.

Set forth below is certain information on FIG loans advanced:

NBFC activity	**Gross Loan Portfolio as of December 31, 2020**	
	Amount (₹ million)	**(As a % of Gross Loan Portfolio -FIG)**
Microfinance Institutions	513.03	1.31%
NBFCs	1,298.04	3.32%
HFCs	55.88	0.14%
Total	1,866.96	4.78%

Customer Sourcing and Credit Assessment

We source FIG customers through internal referrals, existing relationships in the industry and industry conferences/seminars. The team undertakes a preliminary assessment based on general and publicly available sectoral information such as lending model, business model, credit ratings, size and vintage of the company, reputation of the borrower, and other available information including pricing expectation, or geographical presence.

Credit assessment for these loans typically involves an assessment of management quality including the promoters, board and their background, their experience and reputation in the line of business. We also analyze the potential borrower's audited financial statements, and evaluate the balance sheet strength in terms of AUM, debt and type of debt raised, number of lenders. For assessing the asset quality we analyze their NPAs and the PAR movement of their portfolio. We review the financial statements and business model to establish key covenants of underwriting including ability to pay and quality of earnings. We also assess liquidity positions through the ALM, capital structure, lender profile, repayment track-record, ability to raise funds and growth plans. To ensure the borrower has adequate capital for growth and ability to absorb any unforeseen events in business, the capital adequacy ratio is also monitored. The commercials are determined based on a risk-based pricing model by considering the above factors.

Collection

All loans to FIGs are secured against hypothecation of book debts and/ or receivables and we create a charge on the book debts and/ or receivables hypothecated to us with the Registrar of Companies and CERSAI.

Collection is handled by our relationship managers, and if a customer fails to pay on the due date, the relationship manager and/ or head FIG engages with the customer. If the account is overdue by more than 60 days, the account is handed over to the collections team.

We are entitled to initiate issue of dunning/ collection notices under Section 138 of the Negotiable Instruments Act, 1881; commence arbitration proceedings for attachment of property if identified, and attachment and disposal followed by declaration of wilful defaulters as stipulated in the RBI guidelines. We are also entitled to take charge of book debts and/or receivables hypothecated to us for recovery of our dues. Our recovery processes include follow-ups and collections are categorized based on the extent of delay in making repayments, i.e. repayments overdue by 30 days, 60 days and 90 days are each managed through different processes to ensure that delinquencies do not exceed the thresholds set out internally.

Others

These include overdraft facilities and staff loans.

Overdraft facilities: Extended to individuals, proprietorships, private limited companies that have open fixed deposits with us for meeting their short-term liquidity requirements. Overdraft limit is renewed annually unless specified otherwise. Overdraft facilities are offered at interest spread of up-to 2.00% above fixed deposit rates.

Staff loans: Extended to individuals employed with our Bank and/ or their immediate relatives to meet their short-term liquidity requirements, at interest rate of 16.00% per annum.

Collections

We collect repayments in the form of cash/ sending instructions, NACH, post-dated cheques and through various online portals. We also monitor our collections branch-wise/ location wise on a daily basis. Our collection processes are set out in our policies and procedures that are in compliance with RBI guidelines. For instance, we issue dunning/ collection notices under Section 138 of the Negotiable Instruments Act, 1881; and declare wilful defaulters as stipulated in the RBI guidelines. We also have the option to commence proceedings under the SARFAESI Act, 2002. For overdraft facilities in particular, we adjust the due amount against the fixed deposit which acts as a security for the overdraft facility. Our recovery processes including follow-ups and collections are categorized based on the extent of delay in making repayments, i.e. repayments overdue by 30 days, 60 days and 90 days are each managed through different processes to ensure that delinquencies do not exceed the thresholds set out internally.

<u>Liability Products</u>

We meet our funding requirements primarily through the current accounts, savings accounts and salary savings accounts that we source from customers across regions in India. As of December 31, 2020, 27.60% of our liabilities comprised bulk deposits and the remaining comprised retail deposits. Further, as of December 31, 2020, percentage of CASA to total deposits was 13.32%.

Current Accounts

As of December 31, 2020, we had 5,599 current accounts.

We offer the following current accounts to our customers:

Current Account Ujjwal: The primary target customer segment is new shop owners and small shopkeepers and is also for sole proprietorships, individuals, partnership firms, clubs, associations and trusts, limited liability partnership, public and private limited companies and non-profit organizations. The account allows deposit limits of up to ₹ 200,000 or ten cash deposit transactions whichever is earlier. Transactional flexibility is a key feature that includes 25 free cheque leaves per month, lower charges on RTGS, NEFT and IMPS transfers, monthly email statements and half-yearly physical statements at no cost.

Current Account Aditya: This account is primarily for sole proprietorships and partnership firms and also for individuals, clubs, associations and trusts, limited liability partnership, public and private limited companies and non-profit organizations. The account allows deposit limits of the higher of either up to ₹ 500,000 or up to five times the average monthly balance as maintained in the previous month. Transactional flexibility is a key feature that includes 25 free cheque leaves per month, unlimited transactions, lower charges on RTGS, NEFT and IMPS transfers, monthly email statements and half-yearly physical statements at no cost.

Current Account Classic: The primary target customer segment is shop owners and MSMEs and also for sole proprietorships, individuals, partnership firms, clubs, associations and trusts, limited liability partnership, public and private limited companies and non-profit organizations. The account allows deposit limits of the higher of either up to ₹ 1,500,000 or 10 times the average monthly balance as maintained in the previous month. Transactional flexibility is a key feature that includes 50 free cheque leaves per month, unlimited transactions, ten free demand drafts every month, lower charges on RTGS, NEFT and IMPS transfers, monthly email statements and half-yearly physical statements at no cost. In addition, a sweep-in facility is available wherein customers can request amounts above certain thresholds to be converted into fixed deposits.

Current Account Supreme: The primary target customer segment is SMEs and corporates and also for sole proprietorships, individuals, partnership firms, clubs, associations and trusts, limited liability partnership, public and private limited companies and non-profit organizations. The account allows deposit limits of the higher of either of up to ₹ 5,000,000 or 25 times the average monthly balance as maintained in the previous month. Transactional flexibility is a key feature that includes 100 free cheque leaves per month, unlimited transactions, 20 free demand drafts every month, free RTGS, NEFT and IMPS transactions every month, monthly email statements and half-yearly physical statements at no cost. In addition, a sweep-in facility is available wherein customers can request amounts above certain thresholds to be converted into fixed deposits.

Salary Savings Account

We offer the following types of salary savings account to our customers:

Salary Savings Standard: An account with no minimum balance requirements for customers employed by entities that have a salary account relationship with the Bank. The account offers multiple privileges including savings, protection and lifestyle privileges. The savings variant is accompanied by the RuPay Classic debit card with features such as ATM withdrawal limits of ₹ 40,000 per day, unlimited free transactions at Bank ATMs, five free transactions at non-Bank ATMs every month, unlimited transactions on PoS terminals, free and unlimited RTGS, NEFT and IMPS transactions through net banking and mobile banking. The account also offers personal accidental death or permanent total disability insurance.

Salary Savings Premium: An account with no minimum balance requirement for customers employed by entities that have a salary account relationship with our Bank. The account offers multiple privileges including savings, protection and lifestyle privileges. The savings variant is accompanied by the RuPay Platinum debit card with features such as ATM withdrawal limits of ₹ 100,000 per day, unlimited free transactions at Bank ATMs and at non-Bank ATMs every month, unlimited transactions on PoS terminals, free and unlimited RTGS, NEFT and IMPS transactions through net banking and mobile banking. The account also offers personal accidental death or permanent total disability insurance, complimentary lounge access and flight delay insurance.

Savings Accounts

As of December 31, 2020, we had 334,989 savings accounts.

We offer the following savings accounts to our customers:

Savings Account Ujjwal: This account is aimed at residential individuals (single or joint holders), new entrants in the formal banking channels and youth. The account offers multiple privileges including savings, protection and lifestyle privileges. The savings variant is accompanied by the RuPay Classic debit card with features such as ATM withdrawal limits of ₹ 20,000 per day, unlimited free transactions at Bank ATMs, five free transactions at non-Bank ATMs every month, unlimited transactions on PoS terminals, lower charges on RTGS and IMPS transactions through net banking and mobile banking and free and unlimited NEFT transactions through net banking and mobile banking. The account also offers personal accidental death or permanent total disability insurance.

Savings Account Aditya: This account is aimed at residential individuals (single or joint holders), HUFs and minors through guardians, household members, and senior citizens. The account offers multiple privileges including savings, protection and lifestyle privileges. The savings variant is accompanied by the RuPay Classic debit card with features such as ATM withdrawal limits of ₹ 40,000 per day, unlimited free transactions at Bank ATMs and at non-Bank ATMs every month, unlimited transactions on PoS terminals, lower charges on RTGS and IMPS transactions through net banking and mobile banking and free and unlimited NEFT transactions through net banking and mobile banking. The account also offers personal accidental death or permanent total disability insurance. In addition, the account offers one complimentary savings account variant for a family member.

Savings Account Classic: This account is aimed at residential individuals (single or joint holders), salaried and self-employed individuals. The account offers multiple privileges including savings, protection and lifestyle privileges. The savings variant is accompanied by the RuPay Classic debit card with features such as ATM withdrawal limits of ₹ 40,000 per day, unlimited free transactions at Bank ATMs, 20 free transactions at non-Bank ATMs every month, unlimited transactions on PoS terminals, lower charges on RTGS and IMPS transactions through net banking and mobile banking and free and unlimited NEFT transactions through net banking and mobile banking. The account also offers personal accidental death or permanent total disability insurance. In addition, the account offers one complimentary savings account variant for a family member.

Savings Account Supreme: This account is aimed at residential individuals (single or joint holders) and high net worth individuals. The account offers multiple privileges including savings, protection and lifestyle privileges. The savings variant is accompanied by the RuPay Platinum debit card with features such as ATM withdrawal limits of ₹ 100,000 per day, unlimited free transactions at Bank ATMs and at non-Bank ATMs every month, unlimited transactions on PoS terminals, free and unlimited RTGS, NEFT and IMPS transactions through all channels. The account also offers personal accidental death or permanent total disability insurance. In addition, the account offers one complimentary savings account variant for a family member.

Interest rate for our savings accounts ranges between 4% and 6.25% per annum.

Term Deposits

As of December 31, 2020, we had 75,018 term deposit accounts.

We offer the following types of deposits to our customers:

Fixed Deposits: We offer regular fixed deposits and senior citizen fixed deposits. Resident individuals, HUF, sole proprietorship firms, partnership firms, limited companies and trust accounts can open deposits. The minimum amount that can be deposited is ₹1,000. Fixed deposits can be opened for a minimum period of seven days to a maximum of ten years. Interest payment options are monthly, quarterly and at maturity. The rate of interest paid for fixed deposits varies according to tenure and special interest rates may be offered to senior citizens. Premature closure and partial withdrawals are permitted.

Tax Saver Fixed Deposits: We offer regular tax saver fixed deposits and senior citizen tax saver fixed deposits. The tax saver fixed deposit is an investment and tax saving tool generating returns over its tenure. The minimum amount that can be deposited is ₹1,000 and the maximum amount is ₹ 150,000 in a single financial year. These deposits have a tenure of at least five years. Interest payment options are quarterly and at maturity. Premature withdrawals and loans against these deposits are not permitted.

Non-Resident Fixed Deposits: Our Bank offers non-resident term deposits, currently offered in rupee denominated NRE and NRO fixed deposit variants. These are offered to non-resident Indians, persons of Indian origin and overseas citizens of India. These fixed deposits are in the form of cumulative fixed deposits and traditional fixed deposits with monthly/ quarterly pay-out options. The rates offered on non-resident deposits do not exceed the rates for domestic deposits and are determined based on the RBI guidelines. Minimum amount of deposit is ₹ 10,000.

Recurring Deposits: We offer regular recurring deposits and senior citizen recurring deposits. The minimum amount that can be deposited is ₹ 100. Recurring deposits can be opened for a minimum period of nine months to a maximum of ten years. Interest payment is quarterly compounded and paid at maturity. The rate of interest paid for recurring deposits varies according to tenure and amount. Premature closure is permitted.

Institutional Products

We also typically fund our operations through deposits (including certificates of deposit), refinance and subordinated debt at reasonable cost and comfortable ALM i.e. having long tenor refinance lines of 11 months to 79 months. As of December 31, 2020, we had borrowings of ₹ 14,870.79 million, of which 75.49% comprised refinance loans.

Other Products and Services

As of December 31, 2020, we offered a range of third-party products, including (i) distribution of life and general insurance products, (ii) investments through the National Pension Scheme (NPS); (iii) social security schemes such as the Atal Pension Yojana (APY), Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY), and Pradhan Mantri Suraksha Bima Yojana (PMSBY); (iv) bill payment and UPI payment services through our digital platforms and (v) safe deposit locker facilities.

For distribution of life insurance products, we have entered into corporate agency relationships with HDFC Life Insurance Company Limited and Kotak Mahindra Life Insurance Company Limited. For distribution of general insurance products, we have entered into corporate agency relationships with ICICI Lombard General Insurance Company Limited and Kotak Mahindra General Insurance Company Limited. Under these corporate agency agreements, we generate income in the form of commission.

The insurance products we distribute under life insurance include participating and non-participating, unit-linked insurance plans and protection plans. Under general insurance products, we distribute motor, health, travel, home protection and merchant cover insurance products.

We are licensed by the PFRDA and IRDAI for distribution and facilitation of accounts under the NPS, APY, PMJJBY and PMSBY. We receive commissions for the sale of these products.

Distribution Channels

We carry out our operations through Banking Outlets including URCs, our BC network, ATMs, POS terminals, and various digital channels including internet banking through our website, phone banking through our call center, and mobile banking through the application. We also focus on banking through tablets and other devices as alternate delivery channels. As of December 31, 2020, we operated 554 Banking Outlets across 13 states and union territories.

Network of Banking Outlets

Our branch network comprises liability/ deposit accepting branches and asset centers, our Liability BCs and URC Liability BCs (together referred to as "**Banking Outlets**").

Our Banking Outlets are primarily located in semi-urban and urban areas that, we believe, also have growth potential. Our Banking Outlets are equipped with customer waiting areas, teller counters, lockers, ATMs.

Network of Business Correspondents

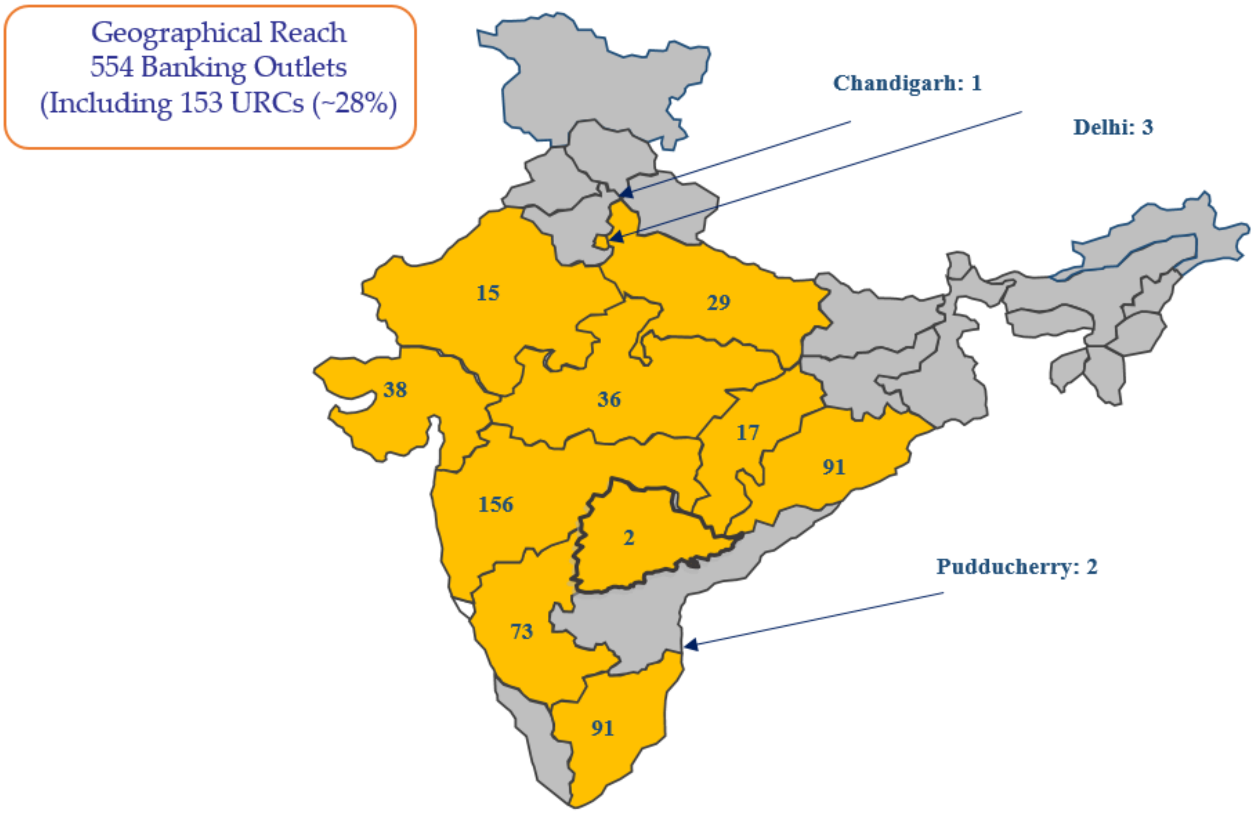
Our network of BCs comprises (i) corporate BCs that we have partnered with, to focus on retail liabilities. Under these arrangements, the BC outlets are entirely managed by the BC partner and we provide certain supporting services. As of December 31, 2020, we entered into partnerships for four such branches ("**Liability BCs**"); (ii) corporate/ individual BCs that we have partnered with in URCs, to focus on retail liabilities. Under these arrangements, the BC partner's responsibility is limited to providing business correspondent agents to further financial inclusion in rural outlets. As of December 31, 2020, we entered into partnerships for 45 such branches ("**URC Liability BCs**"); and (iii) corporate BC tie-ups focused on our asset business, i.e. sourcing advances from inclusive finance (JLG) customer segment. As of December 31, 2020, we had 16 such BC centers ("**Asset BCs**"), that partnered with us exclusively for certain products in specified geographies.

As of March 31, 2018, 2019 and 2020 and as of December 31, 2020, advances through our Asset BC network represented 0.33%, 0.39%, 0.92% and 0.58% of our Gross Advances as of such dates, respectively. Further, in Fiscal 2018, 2019 and 2020 and in the nine months ended December 31, 2020, disbursements through our Asset BC network represented 0.34%, 0.28%, 1.25% and 0.40% of our total disbursements in these periods, respectively.

As of March 31, 2018, 2019 and 2020 and as of December 31, 2020, deposits sourced through our Liability BC network represented 0.58%, 4.30%, 4.17% and 6.25% of our total deposits as of such dates, respectively.

We have also entered into tie-ups with payment banks for our liability products, and under these arrangements, deposits by customers in these payment banks that are above a certain threshold are swept into an account maintained by us. As of December 31, 2020, we entered into these arrangements with three payment banks. As of March 31, 2018, 2019 and 2020 and as of December 31, 2020, deposits through these payment banks amounted to nil, ₹ 7.78 million, ₹ 148.25 million and ₹176.94 million, respectively.

The map below sets out certain information on our Banking Outlets as of December 31, 2020:



[Map not to scale]

Region	As of December 31, 2020	
	Number of States/ Union Territories	**Banking Outlets**
North[(1)]	6	101
West[(2)]	2	194
South[(3)]	4	168
East[(4)]	1	91
Total	**13**	**554**

Notes:

(1) Northern region comprises the following Chandigarh, Chhattisgarh, Madhya Pradesh, New Delhi, Uttar Pradesh and Rajasthan.

(2) Western region comprises Gujarat and Maharashtra

(3) Southern region comprises Karnataka, Telangana, Tamil Nadu and Puducherry

(4) Eastern region comprises Odisha

We typically deploy onsite ATMs and cash recyclers at our Banking Outlets for the convenience of our customers. A customer can perform cash withdrawal, fast cash services, mini-statements, balance enquiry, PIN change at our ATMs. Our Bank has deployed 25 ATMs as of December 31, 2020, and in nine months ended December 31, 2020, we recorded an average number of 2,471.28 transactions per month per ATM.

Digital Channels

Internet Banking

Our internet-banking platform is equipped to handle basic remittance services like IMPS, NEFT and RTGS. In addition, we have also extended UPI and bill payment services to aid digital transactions. In Fiscal 2020 and in the nine months ended December 31, 2020, transactions carried out through internet banking amounted to ₹ 4.70 billion and ₹ 6.34 billion, respectively.

Mobile Application

The Suryoday Mobile Banking application is available in Android and iOS operating systems. In Fiscal 2020 and in the nine months ended December 31, 2020, transactions carried out through mobile banking amounted to ₹ 5.35 billion and ₹7.82 billion, respectively.

Phone Banking

Our phone banking facilities provide customers access to reset ATM pins, block debit, and prepaid cards. Our phone banking operations are carried out by a call center with multi lingual communication capabilities to service customers across the country.

Tab Banking

We offer doorstep banking through our tab-based banking options. Tab based offerings include account opening, general banking transactions, money transfers, loan application processing and e-KYC based account opening and field transactions.

Loan Pricing

Our loan pricing framework is based on (a) internal marginal cost of funds known as marginal cost of funds based lending rate; or (b) external market benchmarks. Rates are reviewed from time to time, depending on prevailing market conditions and our operating and funding costs at that time. Our MCLR is displayed at on our website. In setting interest rates for loans, we take into consideration various factors including RBI guidelines on interest rate on advances, the prevailing MCLR/ external borrowing rates, the interest rates charged by our competitors at the time, our own cost of funds, the nature of collateral offered, if any, and the credit risk premium. All our loans are denominated in Indian Rupees. Interest on most of our loans are fixed, with principal and interest payable in monthly.

Treasury Department

Our treasury department is located at our corporate office in Mumbai. Our treasury manages the interest rate risk and liquidity profile of our balance sheet, including the maintenance of required regulatory reserves and optimization of profits by trading and taking advantage of arbitrage opportunities. The treasury functions in accordance with the Board approved polices and RBI guidelines. We have internal control systems to segregate treasury operations into:

- Front office for managing all the dealing operation related to the treasury functions. The team invests or participates in markets and instruments/ products which can be classified as SLR, non-SLR and money market securities. The team carries out the following functions: (i) ensures the maintenance of SLR and CRR in accordance with RBI guidelines; (ii) carries out investment activities under government securities, treasury bills, corporate debt and other asset classes in accordance with internal policy; (iii) carries out money market borrowing and lending under collateralized repo, TREPS, interbank uncollateralized call money market for the purpose of liquidity management; and (iv) executes buying /selling of investments and takes positions for their own portfolios in accordance with the internal policy and manages excess liquidity to enhance yield on investments; and (v) raises funds through various money market instruments such as certificates of deposit, term money, and inter-bank participation certificates. In addition, access funds by way of refinancing from various financial institutions.

- Back office for managing the processing, settlement, reconciliation and accounting of dealing transactions. We have treasury software system to capture, authorize and settle the transactions with minimum manual intervention.

- Mid office to carry out the activities in monitoring the limits for trading activities covering daily trading limit, exposure limits, credit norms, broker limits, pricing for shifting of portfolio, liquidity gap limits, management information system.

Capital Adequacy Ratios

Under the SFB Operating Guidelines, we are required to maintain a minimum capital adequacy of 15% of risk weighted assets, to be computed as per the Basel II norms prescribed by RBI, including a minimum Tier I capital of 7.5%, and the Tier II capital should be limited to a maximum of 100% of total Tier I capital. However, under the SFB Operating Guidelines, we are not required to maintain any capital conservation buffer or any counter-cyclical capital buffer. We have not considered market risk and operational risk in the computation of capital risk weighted asset ratio in line with RBI guidelines applicable for SFBs.

Our CRAR was 43.40%, 40.22%, 35.44%, and 41.17%, as of March 31, 2018, 2019 and 2020 and as of December 31, 2020, respectively. Our Tier I capital ratio was 40.25%, 38.66%, 34.30% and 36.94 % as of March 31, 2018, 2019 and 2020 and as of December 31, 2020, respectively. For further information, see "*Selected Statistical Information*" on page 211.

Compliance

We have an independent compliance function which is responsible for monitoring and reporting compliance. This mainly comprises advisories and clarifications on regulatory guidelines, dissemination of regulatory guidelines, monitoring AML alerts, provide views on policies and products from compliance perspective, identifying, assessing, monitoring and mitigating compliance risks, creating a compliance culture in the organization and providing compliance-related training to eemployees and reporting. The department ensures that the various functions and activities of the banks are in tune with the regulatory, statutory guidelines and policies and also aligned to the internal policies and processes.

Our compliance team is headed by the Chief Compliance Officer and functions as an independent unit to assist the senior management in the identification of compliance risks.

As part of regulatory requirements, all customer's names are screened through various lists including the United Nations Sanctions list and OFAC list, prior to onboarding.

In line with the regulatory practices, we have installed a software for Anti Money Laundering. The software tool contains various scenarios/ parameters with varied thresholds for identifying the transactions from an AML perspective. Based on these criteria, the system generates AML alerts on a daily basis. Our internal compliance team scrutinises these alerts and seeks additional information (as may be required) from the branches on the customers, profile, and nature of transactions. Based on this scrutiny, these alerts are closed as non-suspicious or suspicious transactions. In case of transactions identified as suspicious, the same are reported to the regulators within prescribed timelines.

Risk Management

The key risks we are exposed to include: (i) credit risk; (ii) liquidity risk; (iii) operational and cash management risk; (iv) market and interest rate risk; (v) information security and cyber risk; and (vi) reputational risk.

We have an independent risk management team reporting to the Chief Risk Officer. We operate based on our Board-approved risk management and governance policies and manage our risks under the enterprise-wide risk management framework. We have a Risk Management Committee of the Board supported by management-level Risk Management

Committees, i.e. Risk Management Committee of Executives (RMCE) and Asset Liability Management Committee (ALCO). The risk teams primarily focus on independently analyzing and providing guidance on managing the risk at regular intervals.

Credit Risk

Credit risk is the possibility of losses associated with diminution in the credit quality of borrowers or counterparties. We record losses in our portfolio from defaults that arise due to inability or unwillingness of a borrower or counterparty to meet commitments in relation to lending, trading, settlement and other financial transactions. The credit risk governance framework ensures that there is segregation of duties across the three lines of defence, i.e. (a) business units, which are responsible for implementing corrective actions to address process and control deficiencies as they retain accountability for managing the credit risks, (b) credit risk function that independently manages the risk, provides policy guidance, recommendations, risk reporting and analysis and (c) internal audit unit, which independently assesses the design and operational effectiveness of the entire credit risk management framework.

The credit risk function, with support from business units, is responsible for implementing processes for credit risk identification, assessment, measurement, monitoring and control. The key roles and responsibilities of the credit risk function include (i) stringent monitoring and management of specifically assigned problem accounts; (ii) monitor portfolio performance on a quarterly basis and identify associated risks; (iii) study the impact of various stress scenarios on different portfolios to complement the regular risk measurement methods; and (iv) implementation of internal audit recommendations specific to credit risk function.

Liquidity Risk

Liquidity risk could be due to funding risk and market liquidity risk. Funding liquidity risk is the risk of not being able to meet the expected and unexpected current and future cash flows and collateral needs without affecting its daily operations or its financial condition, due to reasons such as heavy withdrawal on account of alternative investment opportunities in market, change in market interest rates or strong loan growth. Market liquidity risk is the risk that we cannot easily offset or eliminate a position at prevailing market prices because of inadequate market depth or market disruption. We typically maintain adequate liquidity with a buffer to mitigate the risk of unanticipated large premature closure of deposits or to meet any other large unanticipated outflows. As of December 31, 2020, we maintained excess liquidity of ₹ 13,836.43 million in addition to mandatory SLR and CRR requirement and deployed primarily in SLR securities. We undertake periodic stress testing with various scenarios to determine the liquidity requirements under such conditions. Investments that are not categorized as HTM are in maintained as AFS. The securities held in excess of the mandatory SLR requirements are mostly sovereign securities which are to a large extent liquid or semi-liquid. These can be liquidated at short notice if required while also being eligible for repo operations as a source of funds at short notice. The extent and form of liquidity is periodically set out by the ALCO. Any requirements for enhancing or altering the liquidity profile in relation to institutional/ wholesale liabilities/ transactions is carried out by the Investment Committee.

Operational and Cash Management Risk

Operational risk is defined as the risk of losses resulting from inadequate or failed internal processes, people and systems or from external events. The RMCB reviews risk related to people, process and systems and monitors key risk through analysis of causative factors for operational loss events. All operational loss events/ incidents are reported to the Risk Management Department by the divisions where they originate, immediately when they occur. Each loss event/ incident is leveraged to modify existing controls or define new controls. We periodically and at least annually review our product and process notes to set-up corresponding control in line with evolving business environments. These are then reviewed by the Product Approval Committee, which comprises heads of all business and functional divisions before they are introduced. The new regulatory guidelines issued by RBI, including with respect to highlighting the weaknesses observed in the process and system at an industry level, are analyzed to revisit internal processes and address the gaps, if any. For each Banking Outlet, cash retention limits are defined based on the requirement of cash and customer profile of the outlet. We also subscribe to insurance cover to mitigate risks arising out of handling of cash. We also set limits for withdrawals for various banking channels (internet banking, mobile banking, ATMs) for risk mitigation.

The primary means to mitigate operational risk include internal controls and internal audit. We have also set up operational risk limits for various processes, based on the measures of operational risk. The contingent processing capabilities are also used as a means to limit the adverse impacts of operational risk. We also have knowledge-building exercises for personnel at all levels focused on risk education to reduce operational risk. The internal control process is aimed at reducing instances of fraud, misappropriation and errors. The internal control process is focused on proper segregation of duties and ensuring non-allocation of conflicting responsibilities, availability of information systems, defining control activities at every business level accompanied by top level reviews, effective channel of communication for the staff and availability of BCP and DRP.

Market and Interest Rate Risk

Market risk is the risk that earnings or capital will be adversely affected by adverse changes in market factors such as interest rates, volatilities, credit spreads, and equity prices. We are exposed mainly to interest rate risk and liquidity risk. While we do not have any exposure to equity or equity related instruments, any significant impact on the global capital markets can affect us through other markets. Interest rate risk is the exposure of our financial conditions to adverse movements in interest rates. Interest rate risk can pose a significant threat to earnings and capital base. Interest rate risk arises from mismatches in re-pricing of interest rate sensitive assets, rate sensitive liabilities and rate sensitive off-balance sheet items. The interest rate risk is managed on a balance sheet level.

In order to manage interest rate risk, most of the interest rates on advances as well as liabilities are fixed in nature and not subject to market-related resets, to contain any adverse effects. In addition, majority of our advances are for medium-term tenures with monthly repayments in order to limit the period of impact, if any. A significant portion of our investments are in SLR securities/ sovereign backed securities and are therefore exposed to limited credit risk.

The Asset Liability Management Committee (ALCO), which comprises heads of all business and functional divisions, meet regularly and at least every month, to review the extent of exposure to movement in interest rates to the capital values as well as possible impact on our net interest income. The ALCO also reviews a range of parameters including compliance with various regulatory limits on treasury portfolio, interest rates offered on deposits, and movements in assets and liabilities. The Investment Committee and the ALCO function together to manage interest rate risk and maintain the investment portfolio.

Information Security and Cyber Risk

Cyber risk refers to any risk of financial loss, disruption or damage to the reputation of an organization resulting from the failure of its information technology systems. Cyber risk could materialize in several ways, including deliberate and unauthorized breaches of security to gain access to information systems; unintentional or accidental breaches of security; operational IT risks due to factors such as poor system integrity; and intentional or unintentional actions by employees/ personnel or third-party vendors.

The measures we have adopted to ensure the security and integrity of our data and IT systems include constant monitoring through our 'Security Operations Centre', protection from malware attacks, data loss prevention, disaster recovery, firewalls, data encryption, multi-factor authentication, secured emailing systems, secured networks, usage of virtual private networks, change management processes, regular information security audits, application security testing, vulnerability assessments, penetration testing, information security awareness training for employees and vendors. The Management Information Security Steering Committee ("**MISC**"), which meets at regular intervals, reviews our preparedness to handle information security and cyber security and reports to IT Strategy Committee of the Board. The MISC comprises senior management and is responsible for approving and monitoring major information security projects and establishing information security priorities. It also approves standards and procedures, reviews positions of security incidents and status of information security awareness programs.

Reputational Risk

Reputation risk is the risk of the loss arising from the adverse perception of the image of our Bank by our customers, counterparties, investors or regulators. This is particularly relevant as our business involves ensuring customers that we are credible and can offer basic, secure services expected by the customers. This risk typically follows once other risks materialize. It compounds the effect of other risks, such as strategy, fraud and regulatory risks. Our ongoing risk review process takes into account reputational risk.

Reputational risks, if materialized, will affect our ability to establish new relationships or services or continue servicing existing relationships. This risk may expose us to litigation, financial loss, or a decline in our customer base. Reputational risk exposure is present throughout our Bank and includes the responsibility to exercise abundant caution in dealing with our customers and the community. We monitor reputational risk on an ongoing basis, by reviewing various relevant parameters including market perception, stakeholder satisfaction, business service disruption, process failure, employee satisfaction and financial performance.

Risk Management Architecture

Risk management is fundamental to our operations and is critical to ensure sustained profitability and stability. We have an independent integrated risk management function to identify, measure, monitor and manage credit, market and operational risks including information security risk.

We have an established Risk Management Framework to ensure that our risk management operations are independent of our business operations, through various policies and procedures. Set out below is a description of the functions of each of these components/ committees:

The Board of Directors: The Board is ultimately responsible for our risk management framework. The Board is principally responsible for approving our risk mitigation posture, risk tolerance and related strategies and policies. The key responsibilities of the Board include providing adequate guidance and supervision for decisions taken by the Risk Management Committee of the Board ("**RMCB**"). In addition the RMCB has the additional responsibility to managing credit risk, particularly by (a) ensuring the establishment of a robust credit risk management culture by delegating responsibilities for key decision making and controls to appropriate management authorities, (b) assessing the adequacy of capital required to support business activities undertaken by our Bank, (c) approving portfolio limits, setting exposure norms for the retail segment and MSE/ SME loans and (d) providing adequate supervision for the decisions taken by other responsible authorities within our Bank.

Risk Management Committee of the Board: The RMCB is responsible for oversight and review of the risk management in our Bank. The key responsibilities of the RMCB include (i) approving/ making recommendations to the Board for its review and approval of the policies, strategies and associated frameworks for management of risk (ii) ensuring appropriate risk organization structure and the independence of risk management functions (iii) ensuring compliance with the extant internal policy guidelines and also regulatory guidelines (iv) monitoring and reviewing capital adequacy computation with an understanding of methodology, systems and data (v) approving the stress testing results/ analysis and monitoring the action plans and corrective measures periodically.

*Asset Liability Management Committee ("**ALCO**"):* The ALCO is a committee comprising members from senior management. Primary responsibility of the ALCO is to review and ensure compliance with policies, frameworks, internal limits and regulatory limits. The ALCO also regularly reviews the asset-liability position of our Bank.

*Risk Management Committee of the Executives ("**RMCE**"):* The RMCE is also a committee comprising senior management and is responsible for overseeing implementation of the credit and operational risk management framework. The RMCE ensures implementation of the credit risk management policy and operational risk management policy that is approved by the Board.

*Risk Management Department ("**RMD**"):* The RMD together with its units, i.e. credit risk unit, market risk and ALM unit and operational risk unit, are responsible for implementation of the risk management policies. The RMD is also in the process of establishing systems and implementing processes for identification, measurement, management, mitigation, monitoring and reporting of credit, operational, market and ALM, liquidity and interest rate risks.

Information Technology

Over the years, use of technology has enabled us to scale up our operations in an efficient manner. We have automated our backend operations, supported by a core banking system and loan management functions. We have collaborated with software solution providers and software service providers for these functions.

Our major functions including customer experience, digital transaction processing, enterprise accounting, expense management, human resources, process management, risk management, and governance are also supported by various technology platforms. With the use of technology, we have created a paperless onboarding process for originating micro banking loans and opening bank accounts. We manage various stages of our customers' banking transactions, from onboarding to customer management, through our various technology platforms. We have also introduced handheld devices for field employees and applications are enabled for these employees to conduct the activities through such devices.

We have also initiated engagements with fintech partners for leveraging our digital platforms to perform business intelligence and analytics. We are applying analytics in various business functions including customer acquisition, cross selling and upselling opportunities, improved customer experience, MIS and performance monitoring and management, and risk analysis. The objective of focusing on analytics is to improve identification of market potential for prioritizing the geographies we should focus on, identifying relevant products for cross-selling and upselling, undertake detailed portfolio review as part of our risk management functions, and improving early warning systems and delinquency prediction for better asset quality control.

Intellectual Property

Our trademark and logo is and is registered in the name of "Suryoday Small Finance Bank Limited".

Marketing

Our marketing strategy is focused on establishing relationships and creating a strong community connect to build trust and credibility. Our focus is to engage the community in meaningful activities while exposing them to the products and services of our Bank. These activities and initiatives include health camps, tree plantation and afforestation drives.

These initiatives are conducted in supermarkets, societies and clubs relevant to our customer segment in the banked, underbanked and unbanked segments. We also focus on encouraging use of digital banking channels and educate individuals in unbanked and underbanked segments on the use of digital channels. We are also working on creating more vernacular communication, visuals and multimedia content to drive engagement on our social platforms. We use a mix of media vehicles and going forward we intend to create videos to capture our customer's journey with us, to improve relatability of our brand and products with our core customer segments.

Competition

We face significant competition from unorganized, small participants in the market across all our product segments in addition to other SFBs, scheduled commercial banks and NBFCs as well as local moneylenders. There are several successful microfinance institutions functioning in India, and we regularly compete with them for business throughout India.

If the number of scheduled commercial banks including SFBs, public sector banks, private sector banks, payment banks, and foreign banks with branches in the country increases, or if such existing entities expand their operations, we will face increased competition across product segments, which could have a material adverse effect on our financial condition and results of operations. Also see, "*Risk Factors – The Indian banking industry is very competitive and our growth strategy depends on our ability to compete effectively.*" on page 39.

Insurance

We maintain insurance policies that we believe is customary for banks. These include banker's blanket indemnity insurance policy, business shield policy (corporate cover policy), directors and officers liability insurance policy, cyber policy (digital business and data protection policy) and commercial crime insurance policy, employee benefits policies including group medical cover (family-floater), group personal accident and group term life insurance policy.

Employees

As of December 31, 2020, we had 4,770 employees, as set forth below:

Function/ Department	As of December 31, 2020 Number of Employees
Inclusive Finance	3,451
Retail Banking	425
Retail Assets	186
T-Nagar	127
Operations	115
Credit	83
Collections	62
Rural Banking	58
IT	56
Human Resources	43
Internal Audit	24
Finance & Accounts	23
Customer Experience	21
Administration	15
CEO's Office & Strategy	10
Product	9
Risk & Policy	9
Legal	8
Business Intelligence & Analytics	7
Compliance	7
MIS & Analytics	7

Function/ Department	As of December 31, 2020
	Number of Employees
Corporate Services	6
Governance	5
Corporate Communications	3
Secretarial	3
Treasury	3
Corporate Social Responsibility	2
Strategic Initiatives & Partnerships	2
Total	**4,770**

Corporate Social Responsibility

We have adopted a board approved Corporate Social Responsibility ("**CSR**") policy that is focused on our core objective of financial inclusion for unbanked and underbanked income groups. Our endeavour is to serve the socio-economically backward, the under-privileged and the marginalised communities. Our CSR Committee identifies specific areas which need focus and recommends them for implementation and reviews these activities at regular intervals. Our most recent initiatives have been focused on enabling financial literacy, implementing a skill upgradation program, disease prevention and environment protection.

Properties

Our Registered and Corporate Office is situated at Unit. 1101, Sharda Terraces, Plot No. 65, Sector 11, CBD Belapur, Navi Mumbai, Mumbai – 400 614, and is held by our Bank on leasehold basis from a third-party. As of December 31, 2020, our operations were spread across 13 states and union territories, and through 554 Banking Outlets, majority of which are located on leased premises.

KEY REGULATIONS AND POLICIES

The following description is a summary of certain key sector specific laws and regulations in India, which are applicable to us. The information detailed in this section has been obtained from publications available in the public domain. The regulations and their descriptions set out below may not be exhaustive and are only intended to provide general information to the bidders and are neither designed nor intended to substitute for professional legal advice. Judicial and administrative interpretations are subject to modification or clarification by subsequent legislative, judicial or administrative decisions.

Our Bank is engaged in the business of operating as a small finance bank primarily serving the unserved and underserved, with a focus on financial inclusion. We deliver our products and services through our banking outlets and business correspondents. We offer a product portfolio, that includes both asset products (i.e. loans), liability products (i.e. deposits) and cross sell/ referral products (i.e. mutual funds, insurance etc.). We also offer various digital platforms, including mobile banking platforms, internet banking portals and RuPay branded ATM cum debit cards. Under the provisions of various Central Government and State Government statutes and legislations, our Bank is required to obtain and regularly renew certain licenses or registrations and to seek statutory permissions to conduct our business and operations. For information regarding regulatory approvals obtained by our Bank, see *"Government and Other Approvals"* beginning on page 341.

The following is an overview of some of the important laws and regulations, which are relevant to our business as an SFB.

Banking Regulation Act, 1949 ("Banking Regulation Act")

Banks in India are required to obtain a license from the RBI to carry on banking business in India. Such license is granted to the bank subject to compliance with certain conditions some of which include, *inter alia* that: (i) the bank has or will have the ability to pay its present and future depositors in full as their claims accrue; (ii) the affairs of the bank are not being, or are not likely to be conducted in a manner detrimental to the interests of its present or future depositors; (iii) the bank has adequate capital structure and earning prospects; (iv) public interest will be served if such a license is granted to the bank; (v) the general character of the proposed management of the bank will not be prejudicial to public interest or the interests of its depositors; and vi) that having regard to the banking facilities available in the proposed principal area of operations of the bank, the potential scope for expansion of banks already in existence in the area and other relevant factors the grant of the license would not be prejudicial to the operation and consolidation of the banking system consistent with monetary stability and economic growth. The RBI has the power to cancel the license if a bank fails to comply with the conditions or if the bank ceases to carry on banking business in India. Additionally, the RBI has issued various reporting and record-keeping requirements for such commercial banks. The appointment of the auditors of the banks is subject to the approval of the RBI. The RBI can direct a special audit in public interest, or in the interest of the banking company or its depositors. It also sets out the provisions in relation to the loan granting activities of a banking company. The Banking Regulation Act specifies the business activities in which a bank may engage. Banks are prohibited from engaging in business activities other than the specified activities. As per the Banking Regulation Act read with the gazette notification DBR.PSBD. No. 1084/16.13.100/2016-17 dated July 21, 2016, no person holding shares in the bank shall, in respect of any shares held by such person, exercise voting rights in excess of 26% of the total voting rights of all the shareholders of the bank. Pursuant to amendments to the Banking Regulation Act in January 2013, private sector banks are permitted, subject to the guidelines framed by the RBI, to issue perpetual, redeemable or irredeemable preference shares in addition to ordinary equity shares.

Further, the Banking Regulation Act, requires any person to seek prior approval of the RBI, to acquire or agree to acquire, directly or indirectly, shares or voting rights of a bank, by himself or with persons acting in concert, wherein such acquisition (taken together with shares or voting rights held by him or his relative or associate enterprise or persons acting in concert with him) results in aggregate shareholding of such person to be 5% or more of the paid-up capital of a bank or entitles him to exercise 5% or more of the voting rights in a bank. Further, the RBI may, by passing an order, restrict any person or persons acting in concert with him, holding more than 5% of the total voting rights of all the shareholders of the banking company from exercising voting rights on poll in excess of the said 5%, if such person is deemed to be not fit and proper to hold shares or voting rights, by the RBI. Under the RBI (Prior Approval for Acquisition of Shares or Voting Rights in Private Sector Banks) Directions, 2015, an existing shareholder who has already obtained prior approval of RBI for having a "major shareholding" in a private sector bank, need not obtain approval for an additional fresh acquisition resulting up to 10% aggregate shareholding in such bank. However, if the additional acquisition results in an aggregate shareholding that is in excess of 10%, prior approval of RBI must be obtained. Further, persons with 'major shareholding' shall also periodically report to the concerned bank on continuing to be fit and proper.

Further, the RBI requires the banks to create a reserve fund to which it must transfer not less than 25% of the net profit before appropriations. If there is an appropriation from this account or the share premium account, our Bank is advised to obtain prior approval from RBI in accordance with RBI circular DBOD.BP.BC No. 31 /2 21.04.018/ 2006-07.

Certain amendments also permit the RBI to establish a 'Depositor Education and Awareness Fund', to which banks shall transfer credit balances in any account in India with a banking company which has not been operated upon for a period of 10 years or any deposit or any amount remaining unclaimed for more than 10 years, within a period of three months from the expiry of the said period of 10 years.

The amendments also confer power on the RBI (in consultation with the central government) to supersede the board of directors of a banking company for a period not exceeding a total period of 12 months, in public interest or for preventing the affairs of the bank from being conducted in a manner detrimental to the interest of the depositors or any banking company or for securing the proper management of any banking company.

The appointment, re-appointment, or termination of the appointment of a chairperson, managing director or whole-time director, manager, chief executive officer of a bank shall have effect only if it is made with the previous approval of the RBI. Further, no amendment in relation to the maximum number of permissible directors, remuneration of the chairperson, managing director, whole-time director or any other director, manager, chief executive officer shall have effect unless approved by the RBI. RBI is also empowered to remove a chairperson, managing director and whole-time directors from office on the grounds of public interest, interest of depositors or securing the proper management. Moreover, RBI may order meetings of the board of directors to discuss any matter in relation to the bank, appoint observers to such meetings, make such changes to the management as it may deem necessary, and may also order the convening of a general meeting of the bank's shareholders to elect new directors. As per the Master Circular on Loans and Advances – Statutory and Other Restrictions dated July 1, 2015, banks are prohibited from entering into any commitment for granting any loans or advances to or on behalf of any of its directors, or any firm in which any of its directors is interested as partner, manager, employee or guarantor, or any company not being a subsidiary of the banking company or a company registered under Section 8 of the Companies Act, 2013, or a Government company of which, or the subsidiary or the holding company of which any of the directors of the bank is a director, managing agent, manager, employee or guarantor or in which he holds substantial interest, or any individual in respect of whom any of its directors is a partner or guarantor. The RBI may impose penalties on banks, directors and its employees in case of infringement of provisions under the Banking Regulation Act. The penalty may be a fixed amount or may be related to the amount involved in the contravention. The penalty may also include imprisonment of the concerned director or employee. Banks are also required to disclose the penalty in their annual report.

The RBI Act, 1934 ("RBI Act"), as amended

The RBI Act provides a framework for supervision of banking firms in India. The RBI Act was passed to constitute a central bank to, *inter alia*, regulate the issue of bank notes and keeping of reserves with a view to securing monetary stability in India and generally to operate the currency and credit system of the country. RBI may, subject to certain conditions, direct the inclusion or exclusion of any bank from the second schedule of the RBI Act. Scheduled banks are required to maintain cash reserves with the RBI. In this regard, RBI may stipulate an average daily balance requirement to be complied with by such banks and may direct that such banks regard a transaction or class of transactions as a liability. Further, RBI may direct any banking company to submit returns for the collection of credit information and may also furnish such information to a banking company upon an application by such company. RBI has the power to impose penalties against any person for inter-alia failure to produce any book, account or other document or furnish any statement, information or particulars which such person is duty-bound to produce or furnish under the RBI Act, or any order, regulation or direction thereunder.

Reserve Bank of India's Guidelines for Licensing of "Small Finance Banks" in the Private Sector dated November 27, 2014 ("SFB Licensing Guidelines")

The RBI issued the SFB Licensing Guidelines and clarifications dated January 1, 2015, for licensing of SFBs in the private sector. The following is an indicative list of guidelines applicable to our Bank:

1. **Registration, licensing and regulations**: An SFB is required to be registered as a public limited company under the Companies Act and licensed under Section 22 of the Banking Regulation Act. The SFB is required to use the words "Small Finance Bank" in its name. SFBs are governed by the provisions of the Banking Regulation Act, RBI Act, FEMA, Payment and Settlement Systems Act, 2007, Credit Information Companies (Regulation) Act, 2005, Deposit Insurance and Credit Guarantee Corporation Act, 1961, and other relevant statutes and the directives, prudential regulations and other guidelines/instructions issued by RBI and other regulators from time to time. The SFBs will be given scheduled bank status once they commence their operations and are found suitable as per Section 42(6)(a) of the RBI Act.

2. **Eligible promoters**: Resident individuals/professionals with 10 years of experience in banking and finance and companies and societies owned and controlled by residents will be eligible as promoters to set up SFBs. Existing NBFCs, MFIs and local area banks that are owned and controlled by residents can also opt for conversion into an SFB. However, joint ventures by different promoter groups for the purpose of setting up SFBs would not be permitted. Promoter/ promoter groups should be 'fit and proper', on the basis of their past record of their sound credentials and integrity, financial soundness and successful track record of professional experience or of running their business for at least a period of five years in order to be eligible to promote SFB.

3. **Scope of activities**: The SFB is required to primarily undertake basic banking activities of acceptance of deposits and lending to unserved and underserved sections and supply of credit to small business units, small and marginal farmers, micro and small industries, and unorganised sector entities, through high technology-low cost operations. It can also undertake other non-risk sharing simple financial services activities, not requiring any commitment of own fund, such as distribution of mutual fund units, insurance products, pension products, etc. without prior approval of RBI, subject to completion of three years from commencement of business of SFB and after complying with the requirements of the sectoral regulator for such products. The SFB can also become a Category II Authorised Dealer in foreign exchange business for its clients' requirements. It cannot set up subsidiaries to undertake non-banking financial services activities. Further, the other financial and non-financial services activities of the promoters, if any, should be kept distinctly ring-fenced and not comingled with the banking business. As per 'Guidelines for Licensing of Small Finance Banks in Private Sector' dated November 27, 2014 – Modifications to existing norms' dated March 28, 2020, RBI has granted a general permission to all existing SFBs to open banking outlets subject to adherence with unbanked rural centre norms as per RBI circular on 'Rationalisation of Branch Authorisation Policy - Revision of Guidelines' dated May 18, 2017, as amended. The annual branch expansion plans should be compliant with the requirement of opening at least 25% of its branches in unbanked rural centres ("**URC**") (having population of up to 9,999 as per the latest census). A URC is a rural centre that does not have a CBS-enabled 'Banking Outlet' of a scheduled commercial bank, a SFB, a payment bank or a regional rural bank nor a branch of local area bank or licensed Co-operative Bank for carrying out customer based banking transactions. Further, there shall not be any restriction in the area of operations of SFBs, however, preference will be given to SFBs who in the initial phase to set up the bank in a cluster of under-banked states/ districts, such as in the North-East, East and Central regions of India. Such SFBs shall not have any hindrance to expand to other regions in due course. It is expected from the SFBs that it shall be primarily responsive to local needs. After the initial stabilisation period of five years, and after a review, RBI may liberalize the requirement of prior approval for annual branch expansion plans and scope of activities of the SFB.

4. **Capital requirement**: The bank shall maintain a minimum net worth of ₹1,000 million at all times It shall be required to maintain a minimum capital adequacy ratio of 15% of its risk weighted assets on a continuous basis, subject to any higher percentage as may be prescribed by RBI from time to time. The tier I capital should be at least 7.5% of the risk weighted asset. The tier II capital should be limited to a maximum of 100% of the tier I capital. Further, the capital adequacy ratio should be computed as per the Basel committee's standardised approaches.

5. **Promoter's contribution**: The promoter's minimum initial contribution to the paid-up equity capital of an SFB shall at least be 40% which shall be locked in for a period of five years from the date of commencement of business of an SFB. However, if an existing NBFC, MFI or local area bank has diluted the promoter's shareholding to less than 40% but above 26%, due to regulatory requirements or otherwise, the RBI may not insist on the promoter's minimum initial contribution. Further, the promoter's shareholding should be brought down in prescribed phases. If the initial shareholding of the promoters is more than 40%, it should be brought down to 40% within a period of five years and thereafter to 30% within 10 years and to 26% within 12 years from the date of commencement of business of an SFB. Further, if an SFB reaches the net worth of ₹5,000 million, listing will be mandatory within three years of reaching that net worth.

   In case of our Bank, our Promoters are required to ensure that their shareholding in our Bank does not fall below 26% of the paid-up Equity Share capital during the first five years from the date of commencement of our business operations as an SFB, which was January 23, 2017.

6. **Foreign shareholding**: Foreign shareholding would be as per the FDI Policy for private sector banks, as amended from time to time. As per the current FDI Policy, foreign direct investment is permitted up to 49% under the automatic route and up to 74% under government route in a private sector Indian bank.

   The aggregate limit for FPI investments shall be the sectoral caps applicable to our Bank (i.e. up to 49% under the automatic route and up to 74% under the government approval route).

7. **Voting rights and transfer/ acquisition of shares**: As per the Banking Regulation Act read with the gazette notification DBR.PSBD. No. 1084/16.13.100/2016-17 dated July 21, 2016, no person holding shares of our Bank shall exercise voting rights in excess of 26% of the total voting rights of all the shareholder in respect of private sector bank. This will also apply to SFBs.

8. **Prudential norms**: The SFB will be subject to all prudential norms and regulations of RBI as applicable to existing commercial banks. Further, the SFB will have to comply with additional conditions/ norms such as extending 75% of its adjusted net bank credit to sectors eligible for classification as PSL by RBI, while 40% of its adjusted net bank credit shall be allocated to different sub-sectors under PSL as per the extant PSL prescriptions, the SFB can allocate the balance of 35% to any one or more sub-sectors under PSL where it has competitive advantage, maximum loan size and investment limit exposure to a single and group obligor being restricted to 10% and 15% of its capital funds, respectively, at least 50% of its loan portfolio should constitute loans and advances of up to ₹2.50 million, etc. The SFB is also precluded from having any exposure to its promoters, major shareholders (who have shareholding of 10% of paid-up equity shares in the bank), and relatives (as defined in Section 2 (77) of the Companies Act, 2013 and rules made thereunder) of the promoters as also the entities in which they have significant influence or control (as defined under Accounting Standards AS 21 and AS 23).

9. **Corporate Governance**: The Board of the SFB should have a majority of independent directors. Further, the SFB will have to comply with the corporate governance guidelines including ‘fit and proper’ criteria for directors as issued by RBI from time to time.

10. **Others**:

- Individuals (including relatives) and entities other than the promoters will not be permitted to have shareholding in excess of 10% of the paid-up equity capital. In case of NBFCs or MFIs converting to an SFB, if shareholding of entities (other than the promoters) in the NBFC is in excess of 10% of the paid-up equity capital, RBI may consider providing time up to 3 years for the shareholding to be brought down to 10%.

- An SFB cannot be a Business Correspondent (“**BC**”) for another bank. However, it can have its own BC network.

- A promoter of an SFB cannot be granted licenses for both universal bank and small finance bank even if the proposal is set to them up under the non-operative financial holding company structure.

- If an SFB wishes to transit into a universal bank, it will have to apply to the RBI for such conversion after completion of five years of operations and fulfil the minimum paid-up capital / net worth requirement as applicable to universal banks and also comply with other criteria prescribed in this regard.

- The operations of the bank should be technology driven from the beginning, conforming to generally accepted standards and norms; while new approaches (such as for data storage, security and real time data updating) are encouraged, a detailed technology plan for the same shall be furnished to RBI.

- The compliance of terms and conditions laid down by RBI is an essential condition of grant of licence. Any non-compliance will attract penal measures including cancellation of licence of the bank.

Guidelines for ‘on tap’ Licensing of Small Finance Banks in the Private Sector dated December 5, 2019 (“On-Tap Licensing Guidelines”) as amended.

The RBI had, post review of the performance of existing small finance banks and to encourage competition amongst small finance banks, issued the Draft Guidelines for ‘on tap’ Licensing of Small Finance Banks in the Private Sector dated September 13, 2019, and subsequently, post consideration of responses received, issued the On-Tap Licensing Guidelines on December 5, 2019. Pursuant to the On-Tap Licensing Guidelines, the following are eligible promoters: (i) resident individuals/ professionals (Indian citizens), singly or jointly, each having at least 10 years of experience in banking and finance at a senior level; and (ii) companies and societies in the private sector, that are owned and controlled by residents (as defined in FEMA Regulations, as amended from time to time), and have a successful track record of running their businesses for at least a period of five years. Further, existing NBFCs, MFIs and local area banks in the private sector that are controlled by residents (as defined in FEMA Regulations, as amended from time to time), and have a successful track record of running their businesses for at least a period of five years, can opt for conversion into SFBs after complying with applicable law. The SFB is required to be registered as a public limited company under the Companies Act and licensed under the Banking Regulation Act. Further, the SFBs licenced in terms of the On Tap Guidelines are required to maintain a paid-up voting equity capital of ₹ 2,000 million, which certain exceptions, such as in case of SFBs which are transited from Primary (Urban) Co-operative Banks, or converted from NBFCs/MFIs etc., for which the requirement is separately set out.

The SFB Licensing Guidelines have been modified by the circular on 'Guidelines for Licensing of Small Finance Banks in Private Sector' dated November 27, 2014 – Modifications to existing norms' on March 28, 2020 and the RBI in order harmonise the instructions for existing SFBs with those SFBs to be licensed under 'On-Tap Licensing Guidelines' has granted certain general permissions and exemptions to all existing SFBs in order to comply with On- Tap Licensing Guidelines and has provided certain clarifications.

Reserve Bank of India's Operating Guidelines for Small Finance Bank dated October 6, 2016 ("SFB Operating Guidelines")

The SFB Operating Guidelines are supplementary to SFB Licensing Guidelines. The SFB Operating Guidelines came into force considering the differentiated nature of business and financial inclusion focus of small finance banks. The SFB Operating Guidelines set out the following:

1. **Prudential Regulation**: The prudential regulatory framework for the SFBs will be largely drawn from the Basel standards. However, given the financial inclusion focus of these banks, it will be suitably calibrated:

    a) **Capital adequacy framework**: The minimum capital adequacy requirement is 15%;

    b) **Leverage ratio**: The leverage ratio is 4.5%, calculated as percentage of Tier 1 capital to total exposure; and

    c) **Inter-bank borrowings**: SFBs are allowed exemption from the existing regulatory ceiling of interbank borrowings till the existing loans mature or up to three years, whichever is earlier. Afterwards, it will be on par with scheduled commercial banks. However, the borrowings made by the SFBs after the commencement of its operations shall be subject to inter-bank borrowing limits.

2. **Corporate governance**:

    a) Constitution and functioning of board of directors: The extant provisions as applicable to banking companies shall be applicable to SFBs as well. Specifically in case of entities being converted into SFBs, the existing terms and conditions of appointment of directors will be grandfathered till completion of their present term; and

    b) Constitution and functioning of committees of the board, management level committees, and remuneration policies: The extant provisions in this regard as applicable to private sector banks, shall be applicable to SFBs as well.

3. **Banking Operations**:

    a) **Branch authorization policy**: SFBs should follow the extant instructions pertaining to the branch authorization policy applicable to scheduled commercial banks as laid down in the Rationalisation of Branch Authorisation Policy - Revision of Guidelines issued by the RBI on May 18, 2017. SFBs are required to have 25% of their branches in unbanked rural centres within one year from the date of commencement of business. The SFBs are given three years from the date of commencement of the business to align with this requirement, however, during these three years, at least 25% of total number of branches opened by SFBs in a financial year should be in unbanked rural centres.

    b) **Regulation of Business Correspondents:** The SFBs may engage all permitted entities including the companies owned by their business partners and own group companies on an arm's length basis as business correspondents These business correspondents can have their own branches managed by their employees operating as "access points" or may engage other entities/persons to manage the "access points" which could be managed by the latter's staff. In such cases, from the regulatory perspective, the SFB will be responsible for the business carried out at the 'access points' and the conduct of all the parties in the chain regardless of the organizational structure including any other intermediaries inserted in the chain to manage the BC network. Further, the Operating Guidelines also provide that the business correspondents must be doing online transactions/using point of sale terminals for doing transactions; and

c) **Bank charges, lockers, nominations, facilities to disabled persons:** The extant provisions applicable to scheduled commercial banks shall be applicable to SFBs as well.

d) **Marginal cost of funds based lending rate, other related regulations on interest rates and fair practice code for lenders:** The extant provisions applicable to scheduled commercial banks shall be applicable to SFBs as well.

4. **KYC requirements:** At their discretion, SFBs may (like all other banks) decide not to take the wet signature while opening accounts, and instead rely upon the electronic authentication/ confirmation of the terms and conditions of the banking relationship or account relationship keeping in view their confidence in the legal validity of such authentications or confirmations. However, all the extant regulations concerning KYC including those covering the Central KYC registry, and any subsequent instructions in this regard, as applicable to commercial banks, would be applicable to SFBs.

Reserve Bank of India Master Direction on Priority Sector Lending – Small Finance Banks – Targets and Classification dated July 29, 2019, as amended ("SFB Priority Sector Lending Regulations")

The SFB Priority Sector Lending Regulations apply to every SFB licensed to operate in India by the RBI. In terms of these regulations, the sectors categorised as priority sectors are agriculture, micro, small and medium enterprises ("**MSME**"), export credit, education, housing, social infrastructure, renewable energy and other sectors. Further, the SFB Priority Sector Lending Regulations requires SFBs have a target of 75% for PSL of their adjusted net bank credit. For agriculture sector, micro enterprises and advance to weaker sections, the targets are 18%, 7.5% and 10% of the adjusted net bank credit respectively.

The SFB Priority Sector Lending Regulations provides conditions, thresholds and requirements for determining agriculture, micro, MSME, export credit, education, housing, social infrastructure, renewable energy and other sectors.

RBI on September 4, 2020 issued Master Direction - FIDD.CO.Plan.BC.5/04.09.01/2020-21, dated September 4, 2020 on 'Priority Sector Lending (PSL) – Targets and Classification' wherein the sub-target for small and marginal farmers is increased from 8% currently to reach 10% in phased manner by financial year ending 2023-24 and weaker section target from 10% currently to reach 12% in phased manner by financial year ending 2023-24. In addition, certain other changes were made such as change in definition of MSME in line with Government of India (GoI), Gazette Notification S.O. 2119 (E) dated June 26, 2020 read with circular RBI/2020-2021/10 FIDD. MSME & NFS.BC.No.3/06.02.31/2020-21 read with FIDD.MSME & NFS. BC. No.4 /06.02.31/2020-21 dated July 2, 2020, August 21, 2020 respectively on 'Credit flow to Micro, Small and Medium Enterprises Sector' and updated from time to time.

Reserve Bank of India's Compendium of Guidelines for Small Finance Banks – Financial Inclusion and Development dated July 6, 2017

Considering the differentiated nature of business and financial focus of the SFBs and taking into account the important role that SFBs can play in the supply of credit to micro and small enterprises, agriculture and banking services, the RBI issued a specific compendium of guidelines for SFBs on areas relating to financial inclusion and development. SFBs are required to open at least 25% of its branches in unbanked rural centres. The identified priority sectors are agriculture, MSMEs, export credit, education, housing, social infrastructure, renewable energy and certain categories of loans identified therein.

Reserve Bank of India's Guidelines on Compensation of Whole Time Directors/ Chief Executive Officers/ Material Risk Takers and Control Function Staff dated November 4, 2019 ("RBI Compensation Guidelines")

The Financial Stability Board Principles for Sound Compensation Practices, 2009 and Implementation Standard, 2009 (together, "**FSB Principles**") aim to ensure effective governance of compensation, alignment of compensation with prudent risk taking, effective supervisory oversight and stakeholder engagement in compensation. The FSB Principles have been endorsed by the G-20 countries and the Basel Committee on Banking Supervision ("**BCBS**") which has published remuneration related reports and disclosure requirements. Pursuant to the stipulations in the reports and disclosure requirements published by BCBS, the RBI issued the RBI Compensation Guidelines which are based on the FSB Principles and are applicable to all private sector banks (including small finance banks) and foreign banks operating in India. In line with the FSB Principles banks are required to take steps to implement certain guidelines by putting in place necessary policies/systems. These guidelines include, *inter alia*, formulation of a compensation policy, constitution of nomination and remuneration committee, alignment of compensation of whole-time directors / chief executive officers and material risk takers with prudent risk taking etc. All applications for approval of appointment/re-appointment or approval of remuneration/revision in remuneration of whole-time directors/chief executive officers shall be submitted to the RBI with the details as prescribed in the guidelines. These guidelines shall be applicable for pay cycles beginning from/after April 1, 2020.

Reserve Bank of India's Guidelines on Compensation of Non-executive Directors of Private Sector Banks dated June 1, 2015

The board of directors of a private sector bank, in consultation with its remuneration committee, is required to formulate and adopt a comprehensive compensation policy for non-executive directors (other than part-time non-executive chairperson), subject to the requirements prescribed under the Companies Act. The Board may, at its discretion, provide for in the policy, payment of compensation in the form of profit related commission to the non-executive directors, subject to bank making profits. Such compensation, however, shall not exceed ₹1.00 million per annum for each non-executive director. In addition to the directors' compensation, the bank may pay sitting fees to the non-executive directors and reimburse their expenses for participation in the board. Further, all private sector banks are required to obtain prior approval of RBI for granting remuneration to the part-time non-executive chairperson under Section 10B(1A)(i) and 35B of the Banking Regulation Act.

Master Circular - Mobile Banking Transactions in India- Operative Guidelines for Banks dated July 1, 2016, as amended ("Mobile Banking Transaction-Operative Guidelines")

The Mobile Banking Transaction Operative Guidelines contains all rules, regulations and procedures prescribed to be followed by banks for operationalizing mobile banking in India. Banks which are licensed, supervised and having physical presence in India are permitted to offer mobile banking services after obtaining one-time RBI approval. Only banks who have implemented core banking solutions are permitted to provide mobile banking services. Banks are required to put in place a system of registration of customers for mobile banking. Further, to meet the objective of a nation-wide mobile banking framework, facilitating inter-bank settlement, a robust clearing and settlement infrastructure operating on a 24x7 is mandated. Pending creation of such a national infrastructure, banks may enter into bilateral or multilateral arrangement for inter-bank settlements, with authorization from the RBI under the Payment and Settlement System Act, 2007.

Master Direction - Know Your Customer (KYC) Direction, 2016 dated February 25, 2016, as amended ("KYC Directions")

KYC Directions are applicable to every entity regulated by RBI specifically, scheduled commercial banks, regional rural banks, local area banks, primary (urban) co-operative banks, state and central co-operative banks, all India financial institutions, NBFCs, miscellaneous non-banking companies and residuary non-banking companies, amongst others. In terms of the KYC Directions, every entity regulated thereunder is required to formulate a KYC policy which is duly approved by the board of directors of such entity or a duly constituted committee thereof. The KYC policy formulated in terms of the KYC Directions is required to include four key elements, being customer acceptance policy, risk management, customer identification procedures and monitoring of transactions. The KYC Directions also prescribe detailed instructions in relation to, *inter alia*, the due diligence of customers, record management and reporting requirements (such as the details of the person designated by the board of directors as a designated director etc.,) to Financial Intelligence Unit – India.

Master Circular on Prudential norms on income recognition, asset classification and provisioning pertaining to advances dated July 1, 2015, as amended ("Prudential Norms")

The RBI, pursuant to its "Master Circular on Prudential Norms on Income Recognition, Asset Classification and Provisioning Pertaining to Advances" issued on July 1, 2015, classifies NPAs into (i) sub-standard assets; (ii) doubtful assets; and (iii) loss assets. The circular also specifies provisioning requirements specific to the classification of the assets.

Reserve Bank of India's Review of Prudential Guidelines on Restructuring of Advances by Banks and Financial Institutions dated May 30, 2013, as amended ("Prudential Guidelines")

The RBI revised the "Prudential Guidelines on Restructuring of Advances by Banks and Financial Institutions" on May 30, 2013. In terms of the Prudential Guidelines, the banks are required to make a provision of certain per cent on restructured standard accounts for different periods depending on the way an account is classified as restructured standard account, i.e. either ab initio or on upgradation or on retention of asset classification. Pursuant to the revised guidelines the provisioning requirement has been increased to 5% in respect of new restructured standard accounts (flow) with effect from June 1, 2013 and in a phased manner for the stock of restructured standard accounts as of March 31, 2013 as follows:

a) 3.50% with effect from March 31, 2014 (spread over the four quarters of 2013-2014);

b) 4.25% with effect from March 31, 2015 (spread over the four quarters of 2014-2015); and

c) 5% with effect from March 31, 2016 (spread over the four quarters of 2015-2016).

Master Direction – Ownership in Private Sector Banks, Directions, 2016 dated May 12, 2016

The Reserve Bank of India issued master directions for ownership in private sector banks in May 2016. The directions are applicable to all private sector banks licensed by RBI to operate in India. Under the directions, "private sector banks" have been defined as banks licensed to operate in India under the Banking Regulation Act, other than urban co-operative banks, foreign banks and banks licensed under specific statutes. Under the directions, shareholders are now categorized as natural persons (individuals) and legal persons (entities/institutions) for the purposes of ownership limits in the longer run. Non-financial and financial institutions, and among financial institutions, diversified and non-diversified financial institutions shall have separate limits for shareholding.

The limits for shareholding are as follows: (i) in the case of individuals and non-financial entities (other than promoters/promoter group), the limit shall be 10% of the paid-up capital. However, in case of promoters being individuals and non-financial entities in existing banks, the shareholding shall be 15% of the paid-up capital, (ii) for entities in the financial sector, other than regulated or diversified or listed, the limit shall be at 15% of the paid-up capital, (iii) in case of 'regulated, well diversified, listed entities from the financial sector' and shareholding by supranational institutions or public sector undertaking or Government undertaking, a limit of 40% of the paid-up capital is prescribed, and (iv) higher stake/strategic investment by promoters/non-promoters through capital infusion by domestic or foreign entities/institution shall be permitted on a case to case basis under circumstances such as relinquishment by existing promoters, rehabilitation/ restructuring of problem/ weak banks/ entrenchment of existing promoter or in the interest of the bank or in the interest of consolidation in the banking sector.

However, in case any promoter / promoter group is eligible for higher shareholding as per the SFB licensing guidelines, as is relevant in case of our Bank, then the same will apply and the limits prescribed for all shareholders as stated above shall not apply.

A period of 12 years from the date of commencement of business of the bank shall be available for the promoter and promoter group in cases where dilution to a lower level of shareholding is required for compliance with the specified limits. Acquisition of shareholding in a private sector bank shall be subject to the applicable FDI Policy, with the aggregate foreign investment in private sector banks not exceeding 74% of the paid-up capital. The directions further prescribe that banks (including foreign banks having branch presence in India) shall not acquire any fresh stake in a bank's equity shares, if by such acquisition, the investing bank's holding is 10% or more of the investee bank's equity capital. However, RBI may permit a higher level of shareholding by a bank in exceptional cases.

Master Direction – Issue and Pricing of shares by Private Sector Banks, Directions, 2016

The RBI issued master directions for issue and pricing of shares by private sector banks on April 21, 2016. The directions are applicable to all private sector banks licensed by RBI to operate in India. Under the directions, "private sector banks" have been defined as banks licensed to operate in India under the Banking Regulation Act, other than urban co-operative banks, foreign banks and banks licensed under specific statutes. Under the directions, a private sector bank, both listed and unlisted, has general permission for issue of shares by way of public issues (initial public offer, further public offer), private placement (preferential issue, qualified institutional placement), rights issue and bonus issue, subject to compliance with applicable laws such as FEMA and extant foreign investment policy of the GoI for private sector banks, provisions of the Companies Act, and the relevant SEBI guidelines, the RBI master directions dated November 19, 2015 on Prior Approval for Acquisition of Shares or Voting Rights in Private Sector Banks and reporting of complete details of the issue to RBI such as date of issue, details of the type of issue, issue size, details of pricing, number and names of allottees, post allotment shareholding position etc., along with a copy of the board/ annual general meeting resolution and prospectus/ offer document in the prescribed format.

Master Circular – Know Your Customer (KYC) norms / Anti-Money Laundering (AML) standards/Combating Financing of Terrorism (CFT)/Obligation of banks and financial institutions under PMLA, 2002 dated July 1, 2015

The RBI has issued several guidelines on Know Your Customer (KYC) and Anti Money Laundering (AML) inter alia containing rules on (i) customer identification procedures and customer acceptance; (ii) monitoring of transactions; and (iii) vigilance at the time of opening accounts for new customers to prevent misuse of the banking system. Banks have been advised to ensure that systems and procedures are in place to control financial frauds, identify money laundering and suspicious activities and monitor high value cash transactions. Such monitoring includes cross border transactions. Further, banks have also been advised to ensure that adequate policies are formulated and adopted in relation to KYC and AML.

Master Directions on Frauds – Classification and Reporting by commercial banks and select FIs dated July 1, 2016, as amended

The RBI issued guidelines on the classification and reporting of fraud cases. The fraud cases have been classified into misappropriation and criminal breach of trust, fraudulent encashment through forged instruments, manipulation of books of account or through fictitious accounts and conversion of property, unauthorised credit facilities extended for reward or for illegal gratification, negligence and cash shortages, cheating and forgery, fraudulent transactions involving in foreign exchange and any other type of fraud not coming under the specific heads as above. The banks are required to submit fraud related data to RBI through various returns/ reports.

Reserve Bank of India (Prudential Framework for Resolution of Stressed Assets) Directions, 2019 ("Prudential Framework for Resolution of Stressed Assets") The RBI has formulated the Prudential Framework for Resolution of Stressed Assets, with a view to providing a framework for early recognition, reporting and time bound resolution of stressed assets. RBI issued these directions in terms of the provisions of Section 35AA of the Banking Regulation Act, for initiation of insolvency proceedings against specific borrowers under the Insolvency and Bankruptcy Code, 2016 ("**IBC**"). The Directions also provide prudential norms applicable to any restructuring/change in ownership, whether under the IBC framework or outside the IBC.

Individual Housing Loans – Rationalisation of Risk Weights

The RBI has issued a notification on individual housing loans to rationalise the risk weights, irrespective of the amount. Accordingly, the risk weights for all new housing loans to be sanctioned on or after October 16, 2020 and up to March 31, 2022 are such that the standard asset provisioning percentage is 0.25%, risk weight percentage is 35% for LTV ratio more than 80 and the risk weight percentage is 50% for LTV ration more than 80 but less than 90.

The Recovery of Debts Due to Banks and Financial Institutions Act, 1993 ("RDDBFI Act")

The RDDBFI Act was enacted for adjudication of disputes pertaining to debts due to banks and financial institutions exceeding ₹2.00 million. The RDDBFI Act provides for the constitution of debt recovery tribunals, before which banks and financial institutions may file applications for recovery of debts. Further, no court or other authority, except the Supreme Court or a High Court exercising jurisdiction under Articles 226 and 227 of the Constitution of India, shall have, or is entitled to exercise, any jurisdiction, powers or authority in relation to the aforementioned matter. The tribunals may pass orders for directions including *inter- alia* recovery of such dues by the bank as may be deemed fit along with a recovery certificate to such effect from the presiding officer of the respective tribunal; attachment of the secured properties towards the dues to the bank: injunctive orders restraining the debtors from alienating, transferring or disposing of such secured properties; appointment of receivers and/or local commissioners with respect to such secured properties and distribution of proceeds from sale of such secured properties towards dues. Pursuant to the recovery certificate being issued, the recovery officer of the respective debt recovery tribunal shall effectuate the final orders of the debt recovery tribunal in the application. Unless such final orders of the debt recovery tribunal have been passed with the consent of the parties to an application, an appeal may be filed against such final orders of the debt recovery tribunal before the debt recovery appellate tribunal, which is the appellate authority constituted under the RDDBFI Act.

The Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 ("SARFAESI Act")

The SARFAESI Act governs securitization of financial assets in India. The SARFAESI Act provides that any asset securitization company may acquire the financial assets of a bank or financial institution by either entering into an agreement with such bank or financial institution for the transfer of such assets to the company or by issuing a debenture or bond or any other security in the nature of the debenture, for consideration, as per such terms and conditions as may be mutually agreed between them. The SARFAESI Act further provides that if the bank or financial institution is a lender in relation to any financial assets acquired by the asset securitization company as stated above, then such company shall be deemed to be the lender in relation to those financial assets. Further, upon such acquisition, all material contracts entered into by the bank or financial institution, in relation to the financial assets, shall also get transferred in favour of the asset securitization company. The SARFAESI Act also enables banks and notified financial institutions to enforce the underlying security of an NPA without court intervention. Pursuant to an asset being classified as an NPA, the security interest can be enforced as per the procedure laid down in the Security Interest (Enforcement) Rules, 2002.

The Repurchase Transactions (Repo) (Reserve Bank) Directions, 2018 ("Repo Directions")

The Repo Directions are applicable to repurchase transactions undertaken on recognised stock exchanges, electronic trading platforms authorised by the RBI and over-the-counter market. The securities eligible for repurchase under the Repo Directions are government securities, listed corporate bonds and debentures subject to the condition that no participant shall borrow against the collateral of its own securities, or securities issued by a related entity, commercial papers, certificate of deposits and other such securities of a local authority as prescribed by the Central Government. Eligible participants include any regulated entity, listed corporate, unlisted company which has been issued special securities by the Government of India, using only such special securities as collateral, all India Financial Institution viz. Exim Bank, NABARD, NHB and SIDBI and any other entity approved by the Reserve Bank from time to time for this purpose. The Repo Directions prescribes the eligibility criteria, roles and obligations, application procedure for authorization and exit procedure for tri-party agents. The Repo Directions provide that a repo shall be undertaken for a minimum period of one day and a maximum period of one year.

The Banking Ombudsman Scheme, 2006, as amended ("Ombudsman Scheme")

The Ombudsman Scheme provides the extent and scope of the authority and functions of the banking ombudsman for redressal of grievances against deficiency in banking services and other specified matters. All scheduled commercial banks, regional rural banks and scheduled primary co-operative banks are covered under the Ombudsman Scheme. On July 1, 2017, the Ombudsman Scheme was amended to widen the scope of the scheme, *inter alia*, to deficiencies arising out of sale of insurance/mutual fund/ other third party investment products by banks and now permitted customer to lodge a complaint against the bank for non-adherence to RBI instructions with regard to mobile banking/electronic banking services, etc. The Ombudsman Scheme also provides for revised procedures for redressal of grievances by a complainant under the Ombudsman Scheme and increased the pecuniary jurisdiction of the banking ombudsman. The banking ombudsman receives and considers complaints relating to the deficiencies in banking or other services filed on the grounds mentioned in clause 8 of the Ombudsman Scheme and facilitates their satisfaction or settlement by agreement or through conciliation and mediation between the bank concerned and the aggrieved parties or by passing an award in accordance with the Ombudsman Scheme.

Prevention of Money Laundering Act, 2002 ("PMLA")

In order to prevent money laundering activities, the PMLA was enacted to prevent money laundering and to provide for confiscation of property derived from, or involved in money laundering, and for incidental matters connected therewith. The PMLA casts certain obligations on, *inter alia*, banking companies in relation to preservation and reporting of customer account information. The RBI has advised all banks to go through the provisions of the PMLA and the rules notified thereunder and to take all steps considered necessary to ensure compliance with the requirements of Section 12 of the PMLA.

Other Applicable Laws

Our Bank is governed by the provisions of the Companies Act, SEBI Act, SCRA along with the rules, regulations and guidelines made thereunder and other key circulars and regulations, other corporate laws as applicable to other banks. Additionally, the foreign investment laws, taxation statutes and various labour laws and other laws apply to us as they do to any other Indian company. Our Bank is also required to comply with Insurance Regulatory and Development Authority of India (Registration of Corporate Agents) Regulations, 2015, Negotiable Instruments Act, 1881, Payment and Settlements Systems Act, 2007, the Information Technology Act 2000, and various intellectual property and environment protection related legislations and other applicable statutes apply to its day-to-day operations.

HISTORY AND CERTAIN CORPORATE MATTERS

Brief history of our Bank

Our Bank was originally incorporated as Suryoday Micro Finance Private Limited at Chennai, Tamil Nadu, as a private limited company under the Companies Act, 1956 pursuant to the certificate of incorporation dated November 10, 2008 issued by the Assistant Registrar of Companies, Tamil Nadu, Andaman and Nicobar Islands at Chennai. Subsequently, our Bank was converted into a public limited company and the name of our Bank was changed to Suryoday Micro Finance Limited, and a fresh certificate of incorporation dated June 16, 2015 was issued by the RoC. Our Bank was granted the in-principle and final approval to establish an SFB by the RBI, pursuant to its letters dated October 7, 2015 and August 26, 2016, respectively. Pursuant to our Bank being established as an SFB, the name of our Bank was changed to Suryoday Small Finance Bank Limited and a fresh certificate of incorporation was issued by the RoC on January 13, 2017. Our Bank commenced its business with effect from January 23, 2017 and was included in the second schedule to the RBI Act pursuant to a notification dated July 24, 2017 issued by the RBI and published in the Gazette of India on September 2, 2017.

Changes in the Registered Office

Except as disclosed below, there has been no change in the registered office of our Bank since the date of incorporation.

Date of change	Details of change in the Registered Office	Reasons for change
September 12, 2013	The registered office of our Bank was shifted from III Floor, Park View Apts, 9/6-16, Park View Road, United India Colony, Kodambakkam, Chennai 600 024 to No. 6, C.S. Towers, 3rd Floor, 34/76, Bazullah Road, T.Nagar, Chennai – 600 017	Administrative and operational convenience
January 21, 2015	The registered office of our Bank was shifted from No. 6, C.S. Towers, 3rd Floor, 34/76, Bazullah Road, T.Nagar, Chennai – 600 017 to Unit No. 1101, Sharda Terraces, Plot 65, Sector 11, CBD Belapur, Navi Mumbai – 400 614	As the corporate office was already situated in Mumbai, Maharashtra with requisite infrastructure and managerial capabilities, the registered office was shifted to Mumbai, Maharashtra in view of administrative convenience, cost effectiveness, growth potential and the existing opportunities. It enabled the Bank to carry on its business more economically, efficiently and attain its main purpose by improved means.

Main objects of our Bank

The main objects contained in our Memorandum of Association are as follows:

"The objects to be pursued by the Company on its incorporation are:

To the extent permissible under the Companies Act, 2013, Banking Regulation Act, 1949 and Reserve Bank of India Act, 1934, Reserve Bank of India Guidelines for Licensing of "Small Finance Banks" in the Private Sector dated November 27, 2014, read with the Clarifications to Queries on Guidelines for Licensing of Small Finance Banks in the Private Sector dated January 1, 2015 and any other law applicable to the Company for the time being in force:

(1) To establish and carry on the business of banking in any part of India or outside India.

(2) To undertake basic banking activities of acceptance of deposits and lending to unserved and underserved sections including small business units, small and marginal farmers, micro and small industries and unorganised sector entities, and to undertake non-risk sharing simple financial services activities such as distribution of mutual fund units, insurance products, pension products, etc. and become a Category II Authorised Dealer in foreign exchange business.

(3) To carry on business of accepting deposits of money from the public, repayable on demand or otherwise, and withdrawable by cheque, draft, order or otherwise."

The main objects as contained in our Memorandum of Association enable our Bank to carry on the business presently being carried out and proposed to be carried out by it.

Amendments to the Memorandum of Association

Set out below are the amendments to our Memorandum of Association in the last 10 years:

Date of Shareholder's resolution/ Effective date	Particulars
July 27, 2020	Clause V of the Memorandum of Association was amended to reflect increase in the existing authorized share capital of our Bank from ₹1,000,000,000 comprising 100,000,000 Equity Shares of face value ₹ 10 each to ₹1,250,000,000 comprising 125,000,000 Equity Shares of face value ₹ 10 each.
August 30, 2018	Clause V of the Memorandum of Association was amended to reflect increase in the existing authorized share capital of our Bank from ₹750,000,000 comprising 75,000,000 Equity Shares of face value ₹10 each to ₹1,000,000,000 comprising 100,000,000 Equity Shares of face value ₹ 10 each.
September 22, 2016	Clause I of the Memorandum of Association was amended to reflect the change in name of our Bank from 'Suryoday Micro Finance Limited' to 'Suryoday Small Finance Bank Limited', pursuant to conversion of our Bank to an SFB.
April 15, 2016	Clause V of the Memorandum of Association was amended to reflect increase in the existing authorized share capital of our Bank from ₹500,000,000 comprising 50,000,000 Equity Shares of face value ₹ 10 each to ₹750,000,000 comprising 75,000,000 Equity Shares of face value ₹ 10 each.
May 14, 2015	Clause I of the Memorandum of Association was amended to reflect the change in name of our Bank from 'Suryoday Micro Finance Private Limited' to 'Suryoday Micro Finance Limited', upon conversion of our Bank from a private limited company to a public limited company.
August 18, 2014	Clause V of the Memorandum of Association was amended to reflect increase in the existing authorized share capital of our Bank from ₹350,000,000 comprising 35,000,000 Equity Shares of face value ₹ 10 each to ₹500,000,000 comprising 50,000,000 Equity Shares of face value ₹ 10 each.
March 3, 2014	Clause II of the Memorandum of Association was substituted to incorporate the shift of the registered office from the State of Tamil Nadu to the State of Maharashtra within the jurisdiction of the Registrar of Companies, Mumbai.
August 26, 2013	Clause III(B)(20) of the Memorandum of Association was substituted with the following new clause, namely, "*20. To amalgamate or enter into any arrangement other than partnership, as may be permissible under applicable laws, for sharing of profits, union of interests, co-operation, joint venture or reciprocal concession, or for limiting competition with any person, firm or body corporate, whether in India or outside, carrying on or engaged in, or about to carry on or which can be carried on in conjunction therewith or which is capable of being conducted so as to directly or indirectly benefit the company and further to enter into any arrangement other than partnership, as may be permissible under applicable laws, with any person, association or body corporate whether in India or outside, and to undertake any activity, as may be permissible under applicable laws, for such other purposes, that may seem calculated to be beneficial and conducive to the objects of the company.*"
December 17, 2012	Clause V of the Memorandum of Association was amended to reflect increase in the existing authorized share capital of our Bank from ₹200,000,000 comprising 20,000,000 Equity Shares of face value ₹ 10 each to ₹350,000,000 comprising 35,000,000 Equity Shares of face value ₹ 10 each.

Major events and milestones of our Bank

The table below sets forth some of the key events in the history of our Bank:

Fiscal Year	Events
2020	• Gross loan portfolio of ₹ 37,108.42 million with 477 branches and ~ 1.46 million customers as on March 31, 2020 • Investments by Kotak Mahindra Life Insurance Company Limited and Teachers Insurance and Annuity Association of America in our Bank.
2019	• Investments by DEG in our Bank • Received long-term rating of '[ICRA] A' from ICRA and short-term rating of 'A1+' from CRISIL and short-term rating '[ICRA] A1+' from ICRA
2018	• A new cluster of retail assets to provide finance for commercial vehicles, housing, MSME and loan against property upon initiating SFB operations • Received rating of '[ICRA]A1' for certificate of deposit programme from ICRA
2017	• Commenced operations as an SFB in January 2017 • Included in second schedule to the RBI Act • Investment by Evolvence India Fund II Ltd, ResponsAbility Participations Mauritius, Jhelum Investment Fund I, Gaja Capital Fund II Limited, TVS Shriram Growth Fund, and New Tech Investments Limited in our Bank
2016	• Received rating of '[ICRA] A (-)' for non-convertible debenture programmes from ICRA • Received RBI final Approval to commence its SFB operations • Investment by IDFC FIRST Bank Limited (previously known as IDFC Bank Limited), Polaris Banyan Holding Private Limited, ASK Pravi Capital Advisors Private Limited, Dr. Aravind Srinivasan and Kiran Vyapar Limited in our Bank
2015	• We became a public limited company in June 2015 • 159 branches and 0.49 million customers as on March 31, 2015 • Received in-principle approval from RBI to establish an SFB • Investment by DWM (International) Mauritius Ltd in our Bank
2014	• Investment by IFC in our Bank • Received listing permission from BSE in wholesale debt segment to issue debt securities
2013	• Investment by Lok Capital II LLC in our Bank
2012	• Investment from HDFC Holdings Limited and HDFC Standard Life Insurance Company Limited in our Bank
2009	• Received RBI license for establishing an NBFC and commenced microfinance operations • Investment by Aavishkaar Goodwell India Micro Finance Development Company Limited in our Bank
2008	• Incorporation of Suryoday Micro Finance Private Limited, founded and promoted by Baskar Babu Ramachandran, Ganesh Rao and V. L. Ramakrishnan

Holding and subsidiary company, joint venture

As of the date of this Prospectus, our Bank does not have a holding company or a subsidiary company or a joint venture.

Shareholders' agreements

Shareholders' agreement dated March 20, 2019, as amended by way of an amendment agreement dated December 16, 2019 ("**Shareholders' Agreement**" or "**SHA**"), entered into between our Bank, Sarva Capital LLC, HDFC Holdings Limited, HDFC Life Insurance Company Limited, Jhelum Investment Fund I, IFC, DWM (International) Mauritius Ltd, ResponsAbility Participations Mauritius, ASK Pravi Private Equity Opportunities Fund, IDFC FIRST Bank Limited, Polaris Banyan Holding Private Limited, Kiran Vyapar Limited, Dr. Aravind Srinivasan, Gaja Capital India AIF Trust (represented by its trustee, Gaja Trustee Company Private Limited), Gaja Capital Fund II Limited, Evolvence India Fund II Ltd, TVS Shriram Growth Fund, Lok Capital Growth Fund, Americorp Ventures Limited, DEG, Kotak Mahindra Life Insurance Company Limited, TVS Shriram Growth Fund 3, a scheme of TVS Shriram Growth AIF Trust, Teachers Insurance and Annuity Association of America and our Promoters, namely Baskar Babu Ramachandran, P. Surendra Pai, P. S. Jagdish and G. V. Alankara (the "**Parties**") setting out their respective inter se rights and obligations vis-à-vis our Bank in connection with the investments received by our Bank from several investors and Promoters.

In terms of the SHA, the investors and Promoters, as applicable, have been provided with certain key rights such as right to nominate directors on the Board, rights to appoint observers, certain tag-along rights, pre-emptive rights and right to restrict our Bank from issuing securities to restricted persons in accordance with the terms of the SHA.

The Parties, existing as on date, have entered into the Shareholders' Second Amendment Agreement pursuant to which the SHA has been amended. In terms of the Shareholders' Second Amendment Agreement, certain rights have been amended *inter alia,* in relation to transfer of securities and restricted transfers between the Parties. Further, the Shareholders' Second Amendment Agreement also provides that other than i) listing fee, (ii) audit fee, not incurred for the purposes of the Issue, and (iii) any costs incurred in issuing corporate advertisements (i.e., any corporate advertisements consistent with past practices of our Bank and not including expenses relating to marketing and advertisements undertaken in connection with the Issue) which shall be solely borne by our Bank, all costs, fees and expenses with respect to the Issue will be borne by our Bank and the Selling Shareholders in accordance with applicable law. Any expenses paid by our Bank on behalf of Selling Shareholders in the first instance will be reimbursed to our Bank, directly from the Public Issue Account. However, in the event that the Issue is withdrawn or not completed for any reason whatsoever, all Issue related expenses will be borne by our Bank.

The Shareholders' Second Amendment Agreement also notes that our Bank has adopted certain covenants in relation to certain matters such as anti-corruption, environmental and social requirements, restriction in engagement in any sanctionable practice and anti-money laundering, through a resolution of the Board which will be complied with post consummation of the Issue. The Shareholders' Agreement shall automatically stand terminated upon the date on which listing and trading of Equity Shares of our Bank commences on the Stock Exchanges.

Further, in case listing is not completed by the date contemplated in the Shareholders' Second Amendment Agreement, the provisions of the Shareholders' Second Amendment Agreement shall automatically stand terminated without any further act or deed required on the part of any Party.

Other agreements

1. One of our Promoters, Baskar Babu Ramachandran has entered into a facility agreement dated December 22, 2019 (the "**Facility Agreement I**") with Kiran Vyapar Limited ("**KVL**"), one of our Shareholders, for a credit facility aggregating to ₹ 630 million ("**Facility I**"). Pursuant to the Facility Agreement I and amendments thereto 5,050,000 Equity Shares (constituting 5.15% of the pre-Issue paid up Equity Share capital of our Bank) held by Baskar Babu Ramachandran have been pledged with KVL (the "**Pledged Shares**"). Further, in accordance with the terms of the Facility Agreement I, KVL and Baskar Babu Ramachandran, have entered into a call option agreement dated December 22, 2019 (the "**Call Option Agreement**"). In accordance with the Facility Agreement I, the Call Option Agreement and the letter dated September 29, 2020 ("**KVL Letter**") issued by KVL to Baskar Babu Ramachandran, KVL has an option (the "**Call Option**") to purchase 350,000 Equity Shares (the "**Call Shares**") at a price of Rs. 140 per Equity Share (subject to adjustment for future corporate actions) in one or more tranches, during any or both of the following time:

    i. at any time on or after January 1, 2021 up to the date of filing of the Red Herring Prospectus; and

    ii. the later of: (a) within 12 months after the date on which all outstanding obligations in connection with the Facility Agreement I have been discharged in full by Baskar Babu Ramachandran; or (b) within three years from the date of the first utilization date under the Facility I (i.e. December 27, 2019); or (c) within 3 (three) months from the date of expiry of the lock-in period of 3 (three) years under the SEBI ICDR Regulations.

    Further, KVL has undertaken and agreed that the Call Option shall be exercised in accordance with the Call Option Agreement, as modified by way of KVL Letter and shall not be exercised during the pendency of the statutory lock-in period of one year from the date of Allotment in the Issue as provided under the SEBI ICDR Regulations ("**Statutory Lock-in**").

    In addition, Baskar Babu Ramachandran, has obligations under the Call Option Agreement, read with the KVL Letter, to ensure that within a period of 6 (six) months from Allotment in the Issue, at least 350,000 Equity Shares (or such other number which is equivalent to Call Shares) are made free of any pledge, liens, charges, encumbrance and lock-in restrictions (other than the Statutory Lock-in) and are available as Call Shares under the Call Option Agreement read with the KVL Letter to enable the exercise of Call Option over the Call Shares post the Statutory Lock-in (if unexercised prior to filing of the Red Herring Prospectus) or to pledge such free shares for the benefit KVL within a period of 6 (six) months of the Issue to ensure that the total number of Pledged Shares remain pledged as contemplated in the Facility Agreement I, in the event the Call Shares are exercised prior to filing the Red Herring Prospectus from the Pledged Shares.

    Further, in accordance with the put option agreement dated December 24, 2019 (the "**Put Option Agreement**") entered into among P.S Jagdish (one of our Promoters), KVL and Baskar Babu Ramachandran, KVL had the right to require P. S. Jagdish to purchase up to 1,041,667 Equity Shares at a price of ₹ 240 per Equity Share, from KVL ("**Put Option**").

Subsequently, on November 25, 2020, Baskar Babu Ramachandran entered into an amended and restated facility agreement and consequential amendments to other related agreements (collectively, the "**Amended and Restated Agreements**") jointly with KVL and Avendus Finance Private Limited ("**Avendus**"), which is also one of the Shareholders of the Bank, since it acquired Equity Shares of the Bank by way of a secondary transfer on November 13, 2020. Pursuant to the Amended and Restated Agreements, the right to exercise Call Option by KVL with respect to 3,50,000 Equity Shares is amended such that (i) KVL or its successors, transferees, novatees, nominees and/ or assigns, have the right to exercise Call Option over 2,00,000 Equity Shares and Avendus or its successors, transferees, novatees, nominees and/ or assigns, have the right to exercise Call Option over 1,50,000 Equity Shares. The Amended and Restated Agreements also provide for personal guarantee ("**Deed of Guarantee**") issued by P. S. Jagdish, one of the Promoters, guaranteeing the obligations of Baskar Babu Ramachandran, in favour of KVL and Avendus. Pursuant to the execution of the Deed of Guarantee between P. S. Jagdish, Baskar Babu Ramachandran, Universal Trusteeship Services Limited, Kiran Vyapar Limited and Avendus Finance Private Limited, the Put Option by KVL has been rescinded and the Put Option Agreement dated December 24, 2019 has been terminated.

Further, the Call Option and the arrangement stipulated under the above mentioned agreement shall be subject to compliance with the relevant applicable SEBI Regulations.

2. One of our Promoters, Baskar Babu Ramachandran has entered into a facility agreement dated March 1, 2021 (the "**Facility Agreement**") with Placid Limited ("**Placid**"), for a secured structured finance facility aggregating to ₹ 565.20 million ("**Facility**") to enable Baskar Babu Ramachandran to subscribe to 3,140,000 Equity shares of our Bank at the price of ₹ 180 per Equity Share of our Bank.

Pursuant to the Facility Agreement, 3,140,000 Equity Shares held by Baskar Babu Ramachandran have been pledged with Placid (the "**Pledged Shares**"). In terms of the Facility Agreement, Placid is entitled to receive assured internal rate of return of 24% over the facility amount including any amount incurred by Placid from time to time excluding default interest or any available returns including equity upside or other amounts ("A**ssured IRR**"). Further, Placid is also entitled to receive equity upside ("**Equity Upside**") which is defined in the Facility Agreement to mean the positive difference between (i) amounts received at the time of sale of Pledged Shares and any accretions received from the Pledged Shares, including by way of dividend or rights/ entitlements (if any) and other benefits from time to time, and (ii) the Facility amount. The difference shall further be reduced by the Assured IRR.

In relation to repayment of the Facility, the Facility Agreement provides that subject to lock-in requirements under Regulation 16 (b) of the SEBI ICDR Regulations, (i) Placid may require Baskar Babu Ramachandran to repay the Facility in full or in part, together with Assured IRR and Equity Upside in terms of the Facility Agreement and any and all other amounts outstanding under the Facility on any date after the expiry of 12 months from the first utilisation date (i.e., March 1, 2021); or (ii) any date falling after expiry of 18 months from the first utilisation date, if the settlement price per Equity Share of our Bank is above ₹ 300; or any time after the expiry of 36 months from the first utilisation date, Baskar Babu Ramachandran may repay the Facility, in full or in part together with Assured IRR and Equity Upside in terms of the Facility Agreement and any and all other amounts outstanding under the Facility.

At the time of repayment, the proceeds received from the sale of Pledged Shares shall be distributed in the following order of priority (a) to repay the outstanding amount under the Facility and the Assured IRR; and subsequently (b) towards the Equity Upside.

In accordance with the Facility Agreement, Baskar Babu Ramachandran has agreed and undertaken that the Equity Upside (if available) shall be distributed in the following manner:

i. in the event the price at which the Pledged Shares are sold is up to ₹ 500 per Pledged Share, the equity upside shall be distributed between Baskar Babu Ramachandran and Placid in the ratio of 1:1; and

ii. in the event the price at which the Pledged Shares are sold is exceeding ₹ 500 per Pledged Share, the equity upside shall be distributed between Baskar Babu Ramachandran and Placid in the ratio of 3:2.

The Facility Agreement provides that the manner of distribution of the Equity Upside in (i) and (ii) above shall be such that the equity upside of first ₹ 60 per Pledged Share (after providing for Assured IRR) shall be appropriated towards Baskar Babu Ramachandran's share of the Equity Upside.

If on the final settlement date, the aggregate proceeds received from sale of Pledged Shares is insufficient to meet the Assured IRR and Facility outstanding amount, the Promoter shall, in addition to the amounts realized from the sale of Pledged Shares, be liable to the Financier for such shortfall up to an amount not exceeding ₹ 10 crores except for any liability or claims on account of fraud, gross negligence, wilful misrepresentation or wilful misconduct or claims which may not be excluded or limited under applicable laws. In relation to Equity Upside arrangement indicated above, post listing, our Bank shall promptly initiate the process of obtaining approval from its Board and shareholders. In case the Equity Upside arrangement is not approved by our Board as well as shareholders, Baskar Babu Ramachandran shall, (within 21 calendar days of Placid's notice, which shall be issued by Placid at its sole discretion but not earlier than 12 months from the date of listing of the Equity Shares on the Stock Exchanges), requiring him to prepay the Facility, be obligated to prepay the Facility along with such rate of return of 30 % over the Facility and other amounts incurred and a prepayment premium equal to 10 % of the outstanding amounts under the Facility.

OUR MANAGEMENT

Board of Directors

In terms of the Articles of Association, our Bank is required to have not less than three Directors and not more than 15 Directors. As on the date of this Prospectus, our Board comprises nine Directors, including five independent Directors, of which one is a woman Director, three non-executive Investor Directors and one Executive Director.

Details regarding our Board as on the date of this Prospectus are set forth below:

S. No.	Name, designation, term, period of directorship, address, occupation, nationality and DIN	Date of Birth	Age (years)	Other directorships
1.	Ramachandran Rajaraman ***Designation:*** Part-time Chairperson* and Independent Director ***Term:*** Appointed for a period of three years with effect from September 24, 2020 ***Period of Directorship:*** Director since June 7, 2014 ***Address:*** Old No. 3 A, New No. 5, Jeevarathnam Nagar, 2nd Street, Adyar, Chennai 600 020 ***Occupation:*** Retired Banking Professional ***Nationality:*** Indian ***DIN:*** 01953653 **Ramachandran Rajaraman was appointed as the Part-time Chairperson of the Board with effect from March 19, 2020.*	January 1, 1952	69	• Gati-Kintetsu Express Private Limited
2.	Mrutunjay Sahoo ***Designation:*** Independent Director ***Term:*** Appointed for a period of five years with effect from September 22, 2016 ***Period of Directorship:*** Director since December 1, 2015 ***Address:*** Plot No. 77, Road No.72, Prashasan Nagar, Jubilee Hills, Hyderabad 500 033 ***Occupation:*** Retired Civil Servant ***Nationality:*** Indian ***DIN:*** 00015715	March 16, 1954	67	Nil
3.	Jyotin Kantilal Mehta ***Designation:*** Independent Director ***Term:*** Appointed for a period of five years with effect from August 31, 2017 ***Period of Directorship:*** Director since February 13, 2017 ***Address:*** Y/804-805, Golden Rays, Shastri Nagar, Andheri (West), Mumbai 400 053 ***Occupation:*** Professional	February 16, 1958	63	• ASK Investment Managers Limited • ASK Property Investment Advisors Private Limited • ICICI Prudential Pension Funds Management Company Limited • ICICI Prudential Trust Limited • JSW Ispat Special Products Limited

S. No.	Name, designation, term, period of directorship, address, occupation, nationality and DIN	Date of Birth	Age (years)	Other directorships
	Nationality: Indian ***DIN:*** 00033518			• Linde India Limited • Mahindra Insurance Brokers Limited • Mahindra Rural Housing Finance Limited
4.	Meena Hemchandra ***Designation:*** Independent Director ***Term:*** Appointed for a period of five years with effect from December 15, 2018 ***Period of Directorship:*** Director since December 15, 2018 ***Address:*** 57/1, 6th Main, Between 13th and 15th Cross, Malleswaram Bengaluru 560 003 ***Occupation:*** Retired Central Banker ***Nationality:*** Indian ***DIN:*** 05337181	November 20, 1957	63	• CFM Asset Reconstruction Private Limited • The Clearing Corporation of India Limited
5.	John Arunkumar Diaz ***Designation:*** Independent Director ***Term:*** Appointed for a period of five years with effect from December 16, 2019 ***Period of Directorship:*** Director since December 16, 2019 ***Address:*** 8A, Saahil, 14 Altamount Road, Mumbai 400 026 ***Occupation:*** Consultant ***Nationality:*** Indian ***DIN:*** 00493304	August 9, 1951	69	• Aavishkaar Foundation • Aavishkaar Venture Trustees Private Limited • Collateral Medical Private Limited • Connect India E-Commerce Services Private Limited • INI Farms Private Limited • Jeevanti Healthcare Private Limited • Lynx Healthplus Services Private Limited • Microfinance Singapore Pte. Limited • Quest OntheFrontier Pte. Limited • Synergy Health and Medical Private Limited • Synergy Nexgen Products LLP • Synergy Relationship Management Services Private Limited • Tribetech Private Limited • Vaatsalya Health Care Solutions Private Limited

S. No.	Name, designation, term, period of directorship, address, occupation, nationality and DIN	Date of Birth	Age (years)	Other directorships
				• Vortex Engineering Private Limited
6.	Venkatesh Natarajan ***Designation:*** Investor Director ***Term:*** Liable to retire by rotation ***Period of Directorship:*** Director since March 29, 2017 ***Address:*** No. 12 Block 3 GA, 3rd Seawood Road, Thiruvanmiyur, Chennai 600 041 ***Occupation:*** Service ***Nationality:*** American ***DIN:*** 02453219	January 30, 1968	53	• Aurowell Health Systems Private Limited • D2C Consulting Services Private Limited • Dr. Mohan's Diabetes Specialities Centre Private Limited • Green Light Foods Private Limited • Lok Advisory Services Private Limited • Usekiwi Infolabs Private Limited • Inclusion Finance Private Limited
7.	Ranjit Shah ***Designation:*** Investor Director ***Term:*** Liable to retire by rotation ***Period of Directorship:*** Director since November 2, 2018 ***Address:*** 20, C.C.I. Chambers, 2nd Floor, Dinshaw Vachha Road, Churchgate, Mumbai 400 020 ***Occupation:*** Service ***Nationality:*** Indian ***DIN:*** 00088405	May 30, 1958	62	• Chumbak Design Private Limited • Gaja Advisors Private Limited • RAMS Mercantile Private Limited • Thyssenkrupp Industrial Solutions (India) Private Limited • URBI Electronics Private Limited • Visage Holdings and Finance Private Limited
8.	Aleem Remtula ***Designation:*** Investor Director ***Term:*** Liable to retire by rotation ***Period of Directorship:*** Director since December 15, 2018 ***Address:*** 53-11, Morenci Lane, Little Neck, New York, 11362 ***Occupation:*** Finance / Private equity director ***Nationality:*** American ***DIN:*** 02872107	October 27, 1979	41	• JSC Micro Finance Organization Crystal (Member of Supervisory Board, country of Georgia) • S.M.I.L.E. Microfinance Limited

S. No.	Name, designation, term, period of directorship, address, occupation, nationality and DIN	Date of Birth	Age (years)	Other directorships
9.	Baskar Babu Ramachandran ***Designation:*** Managing Director and Chief Executive Officer ***Term:*** Appointed for a period of three years with effect from January 23, 2020 ***Period of Directorship:*** Director since November 10, 2008 ***Address:*** 101, Avalon Raheja Acro - I, Deonar Pada Road, Deonar - East, Mumbai 400 088 ***Occupation:*** Professional ***Nationality:*** Indian ***DIN:*** 02303132	July 26, 1969	51	Nil

Relationship between our Directors and Key Managerial Personnel

None of our Directors are related to each other or to any of the Key Managerial Personnel.

Brief biographies of Directors

Ramachandran Rajaraman is the Part-time Chairperson and Independent Director of our Bank. He holds a bachelor's degree in science from the University of Madras, master's degree in science from the University of Madras and a post graduate diploma in financial management from the University of Madras. He has over 38 years of experience in commercial banking and finance. He has served as a part time non-official director of Deposit Insurance and Credit Guarantee Corporation and a member of the Advisory Board on Banks, Commercial and Financial Frauds of Central Vigilance Commission. Previously, he was associated with Small Industries Development Bank of India as a director, Andhra Bank as its chairperson and managing director, Syndicate Bank as an executive director and Indian Bank as a general manager.

Mrutunjay Sahoo is an Independent Director of our Bank. He is a retired Indian Administrative Services officer and has several years of experience in public administration. Previously, he was a special chief secretary to the Government of Andhra Pradesh and has been associated with several Maharatna and Miniratna public sector undertakings as a nominee director of the Government of India for Maharatna companies and non-official independent director of Government of India for a Miniratna company. He has been principal secretary to government of Andhra Pradesh (energy department) and associated with Transmission Corporation of Andhra Pradesh Limited, Andhra Pradesh Power Finance Corporation Limited and The Singareni Collieries Company Limited.

Jyotin Kantilal Mehta is an Independent Director of our Bank. He holds a bachelor's degree in commerce from the University of Mumbai and obtained first class with honours, is a fellow member of the Institute of Chartered Accountants of India and obtained third rank in the final examination, a fellow member of the Institute of Company Secretaries of India and a fellow member of the Institute of Cost and Works Accountants of India. He has over 35 years of experience in corporate laws. Previously, he was associated with ICICI Bank Limited as a general manager and company secretary, 3i Infotech Limited as senior general manager, Voltas Limited as the chief internal auditor, Bharat Shell Limited as the vice-president of finance and company secretary, and NOCIL Limited as the head of project finance.

Meena Hemchandra is an Independent Director of our Bank. She holds a master's degree in arts from Madurai Kamaraj University. She is a certified associate of the Indian Institute of Bankers and is a Chartered Financial Analyst from the Council of the Chartered Financial Analysts, Hyderabad, India. She has undertaken the RMA-Wharton Advanced Risk Management Program. She is a career central banker who retired as Executive Director from Reserve Bank of India in November 2017, after serving the organization for over 35 years.

John Arunkumar Diaz is an Independent Director of our Bank. He holds a bachelor's degree in science (mathematics) from University of Madras and a post graduate diploma in business management from Xavier Labour Relations Institute, Jamshedpur. He has over 28 years of experience in multi-national banks based in India and overseas, as he was head of change and programme management in Standard Chartered Bank and was also designated credit professional by the

Standard Chartered Bank. Additionally, he has over 18 years of experience as a consultant in banking services for several international institutions, including in Indonesia, Thailand and Mauritius by way of his previous association with Quest OntheFRONTIER Pte. Limited, iCube Consortium Pte Limited and Bain & Company SE Asia Inc., as consultant and his assistance to our Bank and Equitas Finance Private Limited (*now known as, Equitas Small Finance Bank Limited*), two microfinance companies in their transitions to small finance banks. Further, he has also been on the boards of companies in the venture capital, horticulture and agriculture sectors, an automated teller machine manufacturer and in two companies in the primary and secondary healthcare sector which he had promoted.

Venkatesh Natarajan is an Investor Director of our Bank. He holds a bachelor's degree in electronics and instrumentation engineering from Annamalai University, a master's degree in engineering from Arizona State University and a master's degree in business administration from Cornell University. He has several years of experience in venture capital and private equity in India and has been involved as an early investor in the microfinance sector in India. He has also worked with companies in healthcare, agriculture and financial inclusion sectors. He also co-founded and is currently the partner at Lok Advisory Services Private Limited.

Ranjit Shah is an Investor Director of our Bank. He holds a bachelor's degree in electrical engineering from Indian Institute of Technology, Bombay and a master's degree in business administration from the University of Michigan. He has several years of experience in sectors including private equity and financial services. Previously, he has been investor and entrepreneur. He also co-founded and is currently a managing partner at Gaja Advisors Private Limited, which goes by the trade name Gaja Capital.

Aleem Remtula is an Investor Director of our Bank. He holds a bachelor's degree in economics titled '*baccalaurei cum laude in oeconomia'* from Princeton University and a master's degree in business administration from Harvard Business School. He has several years of experience in venture capital and private-equity funds globally. Having started his career with JP Morgan Chase & Co, he is currently associated with DWM Asset Management LLC as a partner of the firm's private equity business line.

Baskar Babu Ramachandran is the Managing Director and Chief Executive Officer of our Bank. He holds a bachelor's degree in mechanical engineering from the University of Madras and a master's degree in business administration from the Pondicherry University. He has participated in the management development programme for strategic management for corporate leadership conducted by Indian Institute of Management, Calcutta. He has several years of experience in the banking and finance sector. Prior to co-founding Suryoday Micro Finance Private Limited, he was associated with various companies including GE Capital Transportation Financial Services Limited as the vice-president- quality and operations and HDFC Bank Limited as assistant vice president.

Terms of appointment of our Managing Director and Chief Executive Officer

Baskar Babu Ramachandran was appointed as the Managing Director and Chief Executive Officer pursuant to the resolution passed by our Board on January 23, 2017 and the resolution passed by our Shareholders on August 31, 2017. He was further reappointed for a term of three years with effect from January 23, 2020, pursuant to the resolution passed by our Board on November 7, 2019 and the resolution passed by our Shareholders on July 27, 2020. The total remuneration paid to Baskar Babu Ramachandran in Fiscal 2020 was ₹ 15.50 million. The details of remuneration pursuant to RBI letters dated December 4, 2019 and January 14, 2020 and an agreement dated July 30, 2020 entered into between our Bank and Baskar Babu Ramachandran are stated below:

S. No.	Particulars	Remuneration
1.	Basic Salary	₹ 5.20 million per annum
2.	House Rent Allowance	₹ 2.08 million per annum
3.	Group Allowance	₹ 5.72 million per annum
	Gross Salary	₹ 13.00 million per annum
4.	Perquisites	1. Usage of car: No cost for official purpose, and for private purpose, fuel cost of a maximum of 200 litres per month (maximum ₹ 0.24 million per annum). All fuel costs in excess of the limit prescribed above shall be borne by Baskar Babu Ramachandran. Further, the car repairs and insurance to be considered at actuals and driver's salary of up to ₹ 0.30 million per annum to be borne by our Bank. 2. Provident Fund/Gratuity/Pension: ₹ 0.62 million per annum towards provident fund and gratuity is payable at 15 days' basic salary for every year of service. 3. Medical Benefits: Mediclaim insurance coverage as per the policy of our Bank for all its employees (currently, not exceeding ₹ 15,000 per annum). 4. Other Benefits: a. *Club fee*: Baskar Babu Ramachandran is eligible for one club membership for himself and his family and such fee is to be considered at actuals and club expenses shall be reimbursed up to ₹ 0.15 million per annum; and

S. No.	Particulars	Remuneration
		b. *Entertainment Expenses:* Reasonable expenses incurred for official purposes to be considered at actuals.
5.	Performance Linked Incentive	A maximum of 35% of the gross annual salary, subject to appraisal and approval by the Board and further approval of the RBI*

* *Pursuant to letter dated December 4, 2019 issued by RBI, our Bank is required to obtain prior approval of RBI as and when the payment of the performance linked incentive becomes due.*

Payment or benefit to Non-Executive Directors of our Bank

1. Remuneration to Non-Executive Directors, including Independent Directors:

Pursuant to the resolution of the Board dated May 6, 2016, each non-executive Director is entitled to receive sitting fees of ₹30,000 per meeting for attending meetings of the Board, sitting fees of ₹25,000 per meeting for attending meetings of the Audit Committee, and sitting fees of ₹20,000 per meeting for attending meetings of the other Committees.

Details of sitting fees paid to the non-executive Directors during Fiscal 2020 are set forth below:

S. No.	Name of the Director	Sitting fees (in ₹ million)	Commission (in ₹ million)	Total (in ₹ million)
1.	Venkatesh Natarajan	0.28	-	0.28
2.	Ranjit Shah	-	-	-
3.	Aleem Remtula	0.52	-	0.52

Details of sitting fees paid to the Independent Directors during Fiscal 2020 are set forth below:

S. No.	Name of the Director	Sitting fees (in ₹ million)	Commission (in ₹ million)	Total (in ₹ million)
1.	Ramachandran Rajaraman	0.71	-	0.71
2.	John Arunkumar Diaz	0.31	-	0.31
3.	Mrutunjay Sahoo	0.5	-	0.5
4.	Jyotin Kantilal Mehta	0.85	-	0.85
5.	Meena Ramchandra	0.77	-	0.77

Arrangement or understanding with major Shareholders, customers, suppliers or others

Except as disclosed below, there is no arrangement or understanding with the major shareholders, customers, suppliers or others, pursuant to which any of our Directors were appointed as a Director or member of senior management.

a) Venkatesh Natarajan, Ranjit Shah and Aleem Remtula are nominated by the qualifying investors pursuant to the Shareholders' Agreement. The Shareholders' Agreement entitles each of our qualifying investors to appoint one director to our Board, provided that in the event there are more than three qualifying investors, such qualifying investors shall collectively nominate three directors to our Board. Such right of appointment of nominee director shall not survive the termination of the Shareholders' Agreement pursuant to successful listing and trading of the Equity Shares on the Stock Exchange, pursuant to the Issue. A qualifying investor under the Shareholders' Agreement has been defined as an investor who together with its affiliates holds at least 3.00% of the total issued and paid-up share capital of our Bank at any point of time base provided that any shares issued pursuant to exercise of employee stock options or the right to subscribe to any Equity Shares provided to Baskar Babu Ramachandran under the Shareholders` Agreement, at any time after June 13, 2016 or the date of deed of adherence to the Shareholders' Agreement with respect to each investor are not to be taken into account for calculating the total issued and paid-up share capital of our Bank. Further, under the Shareholders' Agreement, the Promoters have the right to collectively appoint one director on the Board who, subject to necessary approvals shall be the Managing Director of our Bank. While such right of appointment of the Managing Director is not a survival right under the Shareholders' Agreement, Baskar Babu Ramachandran shall continue to be the Managing Director and Chief Executive Officer in view of the approvals of the Board, Shareholders and the RBI in relation to his appointment, post termination of Shareholders' Agreement. For details, see "*History and Certain Corporate Matters – Shareholders' agreements and other agreements*" beginning on pages 184 to 187.

b) Further, in terms of the Articles of Association, the Promoters and Qualifying Shareholders shall have the right to appoint nominee directors on the Board subject to the receipt of Shareholders' approval, in the first general meeting of our Bank held after successful listing and trading pursuant to completion of the Issue in the following manner:

(i) The Promoters shall have a collective right to appoint one Director ("**Promoter Nominee Director**") on the Board. Additionally, as long the Promoters together hold such number of Equity Shares which constitute 7.50% or more of the paid-up share capital of our Bank on a fully diluted basis, they shall, collectively have the right to appoint two Promoter Nominee Directors on the Board, including the aforesaid right to appoint one Promoter Nominee Director by virtue of continuing as Promoters of our Bank.

(ii) As long as the Qualifying Shareholders together hold such number of Equity Shares which together constitute at least 10% of the paid-up share capital of our Bank on a fully diluted basis, they shall, collectively have the right to appoint one Director ("**Qualifying Shareholder Nominee Director**") to the Board. Further, as long as such Qualifying Shareholders together hold such number of Equity Shares which constitute at least 25% of the paid-up share capital of our Bank on a fully diluted basis, they shall, collectively have the right to appoint two Qualifying Shareholders Nominee Directors on the Board, including the aforesaid right to appoint one Qualifying Shareholders Nominee Director.

For further details, see "*Main Provisions of Articles of Association – Board of Directors* " on pages 413 to 416.

Shareholding of Directors in our Bank

Except Baskar Babu Ramachandran who holds 12,343,578 Equity Shares in our Bank, none of our Directors hold any Equity Shares of our Bank as on the date of this Prospectus.

Interest of Directors

All our Investor Directors and Independent Directors may be deemed to be interested to the extent of sitting fees payable to them for attending meetings of our Board and Committees, and reimbursement of expenses payable to them under our Articles of Association, as approved by our Board, as applicable. Further, our Investor Directors may also be regarded as interested to the extent of the shareholding of the companies, firms and trusts in which such Investor Directors are interested as director, member, partner and/or trustee or otherwise, and to the extent of benefits arising out of such shareholding.

Baskar Babu Ramachandran, our Managing Director and Chief Executive Officer, who is our Promoter as well, is interested to the extent of remuneration payable to him in accordance with applicable law, corporate and other approvals, to the extent of remuneration paid for services rendered as an officer of our Bank and to the extent of any dividend payable to him and other distributions in respect of Equity Shares held by him in our Bank and he is also interested in the promotion and formation of our Bank. For details, see "- *Shareholding of Directors in our Bank*" and "*Our Promoters and Promoter Group*" beginning on pages 194 and 205, respectively.

Except as stated in "*Financial Information*" beginning on page 241 and as disclosed in this section, our Directors do not have any other interest in our Bank, or in any property acquired by or leased to our Bank during the three years immediately preceding the date of this Prospectus, or proposed to be acquired or leased to our Bank, or in any transaction by our Bank including, for acquisition of land, construction of buildings or supply of machinery.

Other than the remuneration, no amount or benefit has been paid or given within the two years preceding the date of filing of this Prospectus or is intended to be paid or given to any of our Directors.

Changes in our Board in the last three years

Name	Date of appointment/ change/cessation	Reason for change
John Arunkumar Diaz	July 27, 2020	Re-designated as an Independent Director
Baskar Babu Ramachandran	January 23, 2020	Re-appointed as Managing Director and Chief Executive Officer
Sheela Bhide	January 23, 2020	Ceased to be an Independent Director and Part-time Chairperson
John Arunkumar Diaz	December 16, 2019	Appointed as an Additional Independent Director
Meena Hemchandra	September 26, 2019	Re-designated as an Independent Director
Ranjit Shah	September 26, 2019	Re-designated as an Investor Director
Aleem Remtula	September 26, 2019	Re-designated as an Investor Director
Meena Hemchandra	December 15, 2018	Appointed as an Additional Independent Director
Aleem Remtula	December 15, 2018	Appointed as Nominee Director

Name	Date of appointment/ change/cessation	Reason for change
Ranjit Shah	November 2, 2018	Appointed as Nominee Director
John Arunkumar Diaz	August 30, 2018	Resigned as an Investor Director

Borrowing powers of Board

In accordance with the provisions of the Articles of Association, the Board may, borrow or raise any monies required for the purpose of our Bank upon such terms and in such manner with or without security as it may determine. In this regard, our Bank, at its shareholders' meeting held on September 24, 2015, has, resolved that subject to the provisions of the Companies Act including without limitation Section 180(1)(c) of the Companies Act and other applicable law, the Board is authorized to borrow money for the purpose of the business of our Bank up to an amount of ₹ 30,000 million, over the aggregate paid up share capital and free reserves.

Corporate governance

The Corporate Governance provisions of the SEBI Listing Regulations will be applicable to us immediately upon listing of the Equity Shares on the Stock Exchanges. We are in compliance with the requirements of applicable regulations, including the SEBI Listing Regulations, the Companies Act and the SEBI ICDR Regulations, in respect of corporate governance including constitution of our Board and committees thereof, and formulation and adoption of policies. The corporate governance framework is based on an effective independent Board, separation of the Board's supervisory role from the executive management team and constitution of the Board committees, as required under law.

Our Board functions as a full board and through various committees constituted to oversee specific operational areas. The executive management of our Bank provides the Board detailed reports on its performance periodically.

The composition of our Board is also in compliance with the Banking Regulation Act, SFB Licensing Guidelines and conditions stipulated by the RBI Final Approval. Further, pursuant to RBI letters dated November 17, 2016 and December 30, 2016 for the constitution of our Board, the RBI:

a) approved the appointment of Ramachandran Rajaraman as a Director on the Board;

b) advised that with respect to the proposal for appointment of the Part-time Chairperson and the Managing Director and Chief Executive Officer that the Board or Nomination and Remuneration Committee shall furnish their recommendations along with the details and conditions of appointment and remuneration of the Part-time Chairperson and the Managing Director and Chief Executive Officer;

c) approved the nomination of Baskar Babu Ramachandran, Mrutunjay Sahoo and Jyotin Kantilal Mehta as Directors on the Board;

d) the RBI also required the nominee for Managing Director and Chief Executive Officer holding 'substantial interest' in any entity other than our Bank to divest their 'substantial interest' in those entities and furnish a certificate from a chartered accountant to that effect, and our Bank is required to furnish compliance with Section 10B of the Banking Regulation Act.

Subsequently, pursuant to RBI letter dated January 14, 2020, the RBI approved the appointment of Baskar Babu Ramachandran as the Managing Director and Chief Executive Officer of our Bank for a period of three years with effect from January 23, 2020, on extant terms and conditions. The RBI also advised our Bank to align the termination clause in the appointment letter of Baskar Babu Ramachandran with Section 35B of the Banking Regulation Act, 1949 along with a request to acknowledge the letter.

Further, pursuant to e-mail from RBI dated March 19, 2020, the RBI has approved the appointment of our Part-Time Chairperson.

Committees of the Board

In addition to the committees of the Board detailed below, our Board may, from time to time, constitute committees for various functions.

Audit Committee

The members of the Audit Committee are:

1. Jyotin Kantilal Mehta (Independent Director), Chairperson;

2. Ramachandran Rajaraman (Part-time Chairperson and Independent Director);

3. Meena Hemchandra (Independent Director); and

4. Ranjit Shah (Investor Director).

The Audit Committee was constituted by a meeting of our Board held on August 17, 2009 and last re-constituted on March 2, 2021. The terms of reference of the Audit Committee were revised pursuant to Board resolution passed on July 30, 2020. The scope and function of the Audit Committee is in accordance with Section 177 of the Companies Act and the Regulation 18 of the SEBI Listing Regulations, and its terms of reference include the following:

1. Oversight of our Bank's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;

2. Review the appropriateness, application and quality of the accounting policies and practices and the financial reporting process;

3. Recommendation for appointment, replacement, reappointment, remuneration and terms of appointment of auditors of our Bank and approval of appointment of Chief Financial Officer and Chief Audit Officer after assessing the qualifications, experience and background, etc. of the candidate;

4. Discussion with statutory auditors, internal auditors, secretarial auditors and cost auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;

5. Reviewing, with the management, performance of statutory, secretarial and internal auditors and adequacy of the internal controls system;

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

    (a) Matters required to be included in the Director's Responsibility Statement to be included in the Board's report, in terms of the Companies Act, 2013;

    (b) Changes, if any, in accounting policies and practices and reasons for the same;

    (c) Major accounting entries involving estimates based on the exercise of judgment by management;

    (d) Significant adjustments made in the financial statements arising out of audit findings;

    (e) Compliance with listing and other legal and regulatory requirements relating to financial statements;

    (f) Disclosure of any related party transactions; and

    (g) Qualifications and modified opinion(s) in the draft audit report;

7. Reviewing, with the management, the quarterly financial statements before submission to the board for approval;

8. Examination of the financial statement and auditors' report thereon;

9. Monitoring the end use of funds raised through public offers and related matters;

10. Reviewing, with the management, the statement of uses/application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the issue document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter;

11. Reviewing and monitoring the auditor's independence and performance, and effectiveness of audit process;

12. Evaluation of internal financial controls and risk management systems;

13. To review valuation of undertakings or assets of the Bank, wherever necessary;

14. To look into the reasons for defaults in the payment to the debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;

15. To establish a vigil mechanism(whistle blower mechanism) for directors and employees to report their genuine concerns or grievances;

16. To review the functioning of the whistle blower mechanism;

17. To approve or ratify transactions of the Bank with related parties as per the provisions of the Policy for Related Party Transactions of the Bank and review significant transactions and matters related thereto; Grant of omnibus approval for related party transactions proposed to be entered into by the Bank subject to such conditions as prescribed and as amended from time to time;

18. Approve, review and monitor the internal audit charter and annual internal audit plan;

19. Approve, review and monitor the Risk Based Internal Audit Plan;

20. Review with the Chief Audit Officer the internal audit budget, resource plan, activities, and organizational structure of the internal audit function;

21. To review with Internal Auditors on any significant findings in the internal audit reports to the management and ensure that corrective actions are being taken in a timely manner;

22. To review the Internal Audit reports relating to internal control weaknesses;

23. To review the findings of any internal investigations by the Internal Auditors/Vigilance department into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and report the matter to the Board;

24. To review the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;

25. To periodically consult with the Statutory Auditors if required without the presence of management about internal controls and fair presentation of financial statements in accordance with accounting principles generally accepted in India, applicable regulatory requirements and provisions of Companies Act, 2013;

26. To discuss and ascertain from the Statutory Auditors post completion of the audit, areas of concern, if any;

27. To review management letters / letters of internal control weaknesses issued by the Statutory Auditor;

28. To provide a right to be heard to the Statutory Auditors and the key management personnel in the meetings of the Audit Committee when it considers the auditor’s report but not the right to vote;

29. To ensure that any concerns raised by the Statutory Auditors are addressed by the management and bring any unaddressed concerns to the notice of the management and/or Board;

30. To study the issues raised by Statutory Auditors and raise appropriate flags to the management in case of repeated issues;

31. Approval of payment to statutory auditors for any other services rendered by the Statutory Auditors;

32. To ensure that IS audit of internal systems and processes is conducted at least once in a year to assess the operational risks faced by the Bank;

33. Review the implementation and effectiveness of the financial and Risk Management policies and processes and highlight any gaps observed to the Board;

34. Review and analyse various regulatory inspection and audit reports to identify inconsistencies and understand the Bank’s action plan to mitigate the same;

35. Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of non- compliance;

36. Review the findings of any examinations by regulatory agencies, and auditor observations;

37. Review the process for communicating the code of conduct to Bank personnel, and for monitoring compliance therewith;

38. Obtain regular updates from management regarding compliance matters;

39. With respect to Inspection reports of the Inspecting team of Reserve Bank of India or any other regulator, approve action plans for corrective actions to be taken and monitor compliance thereof and review compliance in respect of the Annual Financial Inspection conducted by RBI on ongoing basis till the Bank furnishes full compliance. Audit committee should closely monitor persisting deficiencies pointed out in RBI Inspection Reports;

40. Establish a process of reporting by the management or Statutory Auditors, as the case may be to the audit committee with regard to any significant judgement made in preparation of the financial statements along with their views on appropriateness of such judgements;

41. Following completion of the annual audit and internal audit plan, review separately with each of the Management, the Statutory Auditors and the Chief Audit Officer any significant difficulties encountered during the course of the audit, including any restrictions on the scope of the work or access to required information;

42. Review any significant disagreement between the Management and the Statutory Auditors in connection with the preparation of the financial statements;

43. Review with Management the extent to which changes or improvements in financial or accounting practices, as approved by the audit committee have been implemented; and

44. Perform any other activities consistent with this Charter and governing laws, as the audit committee or the Board deems necessary or appropriate.

The audit committee shall mandatorily review the following information:

1. management discussion and analysis of financial condition and results of operations;

2. statement of significant related party transactions (as defined by the audit committee), submitted by management;

3. management letters / letters of internal control weaknesses issued by the statutory auditors;

4. internal audit reports;

5. the appointment, removal and terms of remuneration of the internal auditor shall be subject to review by the audit committee; and

6. statement of deviations as and when becomes applicable:

    (a) quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s) in terms of Regulation 32(1) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ("**Listing Regulations**"); and

    (b) annual statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice in terms of the Listing Regulations.

Nomination and Remuneration Committee

The members of the Nomination and Remuneration Committee are:

1. Mrutunjay Sahoo (Independent Director), Chairperson;

2. Jyotin Kantilal Mehta (Independent Director);

3. John Arunkumar Diaz (Independent Director);

4. Venkatesh Natarajan (Investor Director); and

5. Ranjit Shah (Investor Director).

The Nomination and Remuneration Committee was constituted by a meeting of our Board held on October 11, 2010 and was last reconstituted by our Board at their meeting held on January 22, 2020. The terms of reference of the Nomination and Remuneration Committee were revised by our Board at their meeting held on July 30, 2020. The scope and functions of the Nomination and Remuneration Committee is in accordance with Section 178 of the Companies Act and Regulation 19 of the SEBI Listing Regulations, and its terms of reference include the following:

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

   The Nomination and Remuneration Committee, while formulating the above policy, should ensure that:

   (i) the level and composition of remuneration be reasonable and sufficient to attract, retain and motivate managerial talent; and

   (ii) meets appropriate performance benchmarks; and

   (iii) involves a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the Bank;

2. Formulating criteria for evaluation of performance of independent directors and the Board of Directors and specifying the manner for effective evaluation of performance of the Board, its committees and individual directors to be carried out either by the Board, by the Nomination and Remuneration Committee or by an independent external agency and review its implementation and compliance;

3. Devising a policy on diversity of Board of Directors;

4. Identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the Board of directors their appointment and removal. In the case of appointment of directors, the Committee shall ensure that the persons identified adhere to the 'fit and proper' guidelines issued by RBI in this regard;

5. Extending or continuing the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors;

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

7. Recommending to the Board of Directors a policy on succession planning for the board and senior management and overseeing and reviewing the succession plans from time to time;

8. Administering, monitoring and formulating detailed terms and conditions of the Employees' Stock Option Scheme of the Bank;

9. Carrying out any other function as is mandated by the Board from time to time and/or enforced/mandated by any statutory notification, amendment or modification, as may be applicable; and

10. Performing such other functions as may be necessary or appropriate for the performance of its duties.

Stakeholders' Relationship Committee:

The members of the Stakeholders' Relationship Committee are:

1. John Arunkumar Diaz (Independent Director), Chairperson;

2. Mrutunjay Sahoo (Independent Director);

3. Venkatesh Natarajan (Investor Director);

4. Ranjit Shah (Investor Director); and

5. Aleem Remtula (Investor Director).

The Stakeholders' Relationship Committee and Investor Grievance Committee was constituted by our Board at their meeting held on March 29, 2017 and was last re-constituted by our Board at their meeting held on March 30, 2020 and was renamed as Stakeholders' Relationship Committee by our Board at their meeting held on July 30, 2020. The scope and functions of the Stakeholders' Relationship Committee is in accordance with Section 178 of the Companies Act and Regulation 20 of the SEBI Listing Regulations and its terms of reference include the following:

1. To resolve the grievances of the security holders of the Bank including complaints related to transfer/transmission of shares, non-receipt of annual report, non-receipt of declared dividends, issue of new/duplicate certificates, general meetings etc. and assisting with quarterly reporting of such complaints;

2. To review of measures taken for effective exercise of voting rights by shareholders;

3. To monitor and review the performance and service standards adopted by the Bank in respect of various services being rendered by the registrar and transfer agents of the Bank;

4. To review of the various measures and initiatives taken by the Bank for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants/annual reports/statutory notices by the shareholders of the Bank: and

5. Carrying out such other functions as may be specified by the Board from time to time or specified/provided under the Companies Act or SEBI Listing Regulations or by any other regulatory authority(ies).

Corporate Social Responsibility Committee

The members of the Corporate Social Responsibility Committee are:

1. Ramachandran Rajaraman (Part-time Chairperson and Independent Director), Chairperson;

2. Mrutunjay Sahoo (Independent Director);

3. Aleem Remtula (Investor Director);

4. Venkatesh Natarajan (Investor Director); and

5. Baskar Babu Ramachandran (Managing Director and Chief Executive Officer).

The Corporate Social Responsibility Committee was constituted by our Board at their meeting held on May 18, 2015 and last reconstituted by the Board at their meeting held on January 22, 2020. The scope and functions of the Corporate Social Responsibility Committee are in accordance with Section 135 of the Companies Act and its terms of reference include the following:

1. To formulate and recommend to the Board, a corporate social responsibility policy, which shall indicate the activities to be undertaken by the Bank as specified in Schedule VII of the Companies Act, 2013 and review the same from time to time;

2. To monitor the implementation of CSR objectives of the Bank;

3. To recommend the amount of expenditure to be incurred on the CSR activities;

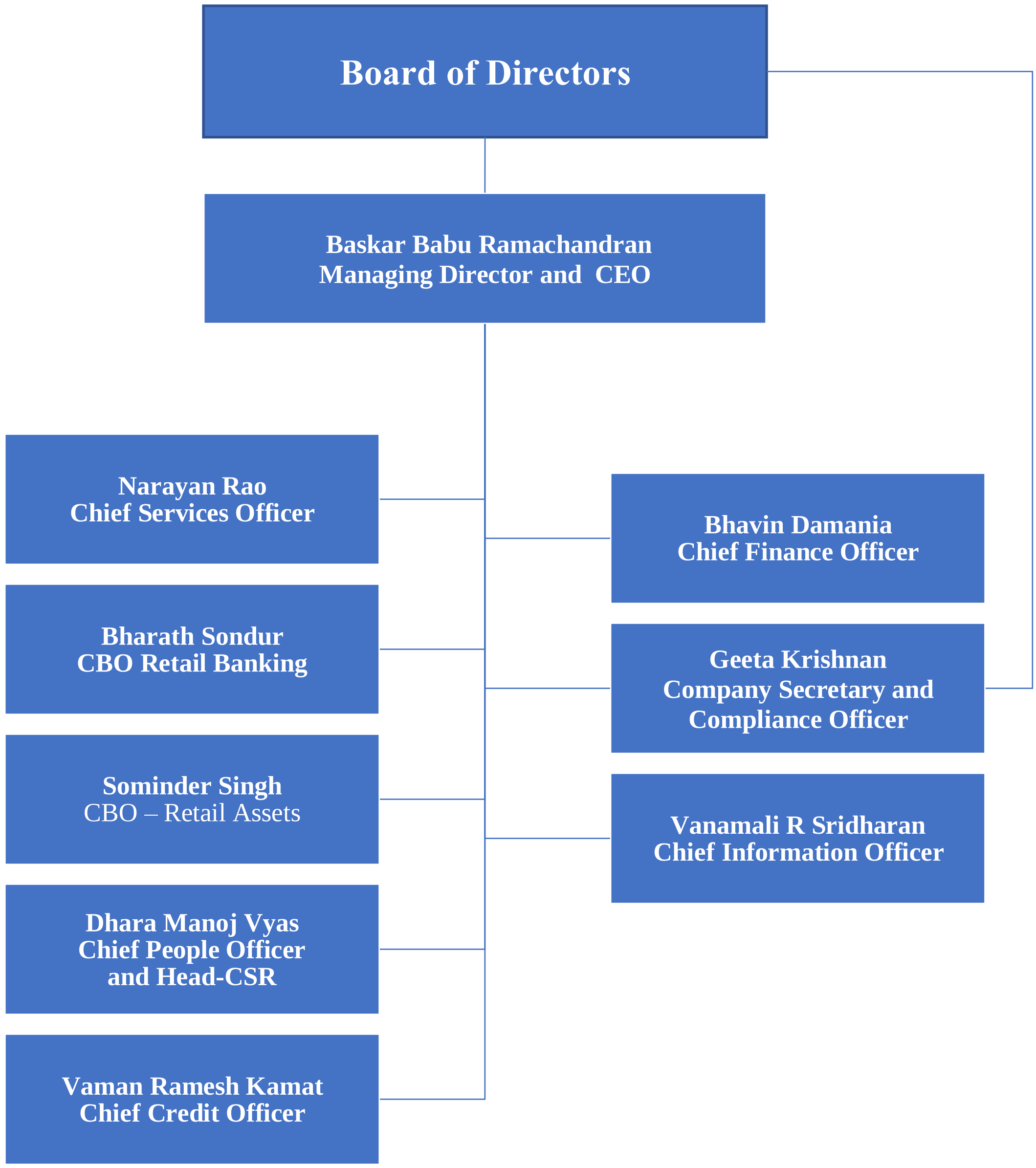
4. To monitor and oversee the CSR spend on an annual basis; and

5. To do such other acts, deeds and things as may be directed by the Board and required to be done in order to comply with the applicable laws and practices with respect to CSR.

Other committees of our Bank

In addition to the aforesaid committees of our Board, our Bank has constituted various other committees, such as, the risk management committee, IT strategy committee, board strategy committee, customer service committee, credit committee, committee for review of wilful defaulters and monitoring high value frauds and IPO committee to oversee and/or govern various functions and activities of our Bank, as applicable.

Management Organisation Chart



Key Managerial Personnel

The details of the Key Managerial Personnel of our Bank are as follows:

Baskar Babu Ramachandran is the Managing Director and Chief Executive Officer of our Bank. For details, see "- *Brief Biographies of Directors*" beginning on page 191. For details of compensation paid to him during Fiscal 2020, see "- *Terms of appointment of our Executive Director*" on pages 192 to 193.

Bhavin Damania is the Chief Financial Officer of our Bank. He holds a bachelor's degree in commerce from the University of Mumbai. He is a certified chartered accountant from the Institute of Chartered Accountants of India. He has over 14 years of experience in the banking and financial services sector. Prior to joining our Bank, he was associated with Credit Suisse Services (India) Private Limited as an exempt-non-officer, ICICI Bank Limited as assistant manager and BSR & Co. LLP, Chartered Accountants as manager. He has been associated with our Bank since January 25, 2016. He has received compensation of ₹ 7.74 million from our Bank in Fiscal 2020.

Geeta Krishnan is the Company Secretary and Compliance Officer of our Bank. She is an associate member of the Institute of Company Secretaries of India and a certificated associate of the Indian Institute of Bankers. She holds a bachelor's degree in general law from the Institute of Chartered Financial Analysts of India University, Tripura. She has over 24 years of experience in secretarial matters and corporate governance. Prior to joining our Bank, she was associated with Bombay Burmah Trading Corporation Limited as deputy company secretary, Shree Ganesh Forgings Limited as a company secretary, Bhupendra Industries Limited as a company secretary, the Institute of Company Secretaries of India as an education officer, Digital Equipment (India) Limited as an assistant company secretary, Pine Chemicals Limited as a company secretary and State Bank of India as a clerk-cum-cashier. She has been associated with our Bank since April 3, 2017. She has received compensation of ₹ 3.43 million from our Bank in Fiscal 2020.

Narayan Rao is the Chief Services Officer of our Bank. He holds a bachelor's degree in arts from Loyola College, Madras and a master's degree in business administration from Symbiosis Institute of Management, University of Poona. He has over 30 years of experience in sales, operations, and information technology. Prior to joining our Bank, he was associated with Pioneer Investcorp Limited as head – information technology, Intelligroup Asia Private Limited as senior director, Intelligroup, Inc. USA as an employee, Page Point Services (India) Limited as area sales manager, Digivision Electronics Limited as a management trainee, Le Meridian, New Delhi as a sales executive and Automotive Technological and Commercial India Private Limited as partner – operations. He has been associated with our Bank since March 1, 2009. He has received compensation of ₹ 13.82 million from our Bank in Fiscal 2020.

Sominder Singh is the Chief Business Officer-Retail Assets of our Bank. He holds a bachelor's degree in electrical engineering, a master's degree in business administration and a bachelor's degree in law from Panjab University. He started his corporate career in May 1994 with Consortium Finance & Leasing Limited as management trainee and has several years of experience in sales, marketing and general management. Prior to joining our Bank, he was associated with Daimler India Commercial Vehicles Private Limited as a vice president – domestic sales, product management and network, Daimler Financial Services India Private Limited as head - sales & marketing (commercial vehicles), SBI Cards and Payment Services Private Limited as partnership cards leader (VP level), GE Capital Services India as a vice president, ICICI Bank Limited as assistant general manager, Citibank N.A., India as an assistant vice president and Citicorp Finance (India) Limited as territory manager- sales. He has been associated with our Bank since May 12, 2017. He has received compensation of ₹ 10.52 million from our Bank in Fiscal 2020.

Dhara Manoj Vyas is the Chief People Officer and Head - CSR of our Bank. She holds a bachelor's degree in business administration and a master's degree in commerce from Saurashtra University, and a post graduate diploma in human resource management from Symbiosis Centre for Distance Learning. She has over 16 years of experience in the operations and development. Prior to joining our Bank, she was associated with Grameen Foundation India Private Limited as head – strategy and operations, Swadhaar FinServe Private Limited as a chief manager operations and human resource, Lupp Middle East LLC as supervisor of human resources and administrative operations, Accion Technical Advisors India as a manager, Kotak Mahindra Bank Limited as an associate vice president, HDFC Bank Limited as an assistant manager - retail and ANZ Grindlays Bank as grade 2 officer in management cadre. She has been associated with our Bank since May 29, 2017. She has received compensation of ₹ 5.20 million from our Bank in Fiscal 2020.

Bharath Nyamathi Sondur is the Chief Business Officer-Retail Banking in Sales of our Bank. He holds a bachelor's degree in science and a post graduate diploma in computer applications from Kuvempu University. He has over 21 years of experience in retail and consumer banking. Prior to joining our Bank, he was associated with Jana Small Finance Bank Limited as an executive vice president, IndusInd Bank Limited as vice president, ING Vysya Bank Limited as vice president and regional head, HDFC Bank Limited as a senior manager, Global Trust Bank Limited as an executive and State Bank of Travancore as a clerk. He has been associated with our Bank since April 2, 2018. He has received compensation of ₹ 7.99 million from our Bank in Fiscal 2020.

Vaman Ramesh Kamat is the Chief Credit Officer of our Bank. He holds a bachelor's degree in commerce from University of Bombay. He has passed the final examinations held by Institute of Chartered Accountants of India and Institute of Cost and Works Accountants of India. He has over 18 years of experience in the banking sector. Prior to joining our Bank, he was associated with HDFC Bank Limited as a senior vice president. He has been associated with our Bank since May 17, 2019. He has received compensation of ₹ 8.09 million from our Bank in Fiscal 2020.

Vanamali R Sridharan is the Chief Information Officer of our Bank. He holds a bachelor's degree in computer science engineering from University of Madras and a master's degree in business administration from Pondicherry University. He has over 28 years of experience in the banking. Prior to joining our Bank, he was associated with Equitas Small Finance Bank Limited as a chief technology officer, RBS India Development Centre Private Limited as a business head, National Bank of Ras Al Khaimah as a chief information officer, Accenture as a senior manager, Scope International Pvt Ltd. as head – business analysis, Standard Chartered Bank, Dubai as a support manager- intl. sales team, Cholamandalam Investment and Finance Company Limited as a manager and Tata Consultancy Services as marketing executive. He has been associated with our Bank since July 11, 2019. He has received compensation of ₹ 7.30 million from our Bank in Fiscal 2020.

Relationship between our Key Managerial Personnel and Directors

None of the Key Managerial Personnel are either related to each other or to the Directors.

Arrangement or understanding with major Shareholders, customers, suppliers or others

Except in relation to appointment of Baskar Babu Ramachandran as our Managing Director and Chief Executive Officer, there is no arrangement or understanding with the major shareholders, customers, suppliers or others, pursuant to which any of our Key Managerial Personnel have been appointed. For details, see "*– Arrangement or understanding with major Shareholders, customers, suppliers or others*" on pages 193 to 194.

Shareholding of Key Managerial Personnel in our Bank

Except as disclosed below, none of our Key Managerial Personnel hold any Equity Shares as on the date of this Prospectus:

Name of Key Managerial Personnel	Number of Equity Shares held
Baskar Babu Ramachandran	12,343,578
Geeta Krishnan	16,250
Narayan Rao	227,900
Sominder Singh	89,000
Dhara Manoj Vyas	14,000

In addition to the Equity Shares held, our Key Managerial Personnel have been granted certain options under the ESOP 2016 and the ESOP 2019. For details in relation to the options granted to our Key Managerial Personnel see, *"Capital Structure"* from pages 93 and 101.

Status of Key Managerial Personnel

All the Key Managerial Personnel are permanent employees of our Bank.

Interests of Key Managerial Personnel

Our Key Managerial Personnel do not have any interest in our Bank other than to the extent of the remuneration or benefits to which they are entitled to as per their terms of appointment and reimbursement of expenses incurred by them in the ordinary course of business. The Key Managerial Personnel may also be deemed to be interested to the extent of any dividend payable to them and other distributions in respect of Equity Shares held by them in our Bank, if any. For details of interest of our Managing Director and Chief Executive Officer, in our Bank, see "*- Interest of Directors*" on page 194.

Changes in the Key Managerial Personnel

The changes in the Key Managerial Personnel in the last three years are as follows:

Name	Designation	Date of change	Reason for change
Vishal Singh	Chief Technology Officer	February 8, 2021	Resignation
Dhara Manoj Vyas	Chief People Officer and Head - CSR	September 3, 2020	Re-designation
Pradipta Sahoo	Chief People Officer	September 2, 2020	Resignation
Vanamali R Sridharan	Chief Information Officer	July 11, 2019	Appointment
Vaman Ramesh Kamat	Chief Credit Officer	May 17, 2019	Appointment
Vishal Singh	Chief Technology Officer	May 2, 2019	Re-designation
Rajeev Raghavan Panikath	Chief Information Officer	April 30, 2019	Resignation
Bharath Nyamathi Sondur	Chief Business Officer - Retail Banking	March 11, 2019	Re-designation

Service Contracts with Directors and Key Managerial Personnel

Except in respect of statutory benefits upon termination of their employment in our Bank or on retirement, no officer of our Bank, including our Directors and the Key Managerial Personnel have entered into a service contract with our Bank pursuant to which they are entitled to any benefits upon termination of employment.

Bonus or profit-sharing plans of the Directors and Key Managerial Personnel

None of our Directors or Key Managerial Personnel are party to any bonus or profit-sharing plan of our Bank, other than the performance linked incentives given to Baskar Babu Ramachandran. For details, see "*– Terms of appointment of our Managing Director and Chief Executive Officer*" on pages 192 to 193.

Employees stock options

For details of employee stock options plans under ESOP 2010, ESOP 2014, ESOP 2016 and ESOP 2019, see "*Capital Structure*" on pages 88 to 102.

OUR PROMOTERS AND PROMOTER GROUP

Our Promoters

The Promoters of our Bank are:

1. Baskar Babu Ramachandran;

2. P. Surendra Pai;

3. P. S. Jagdish; and

4. G. V. Alankara.

As on the date of this Prospectus, the Promoters, in aggregate, hold 29,734,732 Equity Shares in our Bank, representing 30.35% of the pre-Issue Equity Share capital of our Bank.

For details of the build-up of the Promoters' shareholding in our Bank, see "*Capital Structure – History of the Equity Share capital held by our Promoters*", on pages 78 to 81.

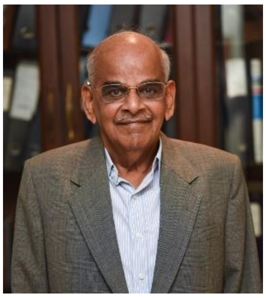
Details of our Promoters

1. **Baskar Babu Ramachandran**

Baskar Babu Ramachandran, born on July 26, 1969, aged 51 years, is a citizen of India. He is the Managing Director and Chief Executive Officer of our Bank. For further details, see "*Our Management – Brief biographies of Directors*" beginning on page 191.

His PAN is AGEPR3388L and his driving license number is MH0320120025011. His aadhaar card number is 625708780105.

2. **P. Surendra Pai**



P. Surendra Pai, born on July 28, 1942, aged 78 years, is a citizen of India. He resides at A-603, Vaishnavi Splendour, No. 12, 3rd Cross, Poojari Layout, RMV Extension, 2nd Stage, 2nd Block, Bengaluru 560 094, Karnataka, India. He holds a bachelor's degree in electrical engineering from University of Mysore and a post graduate diploma in industrial engineering from the Indian Institute of Technology, Madras. He has several years of experience in banking and finance. Previously, he was associated with Wipro Limited (Consumer Care and Lighting) as the vice-chairman and executive officer and the Murugappa Corporate Board (advisory board) as the executive chairman.

His PAN is ABPPP1301H. He does not have a driving license. His aadhaar card number is 827575683491.

3. **P. S. Jagdish**

P. S. Jagdish, born on November 22, 1966, aged 54 years, is a citizen of India. He resides at No. 31, North Mada Street, Srinagar Colony, Chennai 600015, Tamil Nadu, India. He holds a bachelor's degree in engineering (industrial production) from Manipal Institute of Technology, Manipal. He has several years of experience in electrical engineering industry. Previously, he was associated with Indian Transformer Manufacturers Associations as one of the founders and headed the organisation and Indo Tech Transformers Limited as executive director.

His PAN is AABPJ0532B and his driving license number is TN0919870005332. His aadhaar card number is 574777586562.

4. **G. V. Alankara**

G. V. Alankara, born on May 17, 1960, aged 60 years, is a citizen of India. He resides at 604/3, Malpa Dongri, Radha Krishna Nagar, Andheri East, Mumbai

400 093, Maharashtra, India. He holds a master's degree in business administration from the University of Cochin. He has several years of experience in financial services. He is currently associated with Old Bridge Capital Management Private Limited as a director.

His PAN is AAHPA4550G and his driving license number is MH0220100092943. His aadhaar card number is 302213727647.

Our Bank confirms that the PAN, bank account numbers and passport numbers of our Promoters have been submitted to the Stock Exchanges at the time of filing of the Draft Red Herring Prospectus.

Change of control

Baskar Babu Ramachandran is the original promoter of our Bank. P. Surendra Pai, P. S. Jagdish and G. V. Alankara have become promoters of our Bank from the date of commencement of our business operations as an SFB, which was January 23, 2017 and were named as promoters in the filings made before the RBI in relation to obtaining the RBI Final Approval.

Interests of our Promoters

Our Promoters are interested in our Bank to the extent they have promoted our Bank, to the extent of their shareholding in our Bank, directly and indirectly, the dividends payable, if any, and any other distributions in respect of the Equity Shares held by them in our Bank, from time to time. For details of the shareholding of our Promoters in our Bank, see "*Capital Structure – History of the Equity Share capital held by our Promoters*", on pages 78 to 81. Further, Baskar Babu Ramachandran is also interested in our Bank as an Executive Director. For details, see "*Our Management*" beginning on page 188.

Our Promoters have no interest in any property acquired by or leased to our Bank during the three years immediately preceding the date of this Prospectus, or proposed to be acquired or leased to our Bank, or in any transaction by our Bank for acquisition of land, construction of building or supply of machinery.

No sum has been paid or agreed to be paid to any of our Promoters or to the firms or companies in which our Promoters are interested as members in cash or shares or otherwise by any person, either to induce them to become or to qualify them, as directors or promoters or otherwise for services rendered by our Promoters or by such firms or companies in connection with the promotion or formation of our Bank.

Payment of benefit to our Promoters or Promoter Group

Except in the ordinary course of business and as disclosed in "*Financial Information*" beginning on page 241, no amount or benefit has been paid or given to our Promoters or Promoter Group during the two years preceding the filing of this Prospectus nor is there any intention to pay or give any amount or benefit to our Promoters or Promoter Group.

Material guarantees given by our Promoters

Except as disclosed below, there are no material guarantees given by our Promoters to any third parties with respect to the Equity Shares.

The following guarantee issued by one of our Promoters, P.S. Jagdish, is in the nature of a personal guarantee and has been issued towards contractual obligations in respect of the facility agreement entered into between Kiran Vyapar Limited and Baskar Babu Ramachandran.

Name of Promoter	Name of lender	Nature of facility	Nature of Security	Amount (in ₹ million)
P. S. Jagdish	Kiran Vyapar Limited	Term loan	Deed of guarantee from the personal guarantor for the put option obligations	250

The abovementioned guarantee is effective for a period till the underlying loan is repaid by Baskar Babu Ramachandran. The financial implications in case of default by the borrowers would entitle the lender to invoke the personal guarantee given by P.S. Jagdish, to the extent of ₹ 250 million, as provided under the deed of guarantee dated November 29, 2020 entered into *inter alia* among between P. S. Jagdish, Baskar Babu Ramachandran, Universal Trusteeship Services Limited, Kiran Vyapar Limited and Avendus Finance Private Limited. For further details on such put option, see "*History and certain Corporate Matters – Other Agreements*" on pages 185 to 187.

Our Promoter Group

Details of the Promoter Group of our Bank are set forth below:

a. Natural persons forming part of our Promoter Group

The persons forming part of our Promoter Group who are related to our Promoters (other than our Promoters) are as follows:

S. No.	Name of Promoter	Name of relative	Relationship
1.	Baskar Babu Ramachandran	Vimala Ramachandran	Mother
		B. G. Jothi	Sister
		Shilpa Bhaskar Babu	Spouse
		Sai Abishek Bhaskar	Son
		Nirmala Narasimhalu	Spouse's mother
		Sheela Muralikrishna	Spouse's sister
2.	P. Surendra Pai	P. Mohan Pai, P. Anantharay Pai, P. Madhavaray Pai and P Subraya Pai	Brothers
		Chandrakala Kamath, Kusuma Nayak, Rama Mallya, Shambhavi Shenoy, Poornima Nayak, Jaya Prabhu, Vijaya Prabhu	Sisters
		Savita Surendra Pai	Spouse
		Sheela Pai Cole and Sunaina Pai Ocalan	Daughters
		H. Raghunath Kamath	Spouse's father
		Leelavaty Kamath	Spouse's mother
		H. Divakar Kamath	Spouse's brother
3.	P. S. Jagdish	P. E. Subramaniam	Father
		A. C. Vijayalakshmi	Mother
		P. S. Shekar	Brother
		Jayshree Pradeep	Sister
		Meera Jagdish	Spouse
		Adithya S. Jagdish and Ajay S. Jagdish	Sons
		R. Srinivasan	Spouse's father
		Nirmala Srinivasan	Spouse's mother
		S. Ramesh	Spouse's brother
		Vidhya Sriram	Spouse's sister
4.	G. V. Alankara	Elizabeth Varghese Alankara	Mother
		Mariaugusta Alankara and Teresitta Jose	Sisters
		Philomena Gealgeo	Spouse
		Deepak Gealgeo Alankara	Son
		Elizabeth Gealgeo Alankara	Daughter
		Rosy Cherian	Spouse's mother
		Joseph Cherian and George Cherian	Spouse's brothers

b. Entities forming part of our Promoter Group

The entities forming part of our Promoter Group are as follows:

S. No.	Name of Promoter	Name of entity
1.	P. Surendra Pai	(i) Pai Investments
2.	P. S. Jagdish	(i) NISAN Agencies; (ii) P S Industrials; (iii) P S P C Exports Private Limited; (iv) P S Power Controls; (v) Peruvamba Engineering Limited; (vi) Peruvamba Estates Private Limited; (vii) S P S Finvest Private Limited; (viii) S P S Transformers Private Limited; (ix) Sivasakthi Engineering & Fabricators Private Limited;

		(x) Vijaya Agencies; and (xi) Vigneswara Electricals Limited.

c. Hindu Undivided Families forming part of our Promoter Group

The Hindu Undivided Families forming part of our Promoter Group are as follows:

S. No.	Name of Promoter	Name of entity
1.	P. Surendra Pai	P Surendra Pai HUF
2.	P. S. Jagdish	P E Subramaniam HUF

OUR GROUP COMPANY

Pursuant to a resolution dated September 17, 2020, our Board has noted that in accordance with the SEBI ICDR Regulations and for the purpose of disclosure in this Prospectus, group companies of our Bank shall include (i) the companies with which there were related party transactions as disclosed in the Restated Financial Statements; or (ii) such other company as deemed material by our Board.

Accordingly, based on the parameters outlined above, our Bank does not have any group company as on the date of this Prospectus.

DIVIDEND POLICY

Our Bank has no formal dividend policy. The declaration and payment of dividends will be recommended by our Board and approved by the Shareholders, at their discretion, subject to the provisions of the Banking Regulation Act and regulations made thereunder, the RBI Act and the regulations and guidelines made thereunder, the Articles of Association and other applicable laws, including the Companies Act. The dividend, if any, will depend on a number of factors, including but not limited to, the future expansion plans and capital requirements, profit earned during the Fiscal, past dividend trends, liquidity and applicable taxes payable by our Bank, optimal capital adequacy ratio subject to regulatory minimum of total and tier I capital adequacy ratio, additional regulatory requirements of capital in near future cost of raising funds from alternate sources, reinvestment opportunities and any other applicable criteria from the legal or regulatory framework applicable to our Bank. In addition, our ability to pay dividends may be impacted by a number of factors, including restrictive covenants under loan or financing arrangements our Bank is currently availing of or may enter into to finance our fund requirements for our business activities.

As per the Articles of Association, our Bank may pay dividend by electronic mode or by cheque or warrant sent through post, directed to the registered address of the holder or, in the case of joint holders, to the registered address of that of the joint holders who is first named on the register of members, or to such person and to such address as the holder or joint holders may in writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent.

Our Bank has not declared any dividends for Fiscals 2020, 2019 and 2018. Further, our Bank has not declared any dividend from March 31, 2020 till the date of this Prospectus. In terms of the Banking Regulation Act, a banking company is permitted to declare dividends only upon all of its capitalised expenses being written off.

SELECTED STATISTICAL INFORMATION

The selected statistical information contained in this section is based on or derived from our Restated Financial Statements for Fiscal 2018, 2019 and 2020 and for the nine months ended December 31, 2019 and 2020. The following discussion should be read together with the information included in the section "Financial Statements" included elsewhere in this Prospectus.

The following information is included for analytical purposes. Certain non-GAAP financial measures and certain other statistical information relating to our operations and financial performance have been included in this section and elsewhere in this Prospectus. We compute and disclose such non-GAAP financial measures and such other statistical information relating to our operations and financial performance as we consider such information to be useful measures of our business and financial performance, and because such measures are frequently used by securities analysts, investors and others to evaluate the operational performance of financial services businesses, many of which provide such non-GAAP financial measures and other statistical and operational information when reporting their financial results. Such non-GAAP measures are not measures of operating performance or liquidity defined by generally accepted accounting principles. These non-GAAP financial measures and other statistical and other information relating to our operations and financial performance may not be computed on the basis of any standard methodology that is applicable across the industry and therefore may not be comparable to financial measures and statistical information of similar nomenclature that may be computed and presented by other banks in India or elsewhere.

Our Bank's Fiscal commences on April 1 and ends on March 31 of the immediately subsequent year, and references to a particular Fiscal are to the 12 months ended March 31 of that year. Unless otherwise indicated or the context otherwise requires, the financial information included herein is based on or derived from our Restated Financial Statements included in this Prospectus. Unless otherwise indicated average balances are the year to date quarterly averages as of April 1, June 30, September 30, December 31 and March 31 of each relevant year.

Average Balance Sheet of our Bank

The tables below present the average balances for interest-earning assets and interest-bearing liabilities of our Bank together with the related interest income and expense amounts, resulting in the presentation of the average yields and cost for each period. The average balance is the average of advances and deposits for the period. The average yield on average assets is the ratio of interest earned to average interest-earning assets. The average cost on average interest-bearing liabilities is the ratio of interest expense to average interest-bearing liabilities. Average interest earning assets, yields, average non-interest earning assets, average interest-bearing liabilities, average non-interest bearing liabilities, and cost of funds, are non-GAAP measures. The tables below set forth the reconciliation of such non-GAAP measures to the GAAP measures appearing in our Restated Financial Statements:

	Nine Months ended December 31,					
	2019			**2020**		
	Average Balance[(1)] D	**Interest Earned[(3)] E**	**Yield (%) F=E/D**	**Average Balance[(1)] G**	**Interest Earned[(3)] H**	**Yield (%) I=H/G**
	(₹ million, except percentages)					
Interest Earning Assets:						
i. Advances	30,244.05	5,155.48	22.73%* [17.05%]	35,500.95	5,442.14	20.44%* [15.33%]
ii. Investments	7,241.87	388.25	7.15%* [5.36%]	13,068.11	598.34	6.10%* [4.58%]
iii. Others[(2)]	1,671.83	88.42	7.05%* [5.29%]	6,927.16	203.01	3.91%* [2.93%]
Total	39,157.75	5,632.15	19.18%* [14.38%]	55,496.22	6,243.49	15.00%* [11.25%]
Non-Interest Earning Assets:						
iv. Fixed assets	227.36	-	0.00%	397.67	-	0.00%
v. Other assets	2,525.29	-	0.00%	3,266.64	-	0.00%
Total	2,752.65	-	0.00%	3,664.31	-	0.00%

	Nine Months Ended					
	2019			2020		
	Average Balance(1) D	Interest Expended E	Cost of Funds (%) F=E/D	Average Balance(1) G	Interest Expended H	Cost of Funds (%) I=H/G
	(₹ million, except percentages)					
Interest-Bearing Liabilities:						
i. Demand Deposit	269.71	-	0.00%	494.86	-	0.00%
ii. Saving Banks Deposit	1,933.52	102.02	7.04%* [5.28%]	3,087.48	127.66	5.51%* [4.13%]
iii. Term Deposits	18,245.30	1,188.71	8.69%* [6.52%]	26,766.27	1,647.99	8.21%* [6.16%]
iv. **Total Deposits (i+ii+iii)**	20,448.53	1,290.73	8.42%* [6.31%]	30,348.61	1,775.65	7.80%* [5.85%]
v. Borrowings	10,058.61	730.10	9.68%* [7.26%]	14,560.36	935.07	8.56%* [6.42%]
Total	30,507.14	2,020.83	8.83%* [6.62%]	44,908.97	2,710.72	8.05%* [6.04%]
Non-Interest Bearing Liabilities:						
vi. Capital	824.54	-	0.00%	886.67	-	0.00%
vii. Reserves & Surplus	8,758.83	-	0.00%	10,689.11	-	0.00%
viii. **Shareholders' equity (vi + vii)**	9,583.37	-	0.00%	11,575.78	-	0.00%
ix. Other liabilities & Provision	1,819.89	-	0.00%	2,675.80	-	0.00%
Total	11,403.26	-	0.00%	14,251.58	-	0.00%

**Annualized. Figures in square brackets represent unannualized figures*

Notes:

(1) *Average balances are the quarterly averages as of April 1, June 30, September 30, December 31 and March 31 of each relevant year.*

(2) *Includes balances with Reserve Bank of India in other accounts, balances with banks in other deposit accounts, money at call and short notice.*

(3) *Interest earned on advances include interest on advances and gain on securitization and direct assignment transactions. Interest earned on others includes interest on balance with RBI, inter-bank and other funds.*

	Year ended March 31,								
	2018			2019			2020		
	Average Balance(1) A	Interest Earned(3) B	Yield (%) C=B/A	Average Balance(1) D	Interest Earned(3) E	Yield (%) F=E/D	Average Balance(1) G	Interest Earned(3) H	Yield (%) I=H/G
	(₹ million, except percentages)								
Interest Earning Assets:									
i. Advances	11,437.88	2,580.43	22.56%	21,069.30	4,932.89	23.41%	31,299.09	7,022.74	22.44%
ii. Investments	3,592.14	223.80	6.23%	4,748.23	337.23	7.10%	7,557.68	528.51	6.99%
iii. Others(2)	914.27	64.59	7.06%	780.82	30.95	3.96%	2,321.84	115.60	4.98%
Total	15,944.29	2,868.82	17.99%	26,598.35	5,301.07	19.93%	41,178.61	7,666.85	18.62%
Non-Interest Earning Assets:									
iv. Fixed assets	124.10	-	-	141.75	-	-	257.35	-	-
v. Other assets	1,059.60	-	-	1,736.26	-	-	2,438.92	-	-
Total	1,183.70	-	-	1,878.01	-	-	2,696.27	-	-

	Year ended March 31,								
	2018			2019			2020		
	Average Balance(1) A	Interest Expended B	Cost of Funds (%) C=B/A	Average Balance(1) D	Interest Expended E	Cost of Funds (%) F=E/D	Average Balance(1) G	Interest Expended H	Cost of Funds (%) I=H/G
	(₹ million, except percentages)								

Interest-Bearing Liabilities:									
i. Demand Deposit	28.21	-	-	142.33	-	-	314.25	-	-
ii. Saving Banks Deposit	257.33	16.29	6.33%	933.30	62.33	6.68%	2,117.40	148.84	7.03%
iii. Term Deposits	2,858.18	227.98	7.98%	9,210.26	766.81	8.33%	19,579.84	1,669.46	8.53%
iv. **Total Deposits (i+ii+iii)**	3,143.72	244.27	7.77%	10,285.89	829.14	8.06%	22,011.49	1,818.30	8.26%
v. Borrowings	8,159.67	966.25	11.84 %	10,812.69	1,068.19	9.88%	10,233.39	939.50	9.18%
Total	11,303.39	1,210.52	10.71 %	21,098.58	1,897.33	8.99%	32,244.87	2,757.80	8.55%
Non-Interest Bearing Liabilities:									
vi. Capital	653.55	-	-	693.35	-	-	834.54	-	-
vii. Reserves & Surplus	4,461.00	-	-	5,426.95	-	-	9,029.93	-	-
viii. **Shareholders' equity (vi + vii)**	5,114.55	-	-	6,120.30	-	-	9,864.47	-	-
ix. Other liabilities & Provision	710.06	-	-	1,257.49	-	-	1,765.55	-	-
Total	5,824.61	-	-	7,377.79	-	-	11,630.01	-	-

Notes:

(1) *Average balances are the year to date quarterly averages as of April 1, June 30, September 30, December 31 and March 31 of each relevant year.*

(2) *Includes balances with Reserve Bank of India in other accounts, balances with banks in other deposit accounts, money at call and short notice.*

(3) *Interest earned on advances include interest on advances and gain on securitization and direct assignment transactions. Interest earned on others includes interest on balance with RBI, inter-bank and other funds.*

Analysis of Changes in Interest Income and Interest Expense by Volume and Rate

The following tables sets forth, for the periods indicated, details of our Bank's interest income, interest expense and Net Interest Income and the allocation of the changes in our Bank's interest income and interest expense between average volume and changes in average rates. The changes in Net Interest Income between periods have been reflected as attributed either to volume or rate changes. For the purposes of these tables, changes that are due to both volume and rate have been allocated solely to changes in rate.

	Nine Months Ended December 31, 2019 vs. Nine Months Ended December 31, 2020		
	Increase (Decrease) Due to		
	Net Change in Interest(1)	Change in Average Volume(2)	Change in Average Rate(3)
	(₹ million, except percentages)		
Interest Income			
Advances	286.66	896.11	(609.45)
Investments	210.09	312.36	(102.27)
Others	114.59	277.94	(163.35)
Total interest-earning assets	611.34	2,350.00	(1,738.66)
Interest Expense			
Deposits#	484.92	624.90	(139.98)
Borrowings	204.97	326.76	(121.79)
Total interest-bearing liabilities	689.89	953.99	(264.10)
Net Interest Income	(78.55)	1,396.01	(1,474.56)

Notes:

(1) *The changes in interest earned, interest expended and net interest income between periods have been reflected as attributed either to volume or rate changes. For purposes of this table, changes that are due to both volume and rate have been allocated solely to changes in rate.*

(2) *Change in average volume is computed as increase in average balances for the year multiplied by yield/cost for nine months ended 31 December 2019.*

(3) *Change in average rate represents the average balance for nine months ended 31 December 2020 multiplied by change in rates during the respective periods during the relevant period.*

\# *Deposits include saving deposits, current deposits and term deposits.*

	Fiscal 2019 vs. Fiscal 2020		
	Increase (Decrease) Due to		
	Net Change in Interest(1)	Change in Average Volume(2)	Change in Average Rate(3)
	(₹ million, except percentages)		
Interest Income			
Advances	2,089.85	2,395.07	(305.22)
Investments	191.28	199.53	(8.25)
Others	84.65	61.08	23.57
Total interest-earning assets	2,365.78	2,905.86	(540.08)
Interest Expense			
Deposits#	989.16	945.19	43.97
Borrowings	(128.69)	(57.23)	(71.46)
Total interest-bearing liabilities	860.47	1,002.35	(141.88)
Net Interest Income	1,505.31	1,903.50	(398.19)

Notes:

(1) The changes in interest earned, interest expended and net interest income between periods have been reflected as attributed either to volume or rate changes. For purposes of this table, changes that are due to both volume and rate have been allocated solely to changes in rate.

(2) Change in average volume is computed as increase in average balances for the year multiplied by yield/cost for Fiscal 2019.

(3) Change in average rate represents the average balance for Fiscal 2020 multiplied by change in rates during the respective periods during the relevant period.

 # Deposits include saving deposits, current deposits and term deposits.

	Fiscal 2018 vs. Fiscal 2019		
	Increase (Decrease) Due to		
	Net Change in Interest(1)	Change in Average Volume(2)	Change in Average Rate(3)
	(₹ million, except percentages)		
Interest Income			
Advances	2,352.46	2,172.89	179.57
Investments	113.43	72.03	41.40
Others	(33.64)	(9.43)	(24.21)
Total interest-earning assets	2,432.25	1,916.96	515.29
Interest Expense			
Deposits#	584.87	554.95	29.92
Borrowings	101.94	314.17	(212.23)
Total interest-bearing liabilities	686.81	1,049.00	(362.19)
Net Interest Income	1,745.44	867.96	877.48

Notes:

(1) The changes in interest earned, interest expended and net interest income between periods have been reflected as attributed either to volume or rate changes. For purposes of this table, changes that are due to both volume and rate have been allocated solely to changes in rate.

(2) Change in average volume is computed as increase in average balances for the year multiplied by yield/cost for Fiscal 2018.

(3) Change in average rate represents the average balance for Fiscal 2019 multiplied by change in rates during the respective periods during the relevant period.

 # Deposits include saving deposits, current deposits and term deposits.

Yields, Spreads and Margins

The following tables set forth, for Fiscal 2018, 2019 and 2020 and for the nine months ended December 31, 2019 and 2020, the yields, spreads and interest margins on our Bank's interest-earning assets.

	Nine Months ended December 31,	
	2019	2020
	(₹ million, except percentages)	
i. Interest on advances	5,155.48	5,442.14
ii. Total Interest Income	5,632.15	6,243.49
iii. Interest expense	2,020.83	2,710.72
iv. Total Average Interest Earning Assets(1)	39,157.75	55,496.22
v. Average Balance of Gross Loan Portfolio	33,242.59	36,851.62
vi. Average Balance of Advances	30,244.05	35,500.95
vii. Total Average Interest Bearing Liabilities(2)	30,507.14	44,908.97
viii. Total Average Assets(3)	41,910.40	59,160.54
ix. Net Interest Income(4)	3,611.32	3,532.77

	Nine Months ended December 31,	
	2019	2020
	(₹ million, except percentages)	
x. Average Balance of Advances as a percentage of Total Average Assets [vi/viii]	72.16%	60.01%
xi. Total Average Interest Bearing Liabilities as a percentage of Total Average Assets [vii/viii]	72.79%	75.91%
xii. Average Balance of Advances as a percentage of Total Average Interest-Bearing Liabilities [vi/vii]	99.14%	79.05%
xiii. Yield on Interest Earning Assets(5) *	19.18%* [14.38%]	15.00%* [11.25%]
xiv. Yield on Gross Loan Portfolio(6) *	21.05%* [15.79%]	19.76%* [14.82%]
xv. Cost of Funds(7) *	8.83%* [6.62%]	8.05%* [6.04%]
xvi. Spread(8) *	12.22%* [9.17%]	11.71%* [8.78%]
xvii. Net Interest Margin(9) *	12.30%* [9.22%]	8.49%* [6.36%]
xviii. Other income to Total income Ratio(10) *	13.44%* [10.08%]	12.56%* [9.42%]
xix. Credit Cost(11) *	2.15%* [1.61%]	1.54%* [1.15%]
xx. Cost of Borrowings(12) *	9.68%* [7.26%]	8.56%* [6.42%]

***Annualized.** *Figures in square brackets represent unannualized figures*

Notes:

(1) *Total Average Interest Earning Assets are interest-earning assets calculated on the basis of quarterly average.*
(2) *Total Average Interest Bearing Liabilities are interest-bearing liabilities calculated on the basis of quarterly average.*
(3) *Total Average Assets are total assets calculated on the basis of quarterly average.*
(4) *Net Interest Income is difference of interest earned and interest expended.*
(5) *Yield on Interest Earning Assets is interest earned divided by Total Average Interest Earning Assets.*
(6) *Yield on Gross Loan Portfolio is interest on advance divided by Average Balance of Gross Loan Portfolio.*
(7) *Cost of Funds is interest expended divided by Total Average Interest Bearing Liabilities calculated on the basis of quarterly average.*
(8) *Spread is difference between Yield on Gross Loan Portfolio and Cost of Funds.*
(9) *Net Interest Margin is the difference of interest earned and interest expended divided by the Total Average Interest Earning Assets calculated on the basis of quarterly average.*
(10) *Other income to Total income Ratio is calculated as a ratio of other income divided by Total income (total of Interest earned and Other income).*
(11) *Credit Cost divided by Average Balance of Advances. Credit cost includes provision made for standard assets and NPAs and technical/ prudential write off and excludes credit cost for securitized assets.*
(12) *Represents the ratio of Interest on RBI/inter-bank borrowings and other interest to the Average Balance of Borrowings.*

	Year ended March 31,		
	2018	2019	2020
	(₹ million, except percentages)		
i. Interest on advances	2,580.43	4,932.89	7,022.74
ii. Total Interest Income	2,868.82	5,301.07	7,666.85
iii. Interest expense	1,210.52	1,897.33	2,757.80
iv. Total Average Interest Earning Assets(1)	15,944.29	26,598.36	41,178.61
v. Average Balance of Gross Loan Portfolio	12,259.53	23,213.20	34,070.31
vi. Average Balance of Advances	11,437.88	21,069.30	31,299.09
vii. Total Average Interest Bearing Liabilities(2)	11,303.39	21,098.58	32,244.87
viii. Total Average Assets(3)	17,127.99	28,476.37	43,874.88
ix. Net Interest Income(4)	1,658.30	3,403.74	4,909.05
x. Average Balance of Advances as a percentage of Total Average Assets [vi/viii]	66.78%	73.99%	71.34%
xi. Total Average Interest Bearing Liabilities as a percentage of Total Average Assets [vii/viii]	65.99%	74.09%	73.49%
xii. Average Balance of Advances as a percentage of Total Average Interest-Bearing Liabilities [vi/vii]	101.19%	99.86%	97.07%
xiii. Yield on Interest Earning Assets(5)	17.99%	19.93%	18.62%
xiv. Yield on Gross Loan Portfolio(6)	21.41%	21.78%	20.93%
xv. Cost of Funds(7)	10.71%	8.99%	8.55%
xvi. Spread(8)	10.70%	12.79%	12.38%

	Year ended March 31,		
	2018	2019	2020
	(₹ million, except percentages)		
xvii. Net Interest Margin(9)	10.40%	12.80%	11.92%
xviii. Other income to Total income Ratio(10)	11.71%	11.21%	10.24%
xix. Credit Cost(11)	4.55%	2.12%	2.06%
xx. Cost of Borrowings(12)	11.84%	9.88%	9.18%

Notes:

(1) Total Average Interest Earning Assets are interest-earning assets calculated on the basis of quarterly average.

(2) Total Average Interest Bearing Liabilities are interest-bearing liabilities calculated on the basis of quarterly average.

(3) Total Average Assets are total assets calculated on the basis of quarterly average.

(4) Net Interest Income is difference of interest earned and interest expended.

(5) Yield on Interest Earning Assets is interest earned divided by Total Average Interest Earning Assets.

(6) Yield on Gross Loan Portfolio is interest on advance divided by Average Balance of Gross Loan Portfolio.

(7) Cost of Funds is interest expended divided by Total Average Interest Bearing Liabilities calculated on the basis of quarterly average.

(8) Spread is difference between Yield on Gross Loan Portfolio and Cost of Funds.

(9) Net Interest Margin is the difference of interest earned and interest expended divided by the Total Average Interest Earning Assets calculated on the basis of quarterly average.

(10) Other income to Total income Ratio is calculated as a ratio of other income divided by Total income (total of Interest earned and Other income).

(11) Credit Cost divided by Average Balance of Advances. Credit cost includes provision made for standard assets and NPAs and technical/ prudential write off and excludes credit cost for securitized assets.

(12) Represents the ratio of Interest on RBI/inter-bank borrowings and other interest to the Average Balance of Borrowings.

Financial Ratios of our Bank

The following table sets forth certain key financial indicators as of and for Fiscal 2018, 2019 and 2020 and as of and for the nine months ended December 31, 2019 and 2020, for our Bank.

	As of and for the Nine Months ended December 31,	
	2019	2020
Net profit as a percentage of Average Shareholders' Equity(1) *	17.62%* [13.22%]	6.32%* [4.74%]
Return on Total Average Assets(2) *	4.03%* [3.02%]	1.24%* [0.93%]
Dividend Payout Ratio(3)# *	NA	NA
Operating Expenses to Total Average Assets	5.99%* [4.49%]	5.22%* [3.91%]
Average Shareholders' Equity to Total Average Assets(4)	22.87%	19.57%
Credit to Deposit ratio(5)	242.52%	162.46%
Retail Term Deposit to Total Term Deposit Ratio	45.30%	68.16%
CASA Ratio(6)	11.93%	13.32%
Cost to Income Ratio(7)	44.40%	55.39%

Annualized. Figures in square brackets represent unannualized figures

Notes:

(1) Return on Average Shareholders' Equity is the ratio of the Net profit for the year to the Average Shareholders' Equity (sum of quarterly average of Capital & Reserves and Surplus).

(2) Return on Total Average Assets is the ratio of the Net profit for the year to the Total Average Assets.

(3) Dividend Payout Ratio is the ratio of dividend to adjusted net profit (after dividend tax).

(4) Average Shareholders' Equity to Total Average Assets is computed by dividing the sum of Average Balance of Capital & Average Balance of Reserves and Surplus by the Total Average Assets.

(5) Credit to Deposit Ratio is computed by dividing Advances excluding advances to banks by Deposits excluding deposits from banks.

(6) CASA Ratio is the ratio of the sum of Demand Deposits and Savings Bank Deposits to total deposits.

(7) Cost to Income Ratio is calculated as a ratio of operating expenses divided by net operating income (net operating income is sum of net interest income and other income).

 # Dividend payout ratio is not applicable as we did not declare any dividend on our Equity Shares.

	As of and for the year ended March 31,		
	2018	2019	2020
Net profit as a percentage of Average Shareholders' Equity(1)	2.25%	14.77%	11.27%
Return on Total Average Assets(2)	0.67%	3.17%	2.53%
Dividend Payout Ratio(3)#	N.A.	N.A.	N.A.
Operating Expenses to Total Average Assets	7.67%	6.70%	6.20%
Average Shareholders' Equity to Total Average Assets(4)	29.86%	21.49%	22.48%
Credit to Deposit ratio(5)	451.27%	276.78%	220.51%
Retail Term Deposit to Total Term Deposit Ratio	33.92%	35.67%	48.55%
CASA Ratio(6)	11.03%	11.25%	11.45%
Cost to Income Ratio(7)	64.44%	46.83%	47.05%

Notes:
(1) Return on Average Shareholders' Equity is the ratio of the Net profit for the year to the Average Shareholders' Equity (sum of quarterly average of Capital & Reserves and Surplus).
(2) Return on Total Average Assets is the ratio of the Net profit for the year to the Total Average Assets.
(3) Dividend Payout Ratio is the ratio of dividend to adjusted net profit (after dividend tax). Our Bank did not declare / payout any dividend in Fiscal 2018, 2019 and 2020.
(4) Average Shareholders' Equity to Total Average Assets is computed by dividing the sum of Average Balance of Capital & Average Balance of Reserves and Surplus by the Total Average Assets.
(5) Credit to Deposit Ratio is computed by dividing Advances excluding advances to banks by Deposits excluding deposits from banks.
(6) CASA Ratio is the ratio of the sum of Demand Deposits and Savings Bank Deposits to total deposits.
(7) Cost to Income Ratio is calculated as a ratio of operating expenses divided by net operating income (net operating income is sum of net interest income and other income).
 # Dividend payout ratio is not applicable as we did not declare any dividend on our Equity Shares.

Return on Equity and Assets

The following table presents selected financial ratios for our Bank for Fiscal 2018, 2019 and 2020 and for the nine months ended December 31, 2019 and 2020:

	Nine Months Ended December 31,	
	2019	**2020**
	(₹ million, except percentages)	
i. Net profit for the year	1,266.78	548.66
ii. Average Shareholders' Equity[(1)]	9,583.37	11,575.78
iii. Total Average Assets	41,910.40	59,160.54
iv. Net profit as a percentage of Total Average Assets (i/iii) *	4.03%* [3.02%]	1.24%* [0.93%]
v. Net profit as a percentage of Average Shareholders' Equity (i/ii) *	17.62%* [13.22%]	6.32%* [4.74%]
vi. Average shareholders' equity as a percentage of Total Average Assets (ii/iii)	22.87%	19.57%
vii. Gross Loan Portfolio	35,998.54	39,082.29
viii. Advances	33,609.03	37,822.63
ix. Net profit as a percentage of Gross Loan Portfolio*	4.69%* [3.52%]	1.87%* [1.40%]
x. Net profit as a percentage of advances*	5.03%* [3.77%]	1.93%* [1.45%]

***Annualized.** *Figures in square brackets represent unannualized figures*
Notes:
(1) Average Shareholders' Equity represents the sum of quarterly average of capital and reserves and surplus.

	Fiscal		
	2018	**2019**	**2020**
	(₹ million, except percentages)		
i. Net profit for the year	114.92	903.98	1,111.98
ii. Average Shareholders' Equity[(1)]	5,114.55	6,120.30	9,864.46
iii. Total Average Assets	17,127.99	28,476.37	43,874.88
iv. Net profit as a percentage of Total Average Assets (i/iii)	0.67%	3.17%	2.53%
v. Net profit as a percentage of Average Shareholders' Equity (i/ii)	2.25%	14.77%	11.27%
vi. Average shareholders' equity as a percentage of Total Average Assets (ii/iii)	29.86%	21.49%	22.48%
vii. Gross Loan Portfolio	17,177.84	29,704.42	37,108.42
viii. Advances	15,686.78	26,795.84	35,319.44
ix. Net profit as a percentage of Gross Loan Portfolio	0.67%	3.04%	3.00%
x. Net profit as a percentage of advances	0.73%	3.37%	3.15%

Notes:
(1) Average Shareholders' Equity represents the sum of quarterly average of capital and reserves and surplus.

Funding

Deposits

Our Bank's funding operations are designed to ensure stability and effective liquidity management. Our Bank's primary sources of funds are deposits from retail customers. Retail term deposits raised were 33.92%, 35.67%, 48.55%, 45.30% and 68.16% of total term deposits as of March 31, 2018, 2019 and 2020 and as of December 31, 2019 and 2020, respectively. Of our Bank's total deposits as of December 31, 2020, 1.49% was demand deposits and 11.83% were savings bank deposits and 86.68% were term deposits.

	Nine Months ended December 31,	
	2019	2020
	(₹ million, except percentages)	
i. Deposits	24,913.57	33,438.40
ii. Average Balance of Deposits (1)	20,448.53	30,348.61
iii. Interest on deposits	1,290.73	1,775.65
iv. Average interest rate (2) (iii/ii)	8.42%* [6.31%]	7.80%* [5.85%]

***Annualized.** *Figures in square brackets represent unannualized figures*
Notes:
(1) Average Balance of Deposits represents sum of quarterly average Demand Deposits, Term Deposits and Savings Bank Deposits.
(2) Represents the ratio of interest on deposits to the Average Balance of Deposits.

	Year ended March 31,		
	2018#	2019	2020
	(₹ million, except percentages)		
i. Deposits	7,495.22	15,934.25	28,487.15
ii. Average Balance of Deposits (1)	3,143.72	10,285.89	22,011.49
iii. Interest on deposits	244.27	829.14	1,818.30
iv. Average interest rate (2) (iii/ii)	7.77%	8.06%	8.26%

Notes:
(1) Average Balance of Deposits represents sum of quarterly average Demand Deposits, Term Deposits and Savings Bank Deposits.
(2) Represents the ratio of interest on deposits to the Average Balance of Deposits.

Cost of Deposits

As of March 31, 2018, 2019 and 2020 and as of December 31, 2019 and 2020, the average cost (interest expense divided by the average of balance for the relevant period) of savings bank deposits was 6.33%, 6.68%, 7.03%, 7.04%* and 5.51%*, respectively, and the average cost of term deposits was 7.98%, 8.33%, 8.53%, 8.69% and 8.21%*, respectively.

**Annualized*

The following tables set forth, for the periods indicated, our Bank's deposits and the percentage composition by each category of deposits.

The deposits for the nine months ended December 31, 2019 and 2020, are as follows:

	Nine Months ended December 31,			
	2019		2020	
	Amount	% of Total	Amount	% of Total
	(₹ million, except percentages)			
Demand Deposits(1)	309.74	1.24%	496.68	1.49%
Savings Bank Deposits	2,663.53	10.69%	3,957.23	11.83%
Term Deposits	21,940.30	88.07%	28,984.49	86.68%
Total Deposits	**24,913.57**	**100.00%**	**33,438.40**	**100.00%**

Notes:
(1) Demand deposits do not bear interest and are therefore carried at zero cost.

The deposits for Fiscal 2018, 2019 and 2020, are as follows:

	Year ended March 31,					
	2018		2019		2020	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
	(₹ million, except percentages)					
Demand Deposits(1)	146.16	1.95%	460.63	2.89%	585.99	2.06%
Savings Bank Deposits	680.53	9.08%	1,331.82	8.36%	2,674.54	9.39%
Term Deposits	6,668.53	88.97%	14,141.80	88.75%	25,226.62	88.55%
Total Deposits	**7,495.22**	**100.00%**	**15,934.25**	**100.00%**	**28,487.15**	**100.00%**

Notes:
(2) Demand deposits do not bear interest and are therefore carried at zero cost.

The details of Retail Deposits (excluding demand deposits and savings deposits) and Bulk Deposits as of and for the nine months ended December 31, 2019 and 2020, are as set forth below:

	Nine Months ended December 31,			
	2019		2020	
	Amount	% of Total	Amount	% of Total
	(₹ million, except percentages)			
Term Deposits				
Retail Term Deposits	9,939.48	45.30%	19,756.78	68.16%
Bulk Deposits	12,000.82	54.70%	9,227.71	31.84%
Total Term Deposits	21,940.30	**100.00%**	28,984.49	**100.00%**

Notes:

(1) Retail term deposit are deposits below ₹ 20 million. Retail deposits are deposits sourced primarily by our Banking Outlets and includes staff deposits.

(2) Bulk term deposits are deposits of ₹ 20 million and above. Bulk deposits include deposits from financial institutions, banks (including co-operative banks), TASC and government offices.

The details of Retail Deposits (excluding demand deposits and savings deposits) and Bulk Deposits as of and for Fiscal 2018, 2019 and 2020, are as set forth below:

	Year ended March 31,					
	2018		2019		2020	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
	(₹ million, except percentages)					
Term Deposits						
Retail Term Deposits	2,262.21	33.92%	5,045.01	35.67%	12,248.36	48.55%
Bulk Deposits	4,406.32	66.08%	9,096.79	64.33%	12,978.26	51.45%
Total Term Deposits	6,668.53	**100.00%**	14,141.80	**100.00%**	25,226.62	**100.00%**

Notes:

(1) Retail term deposit are deposits below ₹ 20 million. Retail deposits are deposits sourced primarily by our Banking Outlets and includes staff deposits.

(2) Bulk term deposits are deposits of ₹ 20 million and above. Bulk deposits include deposits from financial institutions, banks (including co-operative banks), TASC and government offices.

The table below sets forth our Bank's average ticket size of deposits as of December 31, 2019 and 2020:

	As of December 31,	
	2019	2020
	(₹)	
Demand Deposits	83,531.63	88,707.93
Savings Bank Deposits	55,589.74	11,813.02
Term Deposits	393,484.42	386,367.15

The table below sets forth our Bank's average ticket size of deposits as of March 31, 2018, 2019 and 2020:

	As of March 31,		
	2018	2019	2020
	(₹)		
Demand Deposits	185,639.86	239,912.31	137,169.42
Savings Bank Deposits	79,986.60	64,094.71	43,556.39
Term Deposits	872,279.33	464,579.37	397,902.45

Category of Deposits Based on Location of Branches

	As of December 31,	
	2019	2020
	(₹)	
Metropolitan	20,066.74	25,822.85
Urban	4,278.55	6,412.00
Semi-Urban	117.07	611.30
Rural	451.21	592.25

	As of December 31,	
	2019	2020
	(₹)	
Total	**24,913.57**	**33,438.40**

	As of March 31,		
	2018	2019	2020
	(₹)		
Metropolitan	5,723.11	11,263.89	20,692.08
Urban	1,477.28	4,142.92	7,128.57
Semi-Urban	-	34.68	165.59
Rural	294.83	492.76	500.91
Total	**7,495.22**	**15,934.25**	**28,487.15**

Concentration of Deposits

The following table presents an analysis of our deposits by region as of the dates indicated:

States	As of December 31,	
	2019	2020
	(₹ million)	
Maharashtra	14,679.49	16,455.21
Tamil Nadu	4,908.01	7,881.74
Karnataka	1,017.78	2,424.95
Madhya Pradesh	1,209.60	550.21
Gujarat	566.54	1,574.67
Odisha	684.53	1,064.96
Telangana	528.77	539.82
Delhi	424.65	1,295.19
Uttar Pradesh	386.25	704.66
Chandigarh	-	164.55
Chhattisgarh	-	12.07
Puducherry	507.95	770.37
Total	**24,913.57**	**33,438.40**

States	As of March 31,		
	2018	2019	2020
	(₹ million)		
Maharashtra	5,066.74	10,168.45	16,961.25
Tamil Nadu	1,349.97	3,490.47	5,635.27
Karnataka	-	166.73	1,255.15
Madhya Pradesh	513.40	634.16	908.22
Gujarat	160.59	377.24	845.18
Odisha	291.40	449.99	750.29
Telangana	-	34.36	616.51
Delhi	-	276.18	610.84
Uttar Pradesh	-	9.03	308.45
Chandigarh	-	-	24.15
Chhattisgarh	-	-	0.14
Puducherry	113.12	327.63	571.70
Total	**7,495.22**	**15,934.25**	**28,487.15**

Borrowings

The following tables set forth, for Fiscal 2018, 2019 and 2020 and for the nine months ended December 31, 2019 and 2020, information related to our Bank's borrowings.

	As of December 31,	
	2019	2020
	(₹)	
i. Borrowings	8,869.30	14,870.79
ii. Average Balance of Borrowings	10,058.61	14,560.36
iii. Interest on RBI/Inter-bank borrowings and Other interest	730.10	935.07
iv. Cost of Borrowings(1) (iii/ii)	9.68%* [7.26%]	8.56%* [6.42%]
v. Average cost of subordinated debt(2)	15.36%* [11.52%]	11.61%* [8.71%]
vi. Cost of average refinance borrowings(3)	9.55%* [7.16%]	8.65%* [6.49%]

***Annualized.** *Figures in square brackets represent unannualized figures*

Notes:

(1) *Represents the ratio of interest on RBI/inter-bank borrowings and other interest to the Average Balance of Borrowings.*
(2) *Average cost of subordinated debt represents the ratio of interest expended on subordinated to average subordinated debt calculated on the basis of quarterly average.*
(3) *Cost of average refinance borrowings represents the ratio of interest expended on refinance borrowings to average refinance borrowings calculated on the basis of quarterly average.*

	Year ended March 31,		
	2018	2019	2020
	(₹ million, except percentages)		
i. Borrowings	7,178.32	11,242.28	12,646.15
ii. Average Balance of Borrowings	8,159.67	10,812.69	10,233.39
iii. Interest on RBI/Inter-bank borrowings and Other interest	966.25	1,068.19	939.50
iv. Cost of Borrowings(1) (iii/ii)	11.84%	9.88%	9.18%
v. Average cost of subordinated debt(2)	10.99%	15.32%	15.30%
vi. Cost of average refinance borrowings(3)	8.89 %	9.00%	9.12%

Notes:

(1) *Represents the ratio of interest on RBI/inter-bank borrowings and other interest to the Average Balance of Borrowings.*
(2) *Average cost of subordinated debt represents the ratio of interest expended on subordinated to average subordinated debt calculated on the basis of quarterly average.*
(3) *Cost of average refinance borrowings represents the ratio of interest expended on refinance borrowings to average refinance borrowings calculated on the basis of quarterly average.*

	As of December 31,			
	2019		2020	
	Amount	% of Total	Amount	% of Total
	(₹ million, except percentages)			
[A] Deposits				
Demand Deposits	309.74	0.92%	496.68	1.03%
Savings Bank Deposits	2,663.53	7.88%	3,957.23	8.19%
Term Deposits	21,940.30	64.95%	28,984.49	60.00%
Total [A]	**24,913.57**	**73.75%**	**33,438.40**	**69.22%**
[B] Borrowings				
Reserve Bank of India	-	0.00%	-	0.00%
Other banks	8.52	0.03%	-	0.00%
Other institutions and agencies	8,210.78	24.30%	13,470.79	27.88%
Tier II Capital (Non-convertible debentures)	600.00	1.78%	1,400.00	2.90%
Bonds and Debentures (excluding subordinated debt)	50.00	0.15%	-	0.00%
Total [B]	**8,869.30**	**26.25%**	**14,870.79**	**30.78%**
Total [A + B]	**33,782.87**	**100.00%**	**48,309.19**	**100.00%**

	As of March 31,					
	2018		2019		2020	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
	(₹ million, except percentages)					
[A] Deposits						
Demand Deposits	146.16	1.11%	460.63	1.72%	585.99	1.42%
Savings Bank Deposits	680.53	5.17%	1,331.82	4.96%	2,674.54	6.50%
Term Deposits	6,668.53	50.68%	14,141.80	52.72%	25,226.62	61.34%
Total [A]	**7,495.22**	**56.96%**	**15,934.25**	**59.40%**	**28,487.15**	**69.26%**
[B] Borrowings						
Reserve Bank of India	200.00	1.52%	-	0.00%	540.00	1.31%

Other banks	1,298.94	9.87%	33.78	0.13%	0.09	0.00%
Other institutions and agencies	2,214.38	16.83%	10,008.50	37.30%	11,456.06	27.85%
Tier II Capital (Non-convertible debentures)	600.00	4.56%	600.00	2.24%	600.00	1.46%
Bonds and Debentures (excluding subordinated debt)	1,350.00	10.26%	250.00	0.93%	50.00	0.12%
Total [B]	**5,663.32**	**43.04%**	**10,892.28**	**40.60%**	**12,646.15**	**30.74%**
Total [A + B]	**13,158.54**	**100.00%**	**26,826.53**	**100.00%**	**41,133.30**	**100.00%**

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Asset Liability Management

The following table sets forth the maturity pattern of certain items of assets and liabilities as at the end of the relevant year / period.

		1 day to 30/31 (1 month)	Over 1 month to 2 months	Over 2 months to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 to 3 years	Over 3 to 5 years	Over 5 years	Total
		(₹ million)								
Liabilities										
Deposits	*As of December 31, 2020*	1,983.18	2,309.60	1,162.21	3,754.79	8,935.09	9,869.40	5,401.93	22.20	33,438.40
	As of December 31, 2019	1,884.93	725.39	1,391.82	4,251.13	5,174.57	11,201.91	282.23	1.59	24,913.57
	As of March 31, 2020	2,400.27	1,116.69	2,533.80	4,241.60	4,997.21	12,090.19	1,106.04	1.35	28,487.15
	As of March 31, 2019	1,904.54	985.49	903.92	1,930.74	4,177.19	6,000.92	30.87	0.58	15,934.25
	As of March 31, 2018	224.96	339.69	391.49	867.08	2,309.03	3,355.90	6.80	0.27	7,495.22
Borrowings	*As of December 31, 2020*	2,266.69	501.70	886.20	2,099.00	1,953.80	4,536.15	1,627.25	1,000.00	14,870.79
	As of December 31, 2019	984.64	409.03	705.03	705.09	1,824.80	3,840.45	400.26	-	8,869.30
	As of March 31, 2020	1,002.50	171.93	321.93	1,384.83	2,258.87	6,156.52	1,349.57	-	12,646.15
	As of March 31, 2019	238.36	510.03	710.03	967.42	2,045.85	5,770.54	1,000.05	-	11,242.28
	As of March 31, 2018	360.78	403.36	1,044.17	1,750.86	1,514.90	1,683.86	420.39	-	7,178.32
Assets										
Advances	*As of December 31, 2020*	1,929.70	2,026.12	3,972.42	5,833.04	10,784.71	10,150.78	424.86	2,701.00	37,822.63
	As of December 31, 2019	2,114.31	1,986.94	2,057.32	5,828.44	8,959.96	10,082.79	878.84	1,700.43	33,609.03
	As of March 31, 2020	-	-	2,874.70	6,365.67	10,365.43	13,046.90	710.30	1,956.44	35,319.44
	As of March 31, 2019	1,301.76	1,390.63	1,440.51	4,200.93	7,798.61	9,122.31	586.98	954.11	26,795.84
	As of March 31, 2018	834.08	898.79	940.16	2,646.20	4,515.56	5,125.13	458.77	268.09	15,686.78
Investments	*As of December 31, 2020*	9,521.62	171.71	121.53	513.57	1,178.16	2,220.78	1,318.45	68.59	15,114.41
	As of December 31, 2019	4,603.05	125.45	948.62	408.81	467.54	2,295.61	77.52	1.67	8,928.27
	As of March 31, 2020	2,666.07	232.66	955.83	864.16	579.33	2,499.60	283.69	0.64	8,081.98
	As of March 31, 2019	3,193.99	186.46	1,135.28	289.87	475.46	1,287.41	75.20	0.26	6,643.93
	As of March 31, 2018	655.14	140.57	259.52	264.07	210.79	1,434.17	149.09	0.08	3,113.43

Classification of Investments

	Nine Months ended December 31,	
	2019	2020
	(₹)	
Held to Maturity (1)	3,984.09	5,311.90
Available for Sale (2)	4,841.01	9,802.51
Held for Trading (3)	103.16	-
Total	**8,928.26**	**15,114.41**

Notes:

(1) *Investments that our Bank intends to hold till maturity are classified as "Held to Maturity".*
(2) *Investments, which are not classified as "Held to Maturity" and "Held for Trading", are classified as "Available for Sale" investments.*
(3) *Investments that are held with the intention to trade by taking advantage of short-term price / interest movements are classified as "Held for Trading".*

	Year ended March 31,		
	2018	2019	2020
	(₹ million)		
Held to Maturity (1)	2,369.41	2,651.16	4,080.81
Available for Sale (2)	744.02	3,992.77	4,001.17
Held for Trading (3)	-	-	-
Total	**3,113.43**	**6,643.93**	**8,081.98**

Notes:

(1) *Investments that our Bank intends to hold till maturity are classified as "Held to Maturity".*
(2) *Investments, which are not classified as "Held to Maturity" and "Held for Trading", are classified as "Available for Sale" investments.*
(3) *Investments that are held with the intention to trade by taking advantage of short-term price / interest movements are classified as "Held for Trading".*

Loan Portfolio

As of December 31, 2020, our Bank's Gross Loan Portfolio was ₹ 39,082.29 million. The Bank's Gross Loan Portfolio comprises borrowers in India.

The tables below set forth our Bank's Gross Loan Portfolio by product as of March 31, 2018, 2019 and 2020 and as of December 31, 2019 and 2020:

	As of December 31,			
	2019		2020	
	Amount	% of Total	Amount	% of Total
	(₹ million, except percentages)			
Inclusive Finance Loans	27,263.47	75.73%	27,495.76	70.35%
Commercial Vehicle Loans	3,473.79	9.65%	3,680.09	9.42%
Affordable Housing Loans	1,572.25	4.37%	2,460.30	6.30%
Micro Business Loans (T-Nagar)	374.32	1.04%	386.72	0.99%
Unsecured MSME/SME Loans	526.08	1.46%	399.46	1.02%
Secured Business Loans	1,004.41	2.79%	1,420.32	3.63%
Financial Intermediary Group Loans	885.38	2.46%	1,866.96	4.78%
Others	898.84	2.50%	1,372.68	3.51%
Gross Loan Portfolio	**35,998.54**	**100.00%**	**39,082.29**	**100.00%**

Notes:

(1) *Unsecured MSME/SME Loans were defocused in Fiscal 2020.*
(2) *Others includes overdraft against deposits and staff loans.*

	As of March 31,					
	2018		2019		2020	
	(₹ million)	% of total	(₹ million)	% of total	(₹ million)	% of total
Inclusive Finance Loans	15,441.32	89.89%	24,191.24	81.44%	28,147.75	75.85%
Commercial Vehicle Loans	85.48	0.50%	2,185.14	7.4%	3,705.49	9.99%
Affordable Housing Loans	219.00	1.27%	796.76	2.68%	1,811.84	4.88%
Micro Business Loans (T-Nagar)	63.23	0.37%	273.12	0.92%	428.13	1.15%
Unsecured MSME/SME Loans	826.32	4.81%	966.79	3.25%	375.05	1.01%
Secured Business Loans	351.56	2.05%	675.34	2.27%	1,062.51	2.86%
Financial Intermediary Group Loans	90.80	0.53%	484.43	1.63%	1,004.88	2.72%
Others	100.13	0.58%	131.60	0.44%	**572.77**	**1.54%**
Gross Loan Portfolio	**17,177.84**	**100.00%**	**29,704.42**	**100.00%**	**37,108.42**	**100.00%**

Notes:

(1) Unsecured MSME/SME Loans were defocused in Fiscal 2020.
(2) Others includes overdrafts, staff loans, funded interest term loans, etc.

The table below sets forth our Bank's disbursements by product as of March 31, 2018, 2019 and 2020 and as of December 31, 2019 and 2020:

	As of December 31,			
	2019		2020	
	Amount	% of Total	Amount	% of Total
Inclusive Finance Loans	19,079.52	82.47%	8,295.83	71.53%
Commercial Vehicle Loans	1,761.72	7.62%	352.83	3.04%
Affordable Housing Loans	864.04	3.73%	700.77	6.04%
Micro Business Loans (T-Nagar)	255.99	1.11%	58.41	0.52%
Unsecured MSME/SME Loans	73.43	0.32%	-	0.00%
Secured Business Loans	446.79	1.93%	420.33	3.62%
Financial Intermediary Group Loans	652.50	2.82%	1,430.00	12.33%
Others	-	0.00%	339.20	2.92%
Total Disbursements	**23,133.99**	**100.00%**	**11,597.37**	**100.00%**

Notes:
(1) Unsecured MSME/SME Loans were defocused in Fiscal 2020.
(2) Excludes overdraft and funded interest term loans.
(3) Disbursement of personal loans for the credit life insurance of affordable housing loans customers is included in the afforda ble housing loan segment.

	As of March 31,					
	2018		2019		2020	
	(₹ million)	% of total	(₹ million)	% of total	(₹ million)	% of total
Inclusive Finance Loans	15,388.47	90.05%	23,851.16	83.51%	25,606.04	82.85%
Commercial Vehicle Loans	85.48	0.50%	2,311.58	8.09%	2,259.06	7.31%
Affordable Housing Loans	223.37	1.31%	609.46	2.13%	1,146.82	3.71%
Micro Business Loans (T-Nagar)	64.89	0.38%	282.54	0.99%	378.23	1.22%
Unsecured MSME/SME Loans	896.90	5.25%	536.42	1.88%	73.43	0.24%
Secured Business Loans	336.62	1.97%	404.14	1.42%	550.75	1.78%
Financial Intermediary Group Loans	92.50	0.54%	565.00	1.98%	890.43	2.89%
Others	-	-	-	-	-	-
Total Disbursements	**17,088.23**	**100.00%**	**28,560.30**	**100.00%**	**30,904.76**	**100.00%**

Notes:
(1) Excludes overdraft loans.
(2) Unsecured MSME/SME Loans were defocused in Fiscal 2020.
(3) Disbursement of personal loans for the credit life insurance of affordable housing loans customers is included in the affordable housing loan segment.

The table below sets forth the number of loans disbursed by our Bank by product for Fiscal 2018, 2019 and 2020 and for the nine months ended December 31, 2019 and 2020:

	Nine Months ended December 31,	
	2019	2020
	(₹)	
Inclusive Finance Loans	6,44,598	2,41,462
Commercial Vehicle Loans	620	164
Affordable Housing Loans	1,621	1,400
Micro Business Loans (T-Nagar)	2,531	295
Unsecured MSME/SME Loans	34	-
Secured Business Loans	151	224
Financial Intermediary Group Loans	7	11
Others	-	29,795
Total	**6,49,562**	**2,73,351**

Notes:
(1) Excludes overdraft loans.
(2) Unsecured MSME/SME Loans were defocused in Fiscal 2020
(3) Count of personal loans for the credit life insurance of affordable housing loans customers is included in the affordable housing loan segment.

	Year Ended March 31,		
	2018	2019	2020
Inclusive Finance Loans	546,984	855,022	843,307
Commercial Vehicle Loans	8	831	806

	Year Ended March 31,		
	2018	**2019**	**2020**
Affordable Housing Loans	244	837	2,228
Micro Business Loans (T-Nagar)	605	2,925	3,662
Unsecured MSME/SME Loans	4,847	605	34
Secured Business Loans	668	121	223
Financial Intermediary Group Loans	4	11	11
Others	-	-	-
Total	**553,360**	**860,352**	**850,271**

Notes:
(1) Excludes overdraft loans.
(2) Unsecured MSME/SME Loans were defocused in Fiscal 2020
(3) Count of personal loans for the credit life insurance of affordable housing loans customers is included in the affordable housing loan segment.

The table below sets forth our Bank's average ticket size of loans disbursed by product as of March 31, 2018, 2019 and 2020 and as of December 31, 2019 and 2020:

	As of December 31,	
	2019	**2020**
	(₹)	
Inclusive Finance Loans	29,599.09	34,356.68
Commercial Vehicle Loans	28,41,483.90	21,51,411.23
Affordable Housing Loans	8,75,425.43	7,74,326.42
Micro Business Loans (T-Nagar)	1,01,142.90	1,98,033.90
Unsecured MSME/SME Loans	21,59,558.82	-
Secured Business Loans	29,58,887.00	18,76,454.50
Financial Intermediary Group Loans	9,32,14,285.71	13,00,00,000.00
Others	-	11,384.34

Notes:
(1) Excludes overdraft loans
(2) Unsecured MSME/SME Loans were defocused in Fiscal 2020.
(3) Count of personal loans for the credit life insurance is excluded from the affordable housing loan segment for calculating the average ticket size.

	As of March 31,		
	2018	**2019**	**2020**
	(₹)		
Inclusive Finance Loans	28,133.32	27,895.38	30,363.84
Commercial Vehicle Loans	10,685,250.00	2,781,683.71	2,802,801.77
Affordable Housing Loans	915,455.95	955,260.67	832,235.87
Micro Business Loans (T-Nagar)	107,256.20	96,594.87	103,283.83
Unsecured MSME/SME Loans	185,041.38	886,637.61	2,159,558.82
Secured Business Loans	503,922.63	3,340,049.43	2,469,709.62
Financial Intermediary Group Loans	23,125,000.00	51,363,636.36	8,0948,000.00
Others	-	-	-

Notes:
(1) Excludes overdraft loans
(2) Unsecured MSME/SME Loans were defocused in Fiscal 2020.
(3) Count of personal loans for the credit life insurance is excluded from the affordable housing loan segment for calculating the average ticket size.

The table below sets forth the average tenor of our Bank's disbursements by product as of March 31, 2018, 2019 and 2020 and as of December 31, 2019 and 2020:

	As of December 31,	
	2019	**2020**
	(No. of Months)	
Inclusive Finance Loans	21.62	20.86
Commercial Vehicle Loans	46.74	39.57
Affordable Housing Loans	197.85	198.26
Micro Business Loans (T-Nagar)	23.14	24.51
Unsecured MSME/SME Loans	25.64	-
Secured Business Loans	115.44	119.47
Financial Intermediary Group Loans	31.43	31.00
Others	-	47.93

Notes:
(1) Excludes overdraft loans

(2) Unsecured MSME/SME Loans were defocused in Fiscal 2020.
(3) Count of personal loans for the credit life insurance is excluded from the affordable housing loan segment for calculating the average ticket size.

	As of March 31,		
	2018	**2019**	**2020**
	(No. of Months)		
Inclusive Finance Loans	21.14	21.26	21.74
Commercial Vehicle Loans	51.75	50.49	47.58
Affordable Housing Loans	206.52	215.71	198.38
Micro Business Loans (T-Nagar)	23.17	22.79	23.15
Unsecured MSME/SME Loans	28.45	31.60	25.64
Secured Business Loans	69.75	118.91	115.46
Financial Intermediary Group Loans	25.50	26.82	27.91
Others	-	-	-

Notes:
(1) Excludes overdraft loans
(2) Unsecured MSME/SME Loans were defocused in Fiscal 2020.
(3) Affordable housing loans excludes personal loans for credit life insurance.

The table below sets forth the yields on our Bank's Gross Loan Portfolio by product as of March 31, 2018, 2019 and 2020 and as of December 31, 2019 and 2020:

	As of December 31,	
	2019	**2020**
Inclusive Finance Loans	23.35%* [17.51%]	22.28%* [16.71%]
Commercial Vehicle Loans	10.54%* [7.91%]	10.88%* [8.16%]
Affordable Housing Loans	11.64%* [8.73%]	11.87%* [8.90%]
Micro Business Loans (T-Nagar)	23.65%* [17.74%]	23.01%* [17.26%]
Unsecured MSME/SME Loans	16.07%* [12.05%]	14.60%* [10.95%]
Secured Business Loans	15.03%* [11.27%]	14.02%* [10.52%]
Financial Intermediary Group Loans	12.08%* [9.06%]	11.48%* [8.61%]
Others	12.00%* [9.00%]	11.42%* [8.57%]

Notes:
Annualized. Figures in square brackets represent unannualized figures
(1) Others includes overdraft against deposits and staff loans.
(2) *Unsecured MSME/SME Loans were defocused in Fiscal 2020.*

	As of March 31,		
	2018	**2019**	**2020**
Inclusive Finance Loans	21.39%	22.79%	23.37%
Commercial Vehicle Loans	-	10.30%	10.46%
Affordable Housing Loans	12.50%	12.12%	11.69%
Micro Business Loans (T-Nagar)	23.04%	23.75%	23.57%
Unsecured MSME/SME Loans	25.60%	20.32%	15.98%
Secured Business Loans	25.60%	16.79%	14.82%
Financial Intermediary Group Loans	10.94%	13.30%	12.46%
Others	2.00%	7.02%	8.79%

Notes:
(1) Others includes overdraft against deposits and staff loans.
(2) Unsecured MSME/SME Loans were defocused in Fiscal 2020.

Interest Rate Sensitivity Analysis

The following tables set forth the interest rate sensitivity analysis of our Bank's assets and liabilities for our Bank's operations as of the dated indicated:

As of December 31, 2020

	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Non-Sensitive	Total
	(₹ million)					
Assets						
Cash and Balances with RBI	-	-	-	-	889.02	889.02
Balances with other banks	-	-	2.00	2.50	258.07	262.57
Advances	8,675.71	16,256.49	10,265.15	2,625.28	-	37,822.63
Investments	10.02	-	7,909.92	7,186.92	7.55	15,114.41
Fixed Assets	-	-	-	-	433.58	433.58
Rev Repos	7,180.00	-	-	-	-	7,180.00
Other Assets	-	-	-	-	1,801.88	1,801.88
Forex Swaps	-	-	-	-	-	-
Total Assets	**15,865.73**	**16,256.49**	**18,177.07**	**9,814.70**	**3,390.10**	**63,504.09**
Off-balance Sheet Items	-	-	-	-	-	-
Total Rate Sensitive Assets/ Assets	**15,865.73**	**16,256.49**	**18,177.07**	**9,814.70**	**3,390.10**	**63,504.09**
Liabilities						
Capital and Reserve	-	-	-	-	11,909.62	11,909.62
Deposits	5,524.60	12,689.88	15,201.70	22.22	-	33,438.40
Borrowings	2,409.80	3,052.80	6,163.40	1,000.00	-	12,626.00
Other Liabilities	-	-	-	-	3,285.28	3,285.28
Repos	2,244.79	-	-	-	-	2,244.79
Forex Swaps	-	-	-	-	-	-
Total Liabilities	**10,179.19**	**15,742.68**	**21,365.10**	**1,022.22**	**15,194.90**	**63,504.09**
Off-balance Sheet Items	-	-	-	-	-	-
Total Rate Sensitive Liabilities / Liabilities	**10,179.19**	**15,742.68**	**21,365.10**	**1,022.22**	**15,194.90**	**63,504.09**

As of March 31, 2020

	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Non-Sensitive	Total
	(₹ million)					
Assets						
Cash and Balances with RBI	-	-	-	-	63.52	63.52
Balances with other banks	1,326.00	-	2.00	2.50	691.96	2,022.46
Advances	2,874.70	16,731.10	13,798.68	1,914.96	-	35,319.44
Investments	939.44	855.65	2,439.62	3,744.17	103.10	8,081.98
Fixed Assets	-	-	-	-	387.30	387.30
Rev Repos	6,290.00	-	-	-	-	6,290.00
Other Assets	-	-	-	-	1,480.52	1,480.52
Forex Swaps	-	-	-	-	-	-
Total Assets	**11,430.14**	**17,586.75**	**16,240.30**	**5,661.63**	**2,726.40**	**53,645.22**
Off-balance Sheet Items						-
Total Rate Sensitive Assets/ Assets	**11,430.14**	**17,586.75**	**16,240.30**	**5,661.63**	**2,726.40**	**53,645.22**
Liabilities						
Capital and Reserve	-	-	-	-	10,662.29	10,662.29
Deposits	6,112.81	9,238.81	13,134.13	1.40	-	28,487.15
Borrowings	1,230.77	3,643.70	6,966.10	-	-	11,840.57
Other Liabilities	-	-	-	-	1,849.63	1,849.63
Repos	265.58	540.00	-	-	-	805.58
Forex Swaps	-	-	-	-	-	-
Total Liabilities	**7,609.16**	**13,422.51**	**20,100.23**	**1.40**	**12,511.92**	**53,645.22**
Off-balance Sheet Items						-
Total Rate Sensitive Liabilities / Liabilities	**7,609.16**	**13,422.51**	**20,100.23**	**1.40**	**12,511.92**	**53,645.22**

Priority Sector Lending

Commercial banks in India are required to lend, through advances or investment, 40% of their adjusted net bank credit ("**ANBC**") or credit equivalent amount of off-balance sheet exposures, whichever is higher, to specified sectors known as "priority sectors", subject to certain exemptions permitted by RBI from time to time. Priority sector advances include advances to agriculture sector, micro and small enterprises, weaker sections, housing finance up to certain ceilings etc. SFBs are required to maintain 75% of their ANBC under priority sector advances.

We are required to comply with the priority sector lending requirements on a quarterly basis. Any shortfall in the amount required to be lent to the priority sectors is required to be deposited with the Rural Infrastructure Development Fund established by NABARD or funds with other financial institutions as specified by the RBI, which generally provide for lower than market interest rate. Therefore, if we are unable to meet the priority sector conditions requirements, it could have an adverse effect on our results of operations.

Our average "priority sector" loans as a percentage of average ANBC for Fiscal 2018, 2019, 2020 and as of December 31, 2019 and 2020 stood at 99.08%, 112.10% and 103.67% and 102.41%, 114.09% respectively.

Capital Adequacy

Our Bank is subject to the CRAR requirements prescribed by the RBI. As of December 31, 2020, we were required to maintain a minimum CRAR of 15.00%, based on the total capital to risk-weighted assets.

The following tables set forth certain information relating to the CRAR of our Bank as of the periods indicated:

	As of and for the Nine Months ended December 31,	
	2019	**2020**
	(₹ million, except percentages)	
Common Equity Tier I Capital	10,442.62	11,176.55
Tier I Capital	10,442.62	11,176.55
Tier II Capital	268.44	1,280.96
Total Capital	10,711.06	12,457.51
Total Risk Weighted Assets	26,363.53	30,256.56
Capital Adequacy Ratio		
Common Equity Tier I Capital Ratio (as a percentage of Risk Weighted Assets)	39.61%	36.94%
Tier I Capital Ratio (as a percentage of Risk Weighted Assets)	39.61%	36.94%
Tier II Capital Ratio (as a percentage of Risk Weighted Assets)	1.02%	4.23%
Total Capital to Risk Weighted Asset Ratio (CRAR) (as a percentage of Risk Weighted Assets)	40.63%	41.17%

	As of and for the year ended March 31,		
	2018	**2019**	**2020**
	(₹ million, except percentages)		
Common Equity Tier I Capital	5,236.59	8,519.38	10,104.45
Tier I Capital	5,236.59	8,519.38	10,104.45
Tier II Capital	410.25	343.71	336.86
Total Capital	5,646.83	8,863.09	10,441.31
Total Risk Weighted Assets	13,012.21	22,035.82	29,461.55
Capital Adequacy Ratio			
Common Equity Tier I Capital Ratio (as a percentage of Risk Weighted Assets)	40.25%	38.66%	34.30%
Tier I Capital Ratio (as a percentage of Risk Weighted Assets)	40.25%	38.66%	34.30%
Tier II Capital Ratio (as a percentage of Risk Weighted Assets)	3.15%	1.56%	1.14%
Total Capital to Risk Weighted Asset Ratio (CRAR) (as a percentage of Risk Weighted Assets)	43.40%	40.22%	35.44%

Regional Concentration

Our Bank's widespread branch network enables our Bank to diversify its lending risks geographically. The following tables present an analysis of our Bank's advances and deposits by region as of the dates indicated.

The following tables set forth our Bank's Gross Advances by geographical split as of the dates indicated:

	As of December 31,			
	2019		**2020**	
	(₹ million)	**% of total**	**(₹ million)**	**% of total**
Metropolitan	11,352.82	32.99%	14,308.49	37.13%
Urban	10,415.75	30.27%	10,704.51	27.78%
Semi-Urban	10,512.24	30.54%	11,104.12	28.83%
Rural	2,133.65	6.20%	2,413.92	6.26%

	As of December 31,			
	2019		2020	
	(₹ million)	% of total	(₹ million)	% of total
Gross Advances	**34,414.46**	**100.00%**	**38,531.04**	**100.00%**

	As of March 31,					
	2018		2019		2020	
	(₹ million)	% of total	(₹ million)	% of total	(₹ million)	% of total
Metropolitan	4,050.01	25.38%	8,507.39	31.04%	11,865.75	32.72%
Urban	5,995.01	37.56%	9,234.97	33.70%	10,777.65	29.72%
Semi-Urban	5,344.71	33.49%	8,417.29	30.71%	11,170.05	30.80%
Rural	570.46	3.57%	1,246.64	4.55%	2,450.47	6.76%
Gross Advances	**15,960.19**	**100%**	**27,406.29**	**100.00%**	**36,263.92**	**100.00%**

The following tables set forth our Bank's Gross Advances by states in India as of the dates indicated:

States	As of December 31,	
	2019	2020
	(₹ million)	
Maharashtra	10,970.19	13,393.31
Tamil Nadu	10,758.80	10,568.46
Odisha	5,477.74	5,820.18
Gujarat	2,440.01	2,993.37
Karnataka	2,079.49	2,526.62
Madhya Pradesh	1,754.16	2,296.90
Uttar Pradesh	312.32	458.34
Chhattisgarh	126.96	203.86
Puducherry	182.86	125.27
Delhi	100.72	137.59
Telangana	211.21	7.13
Chandigarh	-	0.01
Total	**34,414.46**	**38,531.04**

States	As of March 31,		
	2018	2019	2020
	(₹ million)		
Maharashtra	4,978.56	8,894.77	12,117.72
Tamil Nadu	5,163.68	9,092.60	10,040.31
Odisha	2,784.12	4,223.72	5,789.18
Gujarat	1,360.65	2,335.95	2,814.06
Karnataka	656.17	1,180.24	2,504.37
Madhya Pradesh	828.09	1,239.42	1,957.41
Uttar Pradesh	-	122.17	356.28
Chhattisgarh	67.24	115.03	165.00
Puducherry	121.68	202.39	158.05
Delhi	-	-	139.58
Telangana	-	-	221.96
Total	**15,960.19**	**27,406.29**	**36,263.92**

The following tables set forth our Bank's Banking Outlets by region as of the dates indicated:

States	As of December 31,	
	2019	2020
	(No. of Banking Outlets)	
Maharashtra	133	156
Tamil Nadu	89	91
Odisha	78	91
Gujarat	35	38
Karnataka	55	73
Madhya Pradesh	28	36
Uttar Pradesh	13	29
Chhattisgarh	1	17
Puducherry	2	2
Delhi	3	3
Telangana	2	2
Chandigarh	-	1

States	As of December 31,	
	2019	2020
	(No. of Banking Outlets)	
Rajasthan	-	15
Total	**439**	**554**

States	As of March 31,		
	2018	2019	2020
	(No. of Banking Outlets)		
Maharashtra	84	115	152
Tamil Nadu	49	74	91
Odisha	38	64	79
Gujarat	30	35	38
Karnataka	15	47	55
Madhya Pradesh	21	28	33
Chhattisgarh	1	1	7
Uttar Pradesh	-	13	14
Delhi	-	2	3
Telangana	-	1	2
Puducherry	2	2	2
Chandigarh	-	-	1
Total	**240**	**382**	**477**

The following tables set forth our Bank's Banking Outlets by geographical regions as of the dates indicated:

	As of December 31,	
	2019	2020
Metropolitan	86	95
Urban	102	149
Semi-Urban	126	153
Rural	125	157
Total Banking Outlets	**439**	**554**

	As of March 31,		
	2018	2019	2020
Metropolitan	50	76	94
Urban	91	103	121
Semi-Urban	83	127	128
Rural	16	76	134
Total Banking Outlets	**240**	**382**	**477**

Recognition of NPAs and Provisioning

RBI Classification and Provisioning Requirements

Our Bank classifies its assets in accordance with the RBI guidelines. Under these guidelines, an asset is classified as non-performing if any amount of interest or principal remains overdue for more than 90 days in respect of term loans. In respect of overdraft and cash credit, an asset is classified as non-performing if the account remains out of order for a continuous period of 90 days, and in respect of bills purchased and discounted, if the account remains overdue for more than 90 days.

Assets are classified as described below:

Standard asset	Performing assets are Standard Assets which do not disclose any problem and which do not carry more than the normal risk attached to the business. The performing asset is one which generates income for the bank.
Sub-standard asset	Sub-standard Asset would be one which has remained a NPA for a period less than or equal to 12 months.
Doubtful asset	An account would be classified as doubtful if it had continuously remained in the sub-standard category for 12 months. Doubtful assets will further be sub-classified into following three categories.
- Doubtful – I	All NPAs after completion of 12 months from date of categorization as an NPA will slip to Doubtful –I category.
- Doubtful – II	All NPAs after completion of 24 months from date of categorization as an NPA will slip to Doubtful-II category.

- Doubtful – III	All NPAs after completion of 48 months from date of categorization as an NPA will slip to Doubtful-III category.
Loss asset	A loss asset is one where the loss has been identified by the bank, internal auditor, external auditors or the RBI inspectors, but the amount has not been written off wholly. In other words, such an asset is considered uncollectible with little salvage or recovery value.
Accounts where there is erosion in the value of securities/frauds committed by the borrowers	In respect of accounts where there are potential threats for recovery on account of erosion in the value of security or non-availability of security and existence of other factors such as frauds committed by borrowers it will not be prudent that such accounts should go through various stages of asset classification. In cases of such serious credit impairment, the asset should be straightaway classified as doubtful or loss asset as appropriate: 1. Erosion in the value of security can be reckoned as significant when the realizable value of the security is less than 50 per cent of the value assessed by the bank or accepted by RBI at the time of last inspection, as the case may be. Such NPAs may be straightaway classified under doubtful category. 2. If the realizable value of the security, as assessed by the bank/ approved valuers/ RBI is less than 10 per cent of the outstanding in the borrowal accounts, the existence of security should be ignored and the asset should be straightaway classified as loss asset.

The following tables provide a summary of our Bank's gross loan assets as of the periods indicated, in accordance with RBI classifications.

Asset Category	**As of December 31,**	
	2019	**2020**
	(₹ million)	
Standard assets	33,458.89	38,231.91
Sub-standard assets	852.17	82.95
Doubtful assets	103.40	213.91
Loss assets	-	2.27
Total	**34,414.46**	**38,531.04**

Asset Category	**As of March 31,**		
	2018	**2019**	**2020**
	(₹ million)		
Standard assets	15,394.50	26,910.08	35,251.42
Sub-standard assets	509.90	323.02	923.14
Doubtful assets	55.79	173.19	87.10
Loss assets	-	-	2.26
Total	**15,960.19**	**27,406.29**	**36,263.92**

The following tables set forth our Bank's provisions for credit losses including possible credit losses at the dates indicated:

Asset Category	**As of December 31,**	
	2019	**2020**
	(₹ million, except percentages)	
i. Total of Provision for NPA and Floating provision	805.44	708.41
ii. Gross Advances	34,414.46	38,531.04
iii. Gross NPA	955.57	299.13
iv. Provision held as percentage of Gross Advances [i/ii]	2.34%	1.84%
v. Provision coverage ratio (including technical write-offs and floating provisions to an extent utilized)[1]	84.22%	89.58%

(1) Provision held as a percentage of Gross Advances.
(2) Our Bank has a provision of ₹ 1,407.10 million as on December 31, 2020 on account of COVID-19 and has not been considered in table above.

Asset Category	**As of March 31,**		
	2018	**2019**	**2020**
	(₹ million, except percentages)		
i. Total of Provision for NPA and Floating provision	273.41	610.44	944.48
ii. Gross Advances	15,960.19	27,406.29	36,263.92
iii. Gross NPA	565.69	496.21	1,012.50
iv. Provision held as percentage of Gross Advances [i/ii]	1.71%	2.23%	2.60%
v. Provision coverage ratio (including technical write-offs and floating provisions to an extent utilized) [1]	48.33%	75.80%	84.71%

Notes:
(1) Provision held as a percentage of Gross Advances.

(2) *Our Bank has made a provision of ₹ 659.91 million for the year ended March 31, 2020 on account of COVID-19 and has not been considered in table above.*

Non-Performing Assets

Our Bank has suffered losses in the past through impairment of loans as delinquent borrowers were impacted by various factors including recessionary conditions in the domestic economy, currency demonetization measures in 2016, COVID-19, regulatory measures, increased competition and volatility in industrial growth that led to cash flow issues for micro banking customers, adversely impacted earning capacity for MSMEs and CV customers. Our Bank has adopted several measures to refine its credit selection processes and appraisal capabilities.

Once loan accounts are identified as non-performing, interest and other fees charged in the account, if uncollected, are reversed. In compliance with regulations governing the presentation of financial information by banks, we report non-performing assets net of cumulative provision. In accordance with the RBI guidelines, interest income from advances for NPAs is recognized upon realization, rather than on an accrual basis as with all other loans. Any recoveries in the non-performing advances account will be first appropriated to principal outstanding then interest outstanding and to fees/charges outstanding if any, except in those cases where bank has a specific agreement with a borrower with regards to appropriation of recoveries.

Our Bank's percentage of Gross NPAs to Total Advances decreased from 3.54% as of March 31, 2018 to 1.81% as of March 31, 2019 and subsequently increased to 2.79% as of March 31, 2020 and was 2.34% and 1.84% as of December 31, 2019 and 2020, respectively. Our Bank's net NPA to net advances decreased from 1.86% as of March 31, 2018 to 0.44% as of March 31, 2019 and subsequently increased to 0.57% as of March 31, 2020 and was 2.78% and 0.78% as of December 31, 2019 and 2020, respectively.

See "*Risk Factors — Risks Relating to our Bank's Business — If we are not able to control the level of non-performing assets in our portfolio or any increase in our NPA portfolio, RBI mandated provisioning requirements could adversely affect our business, financial conditions, results of operations and cash flows.*"

The following tables set forth, for the periods indicated, information about our Bank's NPA portfolio.

	As of December 31,	
	2019	**2020**
	(₹ million, except percentages)	
Non-Performing Assets		
(i) Gross NPAs as at the year end	955.57	299.13
(ii) Closing balance of provision for NPAs	429.38	170.68
(iii) Closing balance of floating provisions	376.05	537.73
(iv) Net NPAs	176.18	128.14
(vi) Advances	33,609.03	37,822.63
(vii) Gross Advances	34,414.46	38,531.04
(viii) Gross NPAs/ Gross Advances (%) (i/vii)	2.78%	0.78%
(x) Net NPAs/ Advances (%) (iv/vi)	0.52%	0.33%
(xi) Provision for NPAs as a percentage of Gross NPAs (ii/i)*	44.93%	57.06%
(xii) Provision coverage ratio ((including technical write-offs and floating provisions to an extent utilized))	84.22%	89.58%

	As of March 31,		
	2018	**2019**	**2020**
	(₹ million, except percentages)		
Non-Performing Assets			
(i) Gross NPAs as at the year end	565.69	496.21	1,012.50
(ii) Closing balance of provision for NPAs	210.83	287.29	412.30
(iii) Closing balance of floating provisions	62.58	323.15	532.18
(iv) Net NPAs	292.27	120.06	203.74
(vi) Advances	15,686.78	26,795.84	35,319.44
(vii) Gross Advances	15,960.19	27,406.29	36,263.92
(viii) Gross NPAs/ Gross Advances (%) (i/vii)	3.54%	1.81%	2.79%
(x) Net NPAs/ Advances (%) (iv/vi)	1.86%	0.44%	0.57%
(xi) Provision for NPAs as a percentage of Gross NPAs (ii/i)*	37.27%	57.90%	40.72%
(xii) Provision coverage ratio ((including technical write-offs and floating provisions to an extent utilized))	48.33%	75.80%	84.71%

** Provisions are excluding floating provision*

The tables below set forth our Bank's Gross NPAs by product segment as a percentage of the gross advances of the respective products as of March 31, 2018, 2019, 2020 and as of December 31, 2019 and 2020:

	As of December 31,			
	2019		2020	
	(₹ million)	**Gross NPA as a Percentage of Gross Advances of respective Product**	**(₹ million)**	**Gross NPA as a Percentage of Gross Advances of respective Product**
Inclusive Finance Loans	584.59	2.28%	8.90	0.03%
Commercial Vehicle Loans	170.35	4.90%	155.29	4.20%
Affordable Housing Loans	19.43	1.24%	15.21	0.62%
Micro Business Loans (T-Nagar)	16.40	4.38%	18.32	4.68%
Unsecured MSME/SME Loans	82.90	15.83%	37.55	13.36%
Secured Business Loans	78.21	7.78%	61.43	4.32%
Financial Intermediary Group Loans	-	0.00%	-	0.00%
Others*	3.68	0.41%	2.43	0.16%
Gross NPA	**955.57**	**2.78%**	**299.13**	**0.78%**

** Others includes overdrafts and staff loans.*

	As of March 31,					
	2018		2019		2020	
	(₹ million)	**Gross NPA as a Percentage of Gross Advances of respective Product**	**(₹ million)**	**Gross NPA as a Percentage of Gross Advances of respective Product**	**(₹ million)**	**Gross NPA as a Percentage of Gross Advances of respective Product**
Inclusive Finance Loans	543.78	3.82%	270.80	1.24%	675.96	2.48%
Commercial Vehicle Loans	-	-	20.76	0.95%	174.38	4.71%
Affordable Housing Loans	-	-	6.52	0.82%	19.97	1.10%
Micro Business Loans (T-Nagar)	-	-	2.02	0.74%	19.08	4.46%
Unsecured MSME/SME Loans	20.19	2.44%	134.33	13.92%	40.71	10.88%
Secured Business Loans	0.71	0.20%	60.25	8.91%	79.36	7.47%
Financial Intermediary Group Loans	-	-	-	-	-	0.00%
Others*	1.01	1.01%	1.53	1.12%	3.04	0.53%
Gross NPA	**565.69**	**3.54%**	**496.21**	**1.81%**	**1,012.50**	**2.79%**

** Others includes overdrafts and staff loans.*

The tables below set forth our Bank's Gross NPAs by product segment as a percentage of the total gross advances, as of March 31, 2018, 2019, 2020 and December 31, 2019 and 2020.

	As of December 31,			
	2019		2020	
	(₹ million)	**Gross NPA as a Percentage of Total Gross Advances**	**(₹ million)**	**Gross NPA as a Percentage of Total Gross Advances**
Inclusive Finance Loans	584.59	1.70%	8.90	0.02%
Commercial Vehicle Loans	170.35	0.49%	155.29	0.40%
Affordable Housing Loans	19.43	0.06%	15.21	0.04%
Micro Business Loans (T-Nagar)	16.40	0.05%	18.32	0.05%
Unsecured MSME/SME Loans	82.90	0.24%	37.55	0.10%
Secured Business Loans	78.21	0.23%	61.43	0.16%
Financial Intermediary Group Loans	-	0.00%	-	0.00%
Others*	3.68	0.01%	2.43	0.01%
Gross NPA	**955.57**	**2.78%**	**299.13**	**0.78%**

** Others includes overdrafts and staff loans.*

	As of March 31,		
	2018	2019	2020

	(₹ million)	Gross NPA as a Percentage of Total Gross Advances	(₹ million)	Gross NPA as a Percentage of Total Gross Advances	(₹ million)	Gross NPA as a Percentage of Total Gross Advances
Inclusive Finance Loans	543.78	3.41%	270.80	0.99%	675.96	1.86%
Commercial Vehicle Loans	-	0.00%	20.76	0.08%	174.38	0.48%
Affordable Housing Loans	-	0.00%	6.52	0.02%	19.97	0.06%
Micro Business Loans (T-Nagar)	-	0.00%	2.02	0.01%	19.08	0.05%
Unsecured MSME/SME Loans	20.19	0.13%	134.32	0.49%	40.71	0.11%
Secured Business Loans	0.71	0.00%	60.25	0.22%	79.36	0.22%
Financial Intermediary Group Loans	-	0.00%	-	0.00%	-	0.00%
Others*	1.01	0.00%	1.53	0.00%	3.04	0.01%
Gross NPA	565.69	3.54%	496.21	1.81%	1,012.50	2.79%

** Others includes overdrafts and staff loans.*

Our Bank's provision coverage ratio (including technical write-offs and floating provisions to an extent utilized)) as of March 31, 2018, 2019 and 2020 and as of December 31, 2019 and 2020, computed as per RBI guidelines, was 48.33%, 75.80%, 84.71%, 84.22% and 89.58%, respectively.

Provisioning and Write-Offs

RBI guidelines on provisioning and write-offs are as follows:

<table>
<tr><td>Standard asset</td><td colspan="2">A general provision on Standard Assets with a minimum of 0.40% is to be made with the exception of Farm credit to agriculture activities, SME sectors and Individual Housing Loans sanctioned on or after June 7, 2017 for which a provision of 0.25% will be made, and for residential housing loans under “teaser” loan category, a provision of 2.00% will be made. For commercial real estate loans and commercial real estate loans for residential housing sector, provision will be made at 1.00% and 0.75% respectively. For restructured standard assets and DCCO extension beyond stipulated maximum for infrastructure and non-infrastructure projects, provision is held at 5%. A Restructured NPA account upgraded to standard category attracts a provision of 5% in the first year from the date of upgrade.</td></tr>
<tr><td>Sub-standard asset</td><td colspan="2">A general provision of 15.00% on total outstanding loans should be made without making any allowance for Export Credit Guarantee Corporation of India (ECGC) guarantee cover and securities available. The unsecured outstanding which are identified as sub-standard would attract an additional provision of 10.00% (i.e. a total of 25.00% on the outstanding balance). However, in case escrow accounts available in respect of infrastructure lending, infrastructure loan accounts which are classified as sub-standard will attract a provisioning of 20% instead of the aforesaid prescription of 25%.

Unsecured outstanding is defined as an outstanding where the realizable value of security, as assessed by the bank, the approved values and the RBI’s inspecting officers, is not more than 10.00%, ab-initio, of the outstanding. Security will mean tangible security properly discharged to the bank and will not include intangible securities such as guarantees and comfort letters.</td></tr>
<tr><td rowspan="5">Doubtful asset</td><td colspan="2">Provisioning at 100.00% is to be made for the deficit portion i.e. to the extent to which advances are not covered by the realizable value of the security to which our Bank has a valid recourse and the realizable value is estimated on a realistic basis. With regard to the secured portion, as per the guidelines of the RBI, provision is to be made at rates ranging from 25.00% to 100.00% of the secured portion depending upon the period for which the advance has remained in the doubtful category. In regard to the secured portion, provision is to be made in accordance with the table below:</td></tr>
<tr><td>Period for which advance remained in “Doubtful” category</td><td>Provision requirement (%)</td></tr>
<tr><td>Up to one year</td><td>25.00%</td></tr>
<tr><td>One to three years</td><td>40.00%</td></tr>
<tr><td>More than three years</td><td>100.00%</td></tr>
<tr><td>Loss asset</td><td colspan="2">The entire asset is written off or 100.0% provision is made on outstanding amount.</td></tr>
</table>

See “*Key Regulations and Policies”* beginning on page 163 of the Draft Red Herring Prospectus.

The following tables set forth the details of the movement in NPAs for the periods indicated:

Gross NPA Movement	As of December 31,	
	2019	2020
	(₹ million)	
Opening GNPA	496.21	1,012.50
Add: Additions during the year	823.44	0.50
Sub Total – (A)	1,319.65	1,013.00
Less:	-	-
i. Upgradations	21.89	56.00
ii. Recoveries (excluding recoveries made from upgraded accounts)	22.42	31.47
iii. Technical or Prudential write-offs	160.82	626.38
iv. Write-offs other than those under (iii) above	158. 95	0.02
Sub Total –(B)	364.08	713.87
Closing GNPA Balance	**955.57**	**299.13**

Gross NPA Movement	As of March 31,		
	2018	2019	2020
	(₹ million)		
Opening GNPA	512.50	565.69	496.21
Add: Additions during the year	517.95	330.81	1,042.95
Sub Total – (A)	1,030.45	896.50	1,539.16
Less:			
v.Upgradations	0.75	1.25	6.07
vi. Recoveries (excluding recoveries made from upgraded accounts)	36.08	63.42	41.73
vii. Technical or Prudential write-offs	-	-	319.93
viii. Write-offs other than those under (iii) above	427.93	335.62	158.93
Sub Total –(B)	464.76	400.29	526.66
Closing GNPA Balance	**565.69**	**496.21**	**1,012.50**

The following tables set forth the details of the movement in provisions for the periods indicated:

Provision Movement	As of December 31,	
	2019	2020
	(₹ million)	
Opening Balance	376.15	808.76
Add: Provisions created during the year	739.44	13.29
Sub Total – (A)	1,115.59	822.05
Less:	-	-
i. Write-offs/ Write back of excess provisions	336.20	651.06
Sub Total –(B)	336.20	651.06
Closing Balance	**779.39**	**170.99**

Provision Movement	As of March 31,		
	2018	2019	2020
	(₹ million)		
Opening Balance	201.09	273.42	376.15
Add: Provisions created during the year	193.72	250.62	702.36
Sub Total – (A)	394.81	524.04	1,078.51
Less:			
ii. Write-offs/ Write back of excess provisions	121.39	147.89	269.75
Sub Total –(B)	121.39	147.89	269.75
Closing Balance	**273.42**	**376.15**	**808.76**

Upgradations of loan accounts classified as NPA

If arrears of interest and principal are paid by the borrower in the case of loan accounts classified as NPAs, the account will no longer be treated as non-performing and be classified as 'standard' accounts.

Restructuring of Advances

All loans of our Bank, where the repayment terms of existing advances have been revised in order to extend the repayment period and/ or decrease the instalment amount and/ or reduction in interest rate as per the borrower's request shall be marked as rescheduled loans.

We consider a restructured account, if any, as one where we, for economic or legal reasons relating to the borrower's financial difficulty, grant to the borrower concessions that we would not otherwise consider. Restructuring would normally involve modification of terms of the advance/ securities, which would generally include, among others, alteration of repayment period/ repayable amount/ the amount of instalments/ rate of interest (due to reasons other than competitive reasons). However, extension in repayment tenure of a floating rate loan on reset of interest rate, so as to keep the equated monthly instalment (EMI) unchanged, provided it is applied to a class of accounts uniformly, will not render the account to be classified as 'restructured account'. In other words, extension or deferment of EMIs to individual borrowers as against to an entire class, would render the accounts to be classified as 'restructured accounts' except as permitted by the RBI.

Restructured accounts are classified as such by us only upon approval and implementation of the restructuring package. Necessary provision for diminution in the fair value of the asset is made. Restructuring of an account, if any, is done at a borrower level. Non-performing advances are written-off in accordance with our policies. Recoveries from bad debts written-off are recognised in the Profit and Loss Account and included under 'Other Income'. This will result in immediate down-gradation of the loan, i.e., a standard loan will become sub-standard and attract provisions as per the asset classification and subsequent provisioning norms. The NPAs, upon restructuring, would continue to have the same asset classification as prior to restructuring and slip into further lower asset classification categories as per extant asset classification norms with reference to the pre-restructuring repayment schedule. If such account classified as NPA performs regularly, it will be upgraded after satisfactory performance during the specified period.

The erosion in the fair value of the advance is computed as the difference between the fair value of the loan before and after restructuring. Fair value of the loan before restructuring is computed as the present value of cash flows representing the interest at the existing rate charged on the advance before restructuring and the principal, discounted at the existing interest rate as on the date of restructuring. Fair value of the loan after restructuring is computed as the present value of cash flows representing the interest at the rate charged on the advance on restructuring and the principal, discounted at the existing interest rate on the date of restructuring.

Additional finance approved under the resolution plan is treated as 'Standard Asset' during the specified period, provided that the account performs satisfactorily during the specified period. If the restructured asset fails to perform satisfactorily during the specified period or does not qualify for upgradation at the end of the specified period, the additional finance shall be placed in the same asset classification category as the restructured debt. 'Specified Period' refers to the period from the date of implementation of resolution plan up to the date by which at least 20% of the outstanding principal debt as per the resolution plan and interest capitalisation sanctioned as part of the restructuring, if any, is repaid. Provided that, the specified period cannot end before one year from the commencement of the first payment of interest or principal (whichever is later) on the credit facility with longest period of moratorium under the terms of the resolution plan.

The SARS-CoV-2 virus responsible for COVID-19 continues to spread across the globe and India and has contributed to a significant decline and volatility in global and Indian financial markets and a significant decrease in global and local economic activities. On March 11, 2020, the COVID-19 outbreak was declared a global pandemic by the World Health Organisation. Numerous governments and companies, including our Bank, introduced a variety of measures to contain the spread of the virus. On March 24, 2020, the Indian government announced a 21-day lockdown which was further extended till May 31, 2020 to contain the spread of the virus. The lock down continued in affected regions during the year as determined by central government or the respective State governments. Internationally, countries are still fighting battle against the virus and putting strict restrictions on movement of people, specially those coming in from various virus hotspots. The extent to which the COVID-19 pandemic will impact our Bank's results will depend on future developments, which are highly uncertain, including, among other things, any new information concerning the severity of the COVID-19 pandemic and any action to contain its spread or mitigate its impact whether government-mandated or elected by our Bank.

In accordance with the RBI guidelines relating to COVID-19 Regulatory Package dated March 27, 2020 and April 17, 2020, our Bank has granted a moratorium of three months on the payment of all instalments and / or interest, as applicable, falling due between March 1, 2020 and May 31, 2020 to all eligible borrowers, even if overdue, as on February 29, 2020. For all such accounts where the moratorium is granted, the asset classification remained stand still during the moratorium period (i.e., the number of days past-due shall exclude the moratorium period for the purposes of asset classification under the income recognition, asset classification and provisioning norms). We have made a provision of ₹ 108.69 million being 10% of overdue standard accounts as on February 29, 2020 following RBI guidelines relating to COVID-19 regulatory package issued on April 17, 2020 and clarification provided by RBI to Indian Bank's Association dated May 6, 2020.

RBI in its Statement on Developmental and Regulatory Policies dated May 22, 2020, permitted lending institutions to extend the moratorium on term loan instalments for another three months, i.e., from June 1, 2020 to August 31, 2020. As the moratorium/deferment is being provided specifically to enable borrowers to tide over COVID-19 disruptions, the same is not treated as changes in terms and conditions of loan agreements due to financial difficulty of the borrowers and, consequently, does not result in asset classification downgrade. The Bank continued to provide moratorium to eligible borrowers for the instalments due between June 1, 2020 to August 31, 2020 following the RBI notification dated May 22, 2020.

Further, considering the stress due to COVID-19 pandemic, RBI in its circular No RBI/2020-21/16 DOR.No.BP.BC/3/21.04.048/2020-21dt 6th Aug, 2020 had given guidelines on "Resolution Framework for COVID-19-related Stress" to enable lenders such as banks /FIs to implement a resolution plan in respect of eligible corporate exposures without change in ownership, and personal loans, while classifying such exposures as Standard, subject to specified conditions amidst economic fallout due to COVID-19. Bank has put in place a Board approved policy for the same ensuring that only the borrowers having COVID-19 related stress are covered under this framework.

Summary of cases restructured as per the above guidelines as of December 31, 2020 are given below:

No. of Accounts Restructured	Amount of Restructured Debt (₹ million)
11	22.15

Also, in view of fallout of COVID-19 and to ensure continued support to MSMEs, RBI has by its circular DOR.No.BP.BC./4/21.04.048/2020-21 dated August 6, 2020 on "Micro, Small and Medium Enterprises (MSME) sector – Restructuring of Advances" extended the scheme for MSME borrowers/accounts which were classified as 'Standard' as on March 1, 2020. Only those accounts are eligible to be covered under the scheme which have aggregate exposure, including non-fund based facilities, of banks and NBFCs not exceeding ₹ 250 million as on March 1, 2020. The restructuring exercise under the scheme can be done till March 31, 2021 and our Bank is likely to include more cases to provide support to eligible customers.

Summary of cases restructured as per the above guidelines as of December 31, 2020 is given below:

No. of Accounts Restructured	Amount of Restructured (₹ million)
1	1.30

For accounts restructured under the above two guidelines, our Bank maintains additional provision as applicable over and above the provisions already held by them.

Borrowers not eligible for coverage under the above two guidelines shall continue to be considered for resolution under the Prudential Framework, or the relevant instructions as applicable to the Bank.

Summary of cases restructured under prudential framework guidelines as of December 31, 2020 is given below:

No. of Accounts Restructured	Amount of Restructured (₹ million)
1	19.24

The Honourable Supreme Court of India, in a public interest litigation (*Gajendra Sharma v. Union of India & Another*), vide an interim order dated September 3, 2020 ("Interim Order"), has directed that accounts which were not declared NPA till August 31, 2020 shall not be declared as NPA till further orders. Basis the interim order, the Bank has not classified any account which was not NPA as of August 31, 2020 as per the RBI Income Recognition, Asset Classification norms, as NPA, after August 31, 2020. Further, in light of the Interim Order, even accounts that would have otherwise been classified as NPA post August 31, 2020 have not been and will not be, classified as NPA till such time that the Supreme Court finally decides on the matter.

NPA Management

Our Bank is committed to efficiently managing and reducing its NPAs and has implemented the following measures to manage and reduce its NPA ratio:

- Our Bank has laid down processes to review portfolio quality on monthly basis. Portfolio quality is reviewed on various parameters like bounce rates, overdue position, rolled backward and rolled forward, portfolio at risk, NPA levels, etc. The collection management process includes multilevel structured reviews of the collection team at defined intervals. The market feedback coming from the field teams is utilized by the supervisors for planning appropriate action.

- The data available from credit bureau is constantly analyzed to track the level of indebtedness among customers. It also helps track borrower behavior and consistency of information submitted by borrowers.

- Our Bank also has a recovery team focused on NPAs and written-off accounts in micro banking and early interventions for other verticals.

Productivity and Other Ratios

The following tables sets forth certain information relating to our productivity and other ratios:

	As of December 31,	
	2019	2020
Banking Outlets	439	554
Business Correspondents	17	16
ATMs	25	25
Total number of employees	4,423	4,770
Gross Advances per employee (₹ million)	7.78	8.08
Gross Advances per Banking Outlet (₹ million)	78.39	69.55
Total Accounts	16,20,674	21,04,419
- Borrower Accounts*	15,13,293	16,88,813
- Deposit Accounts	1,07,381	4,15,606
• Current Accounts	3,708	5,599
• Savings Accounts	47,914	3,34,989
• Term Deposits	55,759	75,018
Disbursements per Banking Outlet (₹ million)	52.70	20.93
Disbursements per employee (₹ million)	5.23	2.43
Deposits per employee (₹ million)	5.63	7.01
Deposits per Banking Outlet (₹ million)	56.75	60.36

Notes:
** Borrower accounts are computed on the basis of accounts forming part of our Gross Loan Portfolio.*

	As of March 31,		
	2018	2019	2020
Banking Outlets	240	382	477
Business Correspondents	0	6	14
ATMs	24	24	26
Total number of employees	2,883	3,931	4,695
Gross Advances per employee (₹ million)	5.54	6.97	7.72
Gross Advances per Banking Outlet (₹ million)	66.50	71.74	76.02
Total Accounts	909,222	1,375,472	1,695,230
- Borrower Accounts*	892,282	1,322,333	1,566,155
- Deposit Accounts	16,940	53,139	129,075
• Current Accounts	787	1,920	4,272
• Savings Accounts	8,508	20,779	61,404
• Term Deposits	7,645	30,440	63,399
Disbursements per Banking Outlet (₹ million)	71.20	74.77	64.79
Disbursements per employee (₹ million)	5.93	7.27	6.58
Deposits per employee (₹ million)	2.60	4.05	6.07
Deposits per Banking Outlet (₹ million)	31.23	41.71	59.72

Notes:
** Borrower accounts are computed on the basis of accounts forming part of our Gross Loan Portfolio.*

The following tables sets forth information relating to our customer base:

	As of December 31,	
	2019	2020
Only Borrowers	13,41,276	10,83,900
Only Depositors	47,704	1,08,340
Both Borrowers and Depositors	31,815	2,49,687
Of Only Depositors:		
CASA Customers	35,170	84,823
Term Deposit Customers	4,268	8,380
Both CASA and TD	8,266	15,137

	As of March 31,		
	2018	2019	2020
Only Borrowers	794,025	1,124,834	1,362,389
Only Depositors	8,385	21,382	58,047
Both Borrowers and Depositors	2,551	4,177	37,636
Of Only Depositors:			
CASA Customers	4,803	12,336	43,451
Term Deposit Customers	1,680	3,028	4,981
Both CASA and TD	1,902	6,018	9,615

The following tables set forth information relating to our digital banking channels:

	As of and for the period ended December 31,	
	2019	**2020**
Total Debit Cards Issued	28,444	1,02,704
No. of Active Debit Cards	NA	1,58,488.00
Number of Debit Card Transactions	2,45,650	3,50,330
Value of Debit Card Transactions (₹ million)	221.65	320.83
Number of Internet Banking Transactions	67,428	87,685
Value of Internet Banking Transactions (₹ million)	2,897.72	6,342.94
Number of Mobile Banking Transactions	2,34,825	3,93,260
Value of Mobile Banking Transactions (₹ million)	3,640.79	7,820.51

	As of and for the year ended March 31,		
	2018	**2019**	**2020**
Total Debit Cards Issued	11,098	13,596	34,217
No. of Active Debit Cards	NA	NA	53,972
Number of Debit Card Transactions	27,544	127,292	360,398
Value of Debit Card Transactions (₹ million)	106.48	110.55	323.88
Number of Internet Banking Transactions	8,241	40,417	101,820
Value of Internet Banking Transactions (₹ million)	477.39	1,454.65	4,703.66
Number of Mobile Banking Transactions	17,911	143,280	338,368
Value of Mobile Banking Transactions (₹ million)	480.38	1,890.61	5,352.24

SECTION V: FINANCIAL INFORMATION

RESTATED FINANCIAL STATEMENTS

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Report of Independent Auditor on the restated summary statement of assets and liabilities as at December 31, 2020 and 2019, March 31, 2020, March 31, 2019 and March 31, 2018 , restated summary statement of profits and losses and restated summary statement of cash flows for the nine month ended December 31, 2020 and 2019, years ended March 31, 2020, March 31, 2019 and March 31, 2018 along with the summary statement of significant accounting policies and other explanatory information of Suryoday Small Finance Bank Limited (collectively, the "Restated Financial Information")

The Board of Directors
Suryoday Small Finance Bank Limited
1101, Sharda Terraces
Plot No. 65, Sector 11, CBD Belapur
Navi Mumbai 400 614
Maharashtra, India

Dear Sirs / Madams,

1. We have examined the Restated Financial Information of Suryoday Small Finance Bank Limited ("the Bank") as at December 31, 2020 and 2019, March 31, 2020, March 31, 2019 and March 31, 2018, annexed to this report for the purpose of inclusion in the Addendum to the Draft Red Herring Prospectus ("Addendum to the DRHP"), Red Herring Prospectus ("RHP") and Prospectus, prepared by the Bank in connection with its proposed Initial Public Offer of equity shares of face value of Rs.10 each ("Issue"). The Restated Financial Information, which have been approved by the Board of Directors of the Bank at their meeting held on February 08, 2021, have been prepared by the Bank in accordance with the requirements of:

   a) the Sub-section (1) of Section 26 of Part I of Chapter III of the Companies Act, 2013 (the "Act");

   b) the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended (the "SEBI ICDR Regulations"); and

   c) The Guidance Note on Reports in Company Prospectuses (Revised 2019) issued by the Institute of Chartered Accountants of India ("ICAI"), as amended from time to time (the "Guidance Note").

Management's Responsibility for the Restated Financial Information

2. The Bank's Management are responsible for the preparation of Restated Financial Information for the purpose of inclusion in the Addendum to the DRHP to be filed with Securities and Exchange Board of India ("SEBI") , BSE Limited ("BSE") and the National Stock Exchange of India Limited ("NSE"), and the RHP and the Prospectus to be filed with the Registrar of Companies, Maharashtra at Mumbai ("RoC") in connection with the proposed Issue. The Restated Financial Information have been prepared by the Management of the Bank in accordance with the basis of preparation stated in Note 2 to Annexure 21 of the Restated Financial Information. The Management of the Bank is responsible for designing, implementing and maintaining adequate internal control relevant to the preparation and presentation of the Restated Financial Information. The Management is also responsible for identifying and ensuring that the Bank complies with the Act, the SEBI ICDR Regulations and the Guidance Note.

Auditor's Responsibility

3. We have examined the Restated Financial Information taking into consideration:

   a) the terms of reference and our engagement agreed with you vide our engagement letter dated April 10, 2020 and addendum to the engagement letter dated February 08, 2021, requesting us to carry out work on such Restated Financial Information, proposed to be included in the DRHP, Addendum to the DRHP, RHP and Prospectus of the Bank in connection with the Bank's proposed Issue;

   b) the Guidance note requires that we comply with the ethical requirements as stated in the Code of Ethics issued by the ICAI;

   c) the concepts of test check and materiality to obtain reasonable assurance based on verification of evidence supporting the Restated Financial Information; and

   d) the requirements of Section 26 of the Act and the SEBI ICDR Regulations.

   Our work was performed solely to assist you in meeting your responsibilities in relation to compliance with the Act, the SEBI ICDR Regulations and the Guidance Note in connection with the proposed Issue.

Restated Financial Information as per the audited financial statements

4. The Restated Financial Information have been compiled by the Management from the audited special purpose interim financial statements of the Bank as at and for the nine month ended December 31, 2020 and December 31, 2019 prepared in accordance with the recognition and measurement principles of Accounting Standards (AS) 25 'Interim Financial Reporting' prescribed and audited financial statements for each of the years ended March 31, 2020, March 31, 2019 and March 31 2018, prepared in accordance with accounting standards notified under section 133 of the Act read with the Companies (Accounts) Rules, 2014, as applicable to the Bank (the "Indian GAAP"), the Banking Regulation Act,1949 and directions issued by the Reserve Bank of India from time to time and have been approved by the Board of Directors at their meeting held on February 08, 2021.

5. For the purpose of our examination, we have relied on:

   a) Auditor's Report issued by us dated February 08, 2021 on the special purpose interim financial statements of the Bank as at and for the nine month ended December 31, 2020 and December 31, 2019, as referred in Para 4 above.

   b) Auditor's Report issued by us dated May 27, 2020 on the financial statements of the Bank as at and for the year ended March 31, 2020, as referred in Para 4 above.

   c) Auditor's Reports issued by BSR & Associates LLP, ("Previous Auditor"), dated May 29, 2019 and May 30, 2018 on the financial statements of the Bank as at for the years ended March 31, 2019 and March 31, 2018 respectively, as referred in Para 4 above.

The audited financial statements for the year ended March 31, 2019 and March 31, 2018 and the Independent Auditor's Reports thereon issued by the Previous Auditor have been furnished to us by the Bank. Upon specific request by the Bank, we have examined and reported on the restated financial information for the year ended March 31, 2019 and March 31, 2018. The adjustments in so far as it relates to the amounts, disclosures, material errors, regrouping, reclassification, etc., included in respect of the year ended March 31, 2019 and March 31, 2018 is restricted to and based solely on the audited financial statements and auditor's reports issued by the Previous Auditor for such years. We have not performed any additional procedures other than those stated herein and do not accept any responsibility of whatsoever nature in this regard.

6. Based on the above and according to the information and explanations given to us, we report that:

   i) Restated Financial Information have been prepared after incorporating adjustments for the changes in accounting policies, any material errors and regrouping/reclassifications as more fully described in Annexure 4 to the Restated Financial Information (Restated Statement of Adjustments to Audited Financial Statements) retrospectively in the nine month period ended December 31, 2019, financial years as at and for the year March 31, 2020, March 31, 2019, and March 31, 2018 to reflect the same accounting treatment as per the accounting policies and grouping/classifications followed as at and for the nine month ended December 31, 2020;

   ii) there are no qualifications in the auditor's reports on the audited financial statements of the Bank as at and for the nine month ended December 31, 2020 and 2019, years ended March 31, 2020, March 31, 2019 and March 31, 2018, which require any adjustments to the Restated Financial Information; and

   iii) Restated Financial Information have been prepared in accordance with the Act, the SEBI ICDR Regulations and the Guidance Note.

7. The Restated Financial Information do not reflect the effects of events that occurred subsequent to the respective dates of the report on the audited financial statements mentioned in paragraph 4 above.

8. We draw attention to Note 15 in Annexure 22 to the Restated Financial Information, which describes that the extent to which the COVID-19 Pandemic will impact the Bank's financial statements will depend on future developments, which are highly uncertain.

   Our opinion is not modified in respect of this matter.

9. According to the information and explanations given to us, in our opinion, the Restated Financial Information, read with Summary of Significant Accounting Policies disclosed in Annexure 21 , accompanying this report, are prepared after making adjustments and regroupings as considered appropriate and disclosed in Annexure 4 and have been prepared in accordance with the Act, SEBI ICDR Regulations, to the extent applicable, and the Guidance Note.

10. This report should not in any way be construed as a reissuance or re-dating of any of the previous auditor's reports issued by us or by the Previous Auditor, nor should this report be construed as a new opinion on any of the financial statements referred to herein.

11. We have no responsibility to update our report for events and circumstances occurring after the date of this report.

12. Our report is intended solely for use of the Board of Directors and for inclusion in the Addendum to the DRHP, RHP and Prospectus to be filed with the SEBI, BSE Limited, the National Stock Exchange of India Limited and the RoC, as applicable in connection with the proposed Issue. Our report should not be used, referred to or distributed for any other purpose without prior consent in writing. Accordingly, we do not accept any liability or any duty of care towards any other person relying on the statement.

For **MSKC & Associates (Formerly known as R. K. Kumar & Co.)**
Chartered Accountants
ICAI Firm registration number: 001595S

Tushar Kurani
Partner

Membership No. 118580
UDIN: 21118580AAAAAE6264

Mumbai
February 08, 2021

Suryoday Small Finance Bank Limited
Annexure 1: Restated Summary Statement of Assets and Liabilities

Amt. in millions

	Annexure	As at December 31, 2020	As at December 31, 2019	As at March 31, 2020	As at March 31, 2019	As at March 31, 2018
CAPITAL AND LIABILITIES						
Capital	5	**891.85**	**863.12**	**865.94**	**815.82**	**674.97**
Reserves and Surplus	6	**11,017.77**	**9,890.01**	**9,796.35**	**7,987.83**	**4,709.88**
Deposits	7	**33,438.40**	**24,913.57**	**28,487.15**	**15,934.25**	**7,495.22**
Borrowings	8	**14,870.79**	**8,869.30**	**12,646.15**	**11,242.28**	**7,178.32**
Other Liabilities and Provisions	9	**3,285.28**	**1,355.57**	**1,849.63**	**1,631.85**	**1,501.25**
	TOTAL	**63,504.09**	**45,891.57**	**53,645.22**	**37,612.03**	**21,559.64**
ASSETS						
Cash and Balances with Reserve Bank of India	10	**889.02**	**741.65**	**605.27**	**483.04**	**308.22**
Balances with Banks and Money at Call and Short Notice	11	**7,442.57**	**1,083.18**	**7,770.71**	**2,280.58**	**1,763.40**
Investments	12	**15,114.41**	**8,928.26**	**8,081.98**	**6,643.93**	**3,113.43**
Advances	13	**37,822.63**	**33,609.03**	**35,319.44**	**26,795.84**	**15,686.78**
Fixed Assets	14	**433.58**	**307.36**	**387.30**	**189.77**	**135.41**
Other Assets	15	**1,801.88**	**1,222.09**	**1,480.52**	**1,218.87**	**552.40**
	TOTAL	**63,504.09**	**45,891.57**	**53,645.22**	**37,612.03**	**21,559.64**
Contingent Liabilities	16	**48.76**	**114.04**	**46.23**	**285.39**	**77.92**
Bills for collection		-	-	-	-	-
Significant Accounting Policies and Notes to the financial statements	21 & 22					

The annexures referred to above form an integral part of the financial statements

As per our report of even date
For MSKC & Associates
(Formerly known as R.K. Kumar & Co.)
Chartered Accountants
Firm Registration No: 001595S

Tushar Kurani
Partner
Membership No: 118580

For and on behalf of the Board of Directors

R. Ramachandran
Chairman
DIN-01953653

R. Baskar Babu
Managing Director and
Chief Executive Officer
DIN-02303132

Jyotin Mehta
Director
DIN-00033518

Place: Navi Mumbai
Date: February 08, 2021

Geeta Krishnan
Company Secretary

Bhavin Damania
Chief Financial Officer

Suryoday Small Finance Bank Limited
Annexure 2: Restated Summary Statement of Profit and Loss

Amt. in millions

		Annexure	Period ended December 31, 2020	Period ended December 31, 2019	Year ended March 31, 2020	Year ended March 31, 2019	Year ended March 31, 2018
I.	**INCOME**						
	Interest earned	17	**6,243.49**	**5,632.15**	**7,666.85**	**5,301.07**	**2,868.82**
	Other income	18	**649.24**	**631.43**	**874.53**	**669.22**	**380.44**
		TOTAL	**6,892.73**	**6,263.58**	**8,541.38**	**5,970.29**	**3,249.26**
II.	**EXPENDITURE**						
	Interest expended	19	**2,710.72**	**2,020.83**	**2,757.80**	**1,897.33**	**1,210.52**
	Operating expenses	20	**2,316.35**	**1,883.72**	**2,721.21**	**1,907.43**	**1,313.77**
	Provisions and contingencies		**1,317.00**	**1,092.25**	**1,950.39**	**1,261.55**	**610.05**
		TOTAL	**6,344.07**	**4,996.80**	**7,429.40**	**5,066.31**	**3,134.34**
III.	**PROFIT**						
	Net profit for the period/ year		**548.66**	**1,266.78**	**1,111.98**	**903.98**	**114.92**
	Balance in Profit and loss account brought forward		**2,048.30**	**1,286.23**	**1,286.23**	**618.55**	**529.50**
IV.	**APPROPRIATIONS**						
	Transfer to Statutory reserve		**-**	**-**	**277.34**	**216.49**	**25.32**
	Transfer to Investment Fluctuation reserve		**-**	**-**	**71.04**	**19.41**	**-**
	Transfer to Capital reserve		**-**	**-**	**1.53**	**0.40**	**-**
	Transfer to Revenue and other Reserve		**-**	**-**	**-**	**-**	**0.55**
	Balance carried over to Balance Sheet		**2,596.96**	**2,553.01**	**2,048.30**	**1,286.23**	**618.55**
V.	**EARNING PER EQUITY SHARE (** Face value of ₹ 10 per share)						
	Basic	22 (2)	**6.19**	**15.49**	**13.41**	**13.35**	**1.76**
	Diluted	22 (2)	**6.05**	**15.43**	**13.30**	**13.16**	**1.76**

Significant Accounting Policies and Notes to the financial statements 21 & 22
The annexures referred to above form an integral part of the financial statements

As per our report of even date
For MSKC & Associates
(Formerly known as R.K. Kumar & Co.)
Chartered Accountants
Firm Registration No: 001595S

Tushar Kurani
Partner
Membership No: 118580

For and on behalf of the Board of Directors

R. Ramachandran
Chairman
DIN-01953653

R. Baskar Babu
Managing Director and
Chief Executive Officer
DIN-02303132

Jyotin Mehta
Director
DIN-00033518

Place: Navi Mumbai
Date: February 08, 2021

Geeta Krishnan
Company Secretary

Bhavin Damania
Chief Financial Officer

Suryoday Small Finance Bank Limited
Annexure 3: Restated Summary Statement of Cash Flows

Amt. in millions

	Period ended December 31, 2020	Period ended December 31, 2019	Year ended March 31, 2020	Year ended March 31, 2019	Year ended March 31, 2018
Cash flows from/ (used in) operating activities					
Profit before taxes	700.57	1,783.63	1,543.76	1,427.24	178.36
Adjustments for:					
Depreciation on fixed assets	98.56	50.00	97.84	55.94	46.64
Amortisation of premium on held to maturity investment	15.95	15.78	21.62	17.35	16.05
Profit on sale of fixed assets	-	(0.12)	(0.19)	(0.08)	(0.21)
Provision for non performing assets (net of write off)	384.98	461.85	603.88	412.08	500.26
Floating provision	5.55	52.90	209.02	260.57	-
Provision for COVID-19	747.20	-	659.91	-	-
Other provision for advances	3.12	20.55	3.69	31.60	27.59
Provision for standard assets	24.10	24.74	42.11	34.05	19.88
Employee stock option expenses	50.02	24.19	49.93	25.56	35.05
Interest on amortisation of short term borrowing	-	-	-	-	70.72
Provision for depreciation/ (write back) on investment	0.15	15.36	-	-	(1.12)
	2,030.20	**2,448.88**	**3,231.57**	**2,264.31**	**893.22**
Adjustments for:					
(Increase)/ Decrease in investments	(5,801.49)	(966.76)	(8.40)	(3,248.74)	3,697.38
Increase in advances	(2,893.72)	(7,327.94)	(9,336.50)	(11,781.71)	(8,053.08)
Increase in deposits	4,951.25	8,979.32	12,552.90	8,439.03	7,274.59
Increase in others assets	(254.96)	(29.56)	(14.13)	(564.34)	(102.05)
Increase/(Decrease) in Other liabilities and provisions	548.34	(308.21)	(484.16)	96.53	943.99
	(3,450.58)	**346.85**	**2,709.71**	**(7,059.23)**	**3,760.83**
Direct taxes paid (net of refunds)	(105.43)	(503.86)	(683.07)	(656.98)	(78.58)
Net cash flow (used in)/ from operating activities	**(1,525.81)**	**2,291.87**	**5,258.21**	**(5,451.90)**	**4,575.47**
Cash flow used in investing activities					
Purchase of fixed asssets	(90.67)	(24.98)	(227.20)	(104.75)	(116.37)
Proceeds from sale of fixed assets	-	0.35	0.51	0.08	1.38
Net Decrease/(Increase) in fixed deposit	26.00	(183.88)	78.84	273.61	147.14
(Increase)/ Decrease in capital work in progress	(54.17)	(142.84)	(68.49)	(5.55)	10.95
Net Investment in banking book	(1,247.04)	(1,348.71)	(1,451.27)	(299.10)	(886.46)
Net cash used in investing activities	**(1,365.88)**	**(1,700.06)**	**(1,667.61)**	**(135.71)**	**(843.36)**
Cash flow from financing activities					
Proceeds from issue of share capital (inclusive of issue expense)	648.66	658.50	696.72	2,489.26	255.59
Proceeds from borrowings	5,439.23	966.28	5,885.56	10,220.00	2,200.01
Repayment of borrowings	(3,214.59)	(3,339.26)	(4,481.68)	(6,156.04)	(5,308.16)
Net cash flow from/ (used in) financing activities	**2,873.30**	**(1,714.48)**	**2,100.60**	**6,553.22**	**(2,852.56)**

Net (decrease)/ increase in cash and cash equivalents	**(18.39)**	**(1,122.67)**	**5,691.20**	**965.61**	**879.55**
Cash and cash equivalents at the beginning of the period/ year	8,345.48	2,654.28	2,654.28	1,688.67	809.12
Cash and cash equivalents at the end of the period/ year	8,327.09	1,531.61	8,345.48	2,654.28	1,688.67

Cash and cash equivalents include cash in hand, balances with RBI, balances with other banks in current accounts including money at call and short notice.

As per our report of even date

For and on behalf of the Board of Directors

For MSKC & Associates
(Formerly known as R.K. Kumar & Co.)
Chartered Accountants
Firm Registration No: 001595S

Tushar Kurani
Partner
Membership No: 118580

R. Ramachandran
Chairman
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R. Baskar Babu
Managing Director and
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DIN-02303132

Jyotin Mehta
Director
DIN-00033518

Place: Navi Mumbai
Date: February 08, 2021

Geeta Krishnan
Company Secretary

Bhavin Damania
Chief Financial Officer

Suryoday Small Finance Bank Limited
Annexure 4: Restated Statement of Adjustments to Audited Financial Statements

Annexure 4.1: Summarised below are the restatement adjustments made to the Audited Financial Statements for the periods ended December 31, 2020, December 31, 2019 and for the years ended March 31, 2020, March 31, 2019 and March 31, 2018 and their impact on the profit/ (loss) of the Bank:

Amt. in millions

		Period ended December 31, 2020	Period ended December 31, 2019	Year ended March 31, 2020	Year ended March 31, 2019	Year ended March 31, 2018
I	**Profit after tax as per audited financial statements (A)**	**548.66**	**1,264.17**	**1,109.37**	**865.97**	**101.26**
II	**Impact of Adjustments**					
a	**Finance Cost**					
	Ammortisation of borrowing cost (Refer Note 1)	-	4.02	4.02	15.59	21.01
b	**Reserves and Surplus**					
	Share issue expenses adjusted against securities premium account (Refer Note 2)	-	-	-	27.87	
	Total impact of adjustments before tax (B)	**-**	**4.02**	**4.02**	**43.46**	**21.01**
	Tax Adjustment					
	Deferred Tax (Refer Note 3)	-	(1.41)	(1.41)	(5.45)	(7.35)
	Total Tax Adjustment (C)	**-**	**(1.41)**	**(1.41)**	**(5.45)**	**(7.35)**
	Net effect of increase in profit on adjustment after tax (D) = (B) - (C)	**-**	**2.61**	**2.61**	**38.01**	**13.66**
III	**Profit after adjustments (As per Restated Statement of Profit and Loss) (E) = (A + D)**	**548.66**	**1,266.78**	**1,111.98**	**903.98**	**114.92**

Explanatory notes for the above adjustments

1 With effect from 1 April, 2019, the Bank changed its accounting policy for recognising borrowing costs in the period in which they were incurred against recognising these over the tenure of the borrowings. The above adjustment has been made to give effect of such change in accounting policy in the respective financial years

2 In FY 2019-20, on receipt of the RBI approval, The Bank debited share issue expenses to shares premium account in accordance with RBI/2006-07/132 DBOD.BP.BC No. 31 / 21.04.018/ 2006-07. The Bank has adjusted the share issue expenses in the year in which the equity capital was raised.

3 The above restatement will have corresponding impact on deferred taxes. Accordingly, the timing difference arising on account of restatement for the above years has been considered in the respective financial years.

Suryoday Small Finance Bank Limited
Annexure 4: Restated Statement of Adjustments to Audited Financial Statements

Annexure 4.2: Notes

1	**Adjustments for Audit Qualifications**	**Nil**
2	**Changes in Accounting Policy:**	
a	**Borrowing Cost**	Borrowing cost are recognised upfront instead of amortising over the tenor of the borrowing
b	**PSLC Income**	The Bank used to book income upfront and changed to amortise the income over the residual quarters
3	**Regrouping and Reclassifications**	Refer Annexure 4.3

Notes

1. With effect from 1 April, 2019, the Company changed its accounting policy for recognising borrowing costs in the period in which they were incurred against recognising these over the tenure of the borrowings. The above adjustment has been made to give effect of such change in accounting policy in the respective financial years.

2. In FY 2019-20, on receipt of the RBI approval, The Bank debited share issue expenses to shares premium account in accordance with RBI/2006-07/132 DBOD.BP.BC No. 31 / 21.04.018/ 2006-07. The Bank has adjusted the share issue expenses in the year in which the equity capital was raised.

3. The above restatement will have corresponding impact on deferred taxes. Accordingly, the timing difference arising on account of restatement for the above years has been considered in the respective financial years.

Suryoday Small Finance Bank Limited
Annexure 4: Restated Statement of Adjustments to Audited Financial Statements

Annexure 4.3: Regrouping and Reclassifications

Appropriate adjustments have been made in the restated summary statement of assets and liabilities, restated summary statement of profit and loss and restated summary statement of cash flows in accordance with the requirements of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 (as amended), by reclassification of the corresponding items of income,expense,assets,liabilities and cash flows in order to bring them in line with the groupings as per the audited financial statements of the Bank as at and for the year ended March 31, 2020.

Regrouping for the year ended 31 March 2018

Amt. in millions

Particulars	As per Audited Financial Statements	Changes due to Regrouping	As per Restated Summary Statements
Assets and Liabilities			-
Other liabilities including provisions	1,382.89	(64.09)	1,318.80
Advances - Term loans	15,662.18	(62.58)	15,599.60
Interest accrued other liabilities	140.77	1.51	142.28
Deposits - Demand Deposit from others	143.01	0.05	143.06
Deposits - Term Deposit from others	2,652.58	(0.05)	2,652.53
Interest accrued other assets	270.22	0.12	270.34
Cash credit, overdraft and loan repayable on demands- Advances	87.30	(0.12)	87.18

Amt. in millions

Annexure 5 - RESTATED STATEMENT OF CAPITAL

		Period ended December 31, 2020	Period ended December 31, 2019	As at March 31, 2020	As at March 31, 2019	As at March 31, 2018
Authorised capital December 31, 2020: 125,000,000; December 31, 2019: 100,000,000; March 31, 2020 and March 31, 2019: 100,000,000; March 31, 2018: 75,000,000; equity shares of ₹ 10 each		**1,250.00**	**1,000.00**	**1,000.00**	**1,000.00**	**750.00**
Issued, Subscribed and Paid-up Capital December 31, 2020: 89,184,939; December 31, 2019: 86,311,874; March 31, 2020: 86,594,131; March 31,2019: 81,582,482; March 31, 2018: 67,496,672 equity shares of ₹ 10 each fully paid up (Refer - Annexure 22 (1.2))		891.85	863.12	865.94	815.82	674.97
	Total	**891.85**	**863.12**	**865.94**	**815.82**	**674.97**

Annexure 6 - RESTATED STATEMENT OF RESERVES AND SURPLUS

			Period ended December 31, 2020	Period ended December 31, 2019	As at March 31, 2020	As at March 31, 2019	As at March 31, 2018
I.	**Statutory Reserve**						
	[Created pursuant to Section 17(2) of Banking Regulation Act, 1949]						
	Opening Balance		669.99	392.65	392.65	176.16	150.84
	Addition during the year (Refer - Annexure 22 (3.1))		-	-	277.34	216.49	25.32
		Total	**669.99**	**392.65**	**669.99**	**392.65**	**176.16**
II.	**Capital Reserve**						
	Opening Balance		1.93	0.40	0.40	-	-
	Addition during the year (Refer - Annexure 22 (3.4))		-	-	1.53	0.40	-
		Total	**1.93**	**0.40**	**1.93**	**0.40**	**-**
III.	**Share Premium Account**						
	Opening Balance		6,910.81	6,240.48	6,240.48	3,880.05	3,648.22
	Addition during the year		634.53	618.68	670.34	2,388.30	232.18
	Amounts utilized toward share issue expenses (Refer - Annexure 22 (3.5))		(4.38)	-	-	(27.87)	(0.35)
		Total	**7,540.96**	**6,859.16**	**6,910.82**	**6,240.48**	**3,880.05**
IV.	**General Reserves**						
	Opening Balance		3.29	1.81	1.81	0.48	0.42
	Addition during the year (Refer - Annexure 22 (3.1))		1.55	1.10	1.48	1.33	0.06
		Total	**4.84**	**2.91**	**3.29**	**1.81**	**0.48**
V.	**Employee Stock Options Outstanding Account (ESOP)**						
	Opening Balance		71.02	46.30	46.30	34.09	9.66
	Employee compensation expense for the year		50.02	24.19	49.93	25.56	35.05
	Transfer to Securities Premium Account		(10.06)	(7.47)	(23.73)	(12.02)	(10.56)
	Transfer to General Reserve for Non- exercise of ESOP's		(1.55)	(1.10)	(1.48)	(1.33)	(0.06)
		Total	**109.43**	**61.92**	**71.02**	**46.30**	**34.09**
VI.	**Investment Reserve Account**						
	Opening Balance		0.55	0.55	0.55	0.55	-
	Addition during the year (Refer - Annexure 22 (3.2))		-	-	-	-	0.55
		Total	**0.55**	**0.55**	**0.55**	**0.55**	**0.55**
VII.	**Investment Fluctuation Reserve**						
	Opening Balance		90.45	19.41	19.41	-	-
	Addition during the year (Refer - Annexure 22 (3.3))		-	-	71.04	19.41	-
		Total	**90.45**	**19.41**	**90.45**	**19.41**	**-**
VIII.	**Balance in Profit and Loss Account**						
	Balance brought from Profit and Loss		2,596.96	2,553.01	2,048.30	1,286.23	618.55
	Addition: Share issue expenses adjusted from Share Premium Account		2.66	-	-	-	-
		Total	**2,599.62**	**2,553.01**	**2,048.30**	**1,286.23**	**618.55**
		Total	**11,017.77**	**9,890.01**	**9,796.35**	**7,987.83**	**4,709.88**

Note: Transfer of 25% of the profit after tax before restatement adjustment. Further, the Bank appropriates Net Profit towards various regulatory reserves only at the year end hence no transfers are made for the nine month ended December 31, 2019 and December 31, 2020.

Suryoday Small Finance Bank Limited
Notes forming part of the Restated Summary Statement of Assets and Liabilities

Amt. in millions

Annexure 7 - RESTATED STATEMENT OF DEPOSITS

		Period ended December 31, 2020	Period ended December 31, 2019	As at March 31, 2020	As at March 31, 2019	As at March 31, 2018
A. I. Demand Deposits						
i) From banks		221.07	119.14	267.28	116.17	3.10
ii) From others		275.61	190.60	318.71	344.46	143.06
	Total	**496.68**	**309.74**	**585.99**	**460.63**	**146.16**
II Savings Bank Deposits		3,957.23	2,663.53	2,674.54	1,331.82	680.53
III. Term Deposits						
i) From banks		9,938.68	10,984.06	12,254.52	6,136.94	4,016.00
ii) From others		19,045.81	10,956.24	12,972.10	8,004.86	2,652.53
	Total	**28,984.49**	**21,940.30**	**25,226.62**	**14,141.80**	**6,668.53**
	Total	**33,438.40**	**24,913.57**	**28,487.15**	**15,934.25**	**7,495.22**
B. I. Deposits of branches in India		33,438.40	24,913.57	28,487.15	15,934.25	7,495.22
II. Deposits of branches outside India		-	-	-	-	-
	Total	**33,438.40**	**24,913.57**	**28,487.15**	**15,934.25**	**7,495.22**

Annexure 8 - RESTATED STATEMENT OF BORROWINGS

		Period ended December 31, 2020	Period ended December 31, 2019	As at March 31, 2020	As at March 31, 2019	As at March 31, 2018
I. Borrowings in India*						
i) Reserve Bank of India		-	-	540.00	-	200.00
ii) Other banks		-	8.52	0.09	33.78	1,298.94
iii) Other institutions and agencies		13,470.79	8,210.78	11,456.06	10,008.50	2,214.38
iv) Unsecured redeemable debentures and term loan (Subordinate debts included in Tier 2 capital)		1,400.00	600.00	600.00	600.00	600.00
v) Non convertible debenture (excluding subordinate debts)		-	50.00	50.00	250.00	1,350.00
	Total	**14,870.79**	**8,869.30**	**12,646.15**	**10,892.28**	**5,663.32**
II. Borrowings outside India *		-	-	-	350.00	1,515.00
	Total	**14,870.79**	**8,869.30**	**12,646.15**	**11,242.28**	**7,178.32**

* Includes secured borrowings of Nil, ₹ 58.52 million,₹ 50.09 million, ₹ 438.78 million, ₹ 2,642,99 millions as on December 31, 2020; December 31, 2019; March 31, 2020; March 31, 2019; and March 31, 2018 respectively other than under Repo (including tri-party repo).

Annexure 9 - RESTATED STATEMENT OF OTHER LIABILITIES AND PROVISIONS

		Period ended December 31, 2020	Period ended December 31, 2019	As at March 31, 2020	As at March 31, 2019	As at March 31, 2018
I. Bills payable		122.44	51.10	48.91	23.44	0.47
II. Inter - office adjustments (net)		0.80	1.30	1.17	-	-
III. Interest accrued		174.94	207.99	220.28	328.51	142.28
IV. Others (including provisions)		-	-	-	-	-
(i) Contingent provisions against standard assets		139.96	98.49	115.86	73.75	39.70
(ii) Others Liabilities (including provisions)		2,847.14	996.69	1,463.41	1,206.15	1,318.80
	Total	**3,285.28**	**1,355.57**	**1,849.63**	**1,631.85**	**1,501.25**

Amt. in millions

		Period ended December 31, 2020	Period ended December 31, 2019	As at March 31, 2020	As at March 31, 2019	As at March 31, 2018
Annexure 10 - RESTATED STATEMENT OF CASH AND BALANCES WITH RESERVE BANK OF INDIA						
I.	Cash in hand	108.77	110.76	63.52	53.50	31.51
II.	Balances with Reserve Bank of India					
	i) in Current account	780.25	630.89	541.75	429.54	276.71
	ii) in Other accounts	-	-	-	-	-
	Total	**889.02**	**741.65**	**605.27**	**483.04**	**308.22**

		Period ended December 31, 2020	Period ended December 31, 2019	As at March 31, 2020	As at March 31, 2019	As at March 31, 2018
Annexure 11 - RESTATED STATEMENT OF BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE						
I.	**In India**					
	i) Balances with banks					
	a) In Current accounts	258.07	159.96	150.21	141.32	153.26
	b) In Other deposit accounts*	4.50	293.22	30.50	109.34	410.32
	Total	**262.57**	**453.18**	**180.71**	**250.66**	**563.58**
	ii) Money at call and short notice					
	a) With banks	7,180.00	630.00	6,790.00	1,880.00	850.00
	b) With other institutions	-	-	800.00	149.92	349.82
	Total	**7,180.00**	**630.00**	**7,590.00**	**2,029.92**	**1,199.82**
	Total	**7,442.57**	**1,083.18**	**7,770.71**	**2,280.58**	**1,763.40**
II.	**Outside India**					
	i) In Current account	-	-	-	-	-
	ii) In Deposit account	-	-	-	-	-
	iii) Money at call and short notice	-	-	-	-	-
	Total	-	-	-	-	-
	Total	**7,442.57**	**1,083.18**	**7,770.71**	**2,280.58**	**1,763.40**

* Deposit with banks include ₹ 4.50 million, ₹ 43.22 million, ₹ 4.50 million, ₹ 109.34 million, ₹ 382.95 million, as on December 31, 2020; December 31, 2019; March 31,2020; March 31,2019; March 31, 2018 respectively under bank guarantee, lien marked towards term loans availed from banks, financial institutions, security deposit, and cash collateral placed in connection with securitisation of receivables.

Annexure 12 - RESTATED STATEMENT OF INVESTMENTS

		Period ended December 31, 2020	Period ended December 31, 2019	As at March 31, 2020	As at March 31, 2019	As at March 31, 2018
A.	**Investments in India**					
	i) Government securities	15,051.36	7,939.77	6,851.99	4,659.50	2,868.14
	ii) Other approved securities	-	-	-	-	-
	iii) Shares	7.55	-	-	-	-
	iv) Debentures and bonds	-	-	-	-	-
	v) Subsidiaries / joint ventures	-	-	-	-	-
	vi) Others (SDL,Certificate of Deposit, Mutual fund and Commercial Paper)	55.50	988.49	1,229.99	1,984.43	245.29
	Total	**15,114.41**	**8,928.26**	**8,081.98**	**6,643.93**	**3,113.43**
B.	**Investments outside India**					
	i) Government securities	-	-	-	-	-
	ii) Subsidiaries / joint ventures	-	-	-	-	-
	iii) Others (equity shares and bonds)	-	-	-	-	-
	Total	-	-	-	-	-
	Total	**15,114.41**	**8,928.26**	**8,081.98**	**6,643.93**	**3,113.43**

Amt. in millions

			Period ended December 31, 2020	Period ended December 31, 2019	As at March 31, 2020	As at March 31, 2019	As at March 31, 2018
C.	**Investments**						
	i) Gross value of investments						
	a) In India		15,114.56	8,943.62	8,081.98	6,643.93	3,113.43
	b) Outside India		-	-	-	-	-
		Total	**15,114.56**	**8,943.62**	**8,081.98**	**6,643.93**	**3,113.43**
	ii) Provision for depreciation						
	a) In India		0.15	15.36	-	-	-
	b) Outside India		-	-	-	-	-
		Total	**0.15**	**15.36**	**-**	**-**	**-**
	iii) Net value of investments						
	a) In India		15,114.41	8,928.26	8,081.98	6,643.93	3,113.43
	b) Outside India		-	-	-	-	-
		Total	**15,114.41**	**8,928.26**	**8,081.98**	**6,643.93**	**3,113.43**

Annexure 13 - RESTATED STATEMENT OF ADVANCES

			Period ended December 31, 2020	Period ended December 31, 2019	As at March 31, 2020	As at March 31, 2019	As at March 31, 2018
A.	i) Bills purchased and discounted		-	-	-	-	-
	ii) Cash credits, overdrafts and loans repayable on demand		1,361.71	884.16	559.68	119.89	87.18
	iii) Term loans		36,460.92	32,724.87	34,759.76	26,675.95	15,599.60
		Total	**37,822.63**	**33,609.03**	**35,319.44**	**26,795.84**	**15,686.78**
B	i) Secured by tangible assets		9,610.15	7,662.16	7,949.37	4,201.34	813.50
	ii) Covered by Bank / Government guarantees		-	-	-	-	-
	iii) Unsecured		28,212.48	25,946.87	27,370.07	22,594.50	14,873.28
		Total	**37,822.63**	**33,609.03**	**35,319.44**	**26,795.84**	**15,686.78**
C. I.	Advances in India						
	i) Priority sectors (Refer note - 22 (22))		11,095.31	7,501.81	6,857.11	3,736.16	2,161.70
	ii) Public sector		-	-	-	-	-
	iii) Banks		5.00	115.61	113.50	-	-
	iv) Others		26,722.32	25,991.61	28,348.83	23,059.68	13,525.08
		Total	**37,822.63**	**33,609.03**	**35,319.44**	**26,795.84**	**15,686.78**
C. II.	Advances outside India						
	i) Due from banks		-	-	-	-	-
	ii) Due from others		-	-	-	-	-
	(a) Bills purchased and discounted		-	-	-	-	-
	(b) Syndicated loans		-	-	-	-	-
	(c) Others		-	-	-	-	-
		Total	**-**	**-**	**-**	**-**	**-**

(Advances are net of provisions and Inter Bank Participation Certificates)

Amt. in millions

			Period ended December 31, 2020	Period ended December 31, 2019	As at March 31, 2020	As at March 31, 2019	As at March 31, 2018
Annexure 14 - RESTATED STATEMENT OF FIXED ASSETS							
A.	**Premises**						
	At cost on March 31 of preceding year		31.87	31.87	31.87	31.87	-
	Additions during the year		-	-	-	-	31.87
	Deductions during the year		-	-	-	-	-
		Total	**31.87**	**31.87**	**31.87**	**31.87**	**31.87**
	Depreciation						
	As at March 31 of the preceding year		7.88	5.36	5.36	2.58	-
	Charge for the year		1.72	1.89	2.52	2.78	2.58
	Deductions during the year		-	-	-	-	-
		Total	**9.60**	**7.25**	**7.88**	**5.36**	**2.58**
	Net Block		**22.27**	**24.62**	**23.99**	**26.51**	**29.29**
B.	**Other Fixed assets (including furniture and fixtures)**						
	Gross Block						
	At cost on March 31 of the preceding year		517.75	297.69	297.69	197.91	115.64
	Additions during the year		90.67	24.98	227.20	104.75	84.50
	Deductions during the year		-	(5.63)	(7.14)	(4.97)	(2.23)
		Total	**608.42**	**317.04**	**517.75**	**297.69**	**197.91**
	Depreciation						
	As at March 31 of the preceding year		236.80	148.30	148.30	100.11	57.11
	Charge for the year		96.84	48.11	95.32	53.16	44.06
	Deductions during the year		-	(5.40)	(6.82)	(4.97)	(1.06)
		Total	**333.64**	**191.01**	**236.80**	**148.30**	**100.11**
	Net Block		**274.78**	**126.03**	**280.95**	**149.39**	**97.80**
C.	**Assets given on lease**		-	-	-	-	-
D.	**Capital work in progress**		136.53	156.71	82.36	13.87	8.32
		Total	**433.58**	**307.36**	**387.30**	**189.77**	**135.41**
Annexure 15 - RESTATED STATEMENT OF OTHER ASSETS							
I.	Inter - office adjustments (net)		-	-	-	-	-
II.	Interest accrued		536.65	540.86	566.95	424.70	270.34
III.	Tax paid in advance/tax deducted at source (net of provision for tax)		-	34.14	103.46	40.47	6.84
IV.	Stationery and stamps		0.01	0.42	0.11	0.41	0.26
V.	Non-banking assets acquired in satisfaction of claims		-	-	-	-	-
VI.	Deferred tax assets (net)		596.77	231.95	426.89	238.60	138.50
VII.	Others		668.45	414.72	383.11	514.69	136.46
		Total	**1,801.88**	**1,222.09**	**1,480.52**	**1,218.87**	**552.40**
Annexure 16 - CONTINGENT LIABILITIES							
I.	Claims against the bank not acknowledged as debts - taxation		38.65	33.13	35.46	32.16	31.07
II.	Claims against the bank not acknowledged as debts - others		0.34	-	0.33	-	-
III.	Liability on account of outstanding forward exchange contracts		-	-	-	-	-
IV.	Liability on account of outstanding derivative contracts		-	-	-	-	-
V.	Guarantees given on behalf of constituents :		-	-	-	-	-
	- In India		-	-	-	-	-
	- Outside India		-	-	-	-	-
VI.	Acceptances, endorsements and other obligations		-	-	-	-	-
VII.	Other items for which the Bank is contingently liable		9.77	80.91	10.44	253.23	46.85
		Total	**48.76**	**114.04**	**46.23**	**285.39**	**77.92**

Suryoday Small Finance Bank Limited
Notes forming part of the Restated Summary Statement of Profit and Loss

Amt. in millions

Annexure 17 - RESTATED STATEMENT OF INTEREST EARNED

		Period ended December 31, 2020	Period ended December 31, 2019	Year ended March 31, 2020	Year ended March 31, 2019	Year ended March 31, 2018
I	Interest/discount on advances/bills	5,442.14	5,155.48	7,022.74	4,932.89	2,580.43
II	Income on investments	598.34	388.25	528.51	337.23	223.80
III	Interest on balances with Reserve Bank of India and other inter-bank funds	199.53	86.79	113.26	29.26	62.45
IV	Other interest	3.48	1.63	2.34	1.69	2.14
	Total	**6,243.49**	**5,632.15**	**7,666.85**	**5,301.07**	**2,868.82**

Annexure 18 - RESTATED STATEMENT OF OTHER INCOME

		Period ended December 31, 2020	Period ended December 31, 2019	Year ended March 31, 2020	Year ended March 31, 2019	Year ended March 31, 2018
I	Commission, exchange and brokerage	173.08	363.32	492.28	448.13	260.61
II	Profit on sale of investments (net)	243.33	55.06	71.04	39.78	25.00
III	Profit/(Loss) on sale of revaluation of investments	-	-	-	-	-
IV	Profit/(Loss) on sale of fixed assets (net)	-	0.12	0.19	0.08	0.21
V	Profit/(Loss) on exchange transactions (net)	-	-	-	-	-
VI	Income earned by way of dividends from Subsidiaries / Associates and /or Joint Venture abroad / in India	-	-	-	-	-
VII	Miscellaneous income	232.83	212.93	311.02	181.23	94.62
	Total	**649.24**	**631.43**	**874.53**	**669.22**	**380.44**

Annexure 19 - RESTATED STATEMENT OF INTEREST EXPENDED

		Period ended December 31, 2020	Period ended December 31, 2019	Year ended March 31, 2020	Year ended March 31, 2019	Year ended March 31, 2018
I	Interest on deposits	1,775.65	1,290.73	1,818.30	829.14	244.27
II	Interest on Reserve Bank of India/ inter-bank borrowings	89.40	43.54	55.57	163.16	299.99
III	Other interest	845.67	686.56	883.93	905.03	666.26
	Total	**2,710.72**	**2,020.83**	**2,757.80**	**1,897.33**	**1,210.52**

Annexure 20 - RESTATED STATEMENT OF OPERATING EXPENSES

		Period ended December 31, 2020	Period ended December 31, 2019	Year ended March 31, 2020	Year ended March 31, 2019	Year ended March 31, 2018
I	Payments to and provisions for employees	1,335.67	1,211.48	1,713.65	1,266.73	872.24
II	Rent, taxes and lighting	204.09	158.33	222.23	124.30	74.28
III	Printing and stationery	17.50	17.48	24.59	24.44	15.58
IV	Advertisement and publicity	9.01	34.03	45.84	24.00	2.23
V	Depreciation on Bank's property	98.56	50.00	97.84	55.94	46.64
VI	Director's fees/remuneration, allowances and expenses	7.20	3.22	4.87	3.47	2.65
VII	Auditors' fees and expenses	4.13	6.64	5.70	4.56	4.22
VIII	Law charges	10.38	15.35	24.14	18.17	3.97
IX	Postage, telegrams, telephones, etc.	12.00	18.17	25.30	23.87	19.79
X	Repairs and maintenance	351.49	163.18	226.56	170.49	122.76
XI	Insurance	48.22	34.51	47.79	24.43	16.06
XII	Other expenditure (includes professional fees)	218.10	171.33	282.70	167.03	133.35
	Total	**2,316.35**	**1,883.72**	**2,721.21**	**1,907.43**	**1,313.77**

Annexure 21 – Significant accounting policies appended to and forming part of the restated financial statements.

1. Background and nature of operations

Suryoday Small Finance Bank Limited (the 'Bank' or 'Company') started its banking operation in January 2017 pursuant to SFB Licence given by Reserve Bank of India (RBI). The Bank is included in the Second schedule to the Reserve Bank of India Act, 1934 vide Notification No. DBR.NBD.(SFB- Suryoday). No. 766/16.13.216/201718 dated 24 July 2017 and published in the Gazette of India (part III- Section 4) dated 2 September 2017. The Bank operates with 477 banking outlets.

The Bank is primarily engaged in extending micro credit to economically weaker women who are otherwise unable to access finance from the mainstream banking channels. The Bank broadly follows the Grameen model with suitable adaptations using the Joint Liability Groups (JLG) framework, where each member of the group guarantees the loan repayment of the other members of the group. The Bank also provides finance for mortgage loans, commercial vehicles, loans to micro, small and medium enterprises and loans to Non banking finance companies (NBFCs).

2. Basis of preparation of financial statements

The Restated Financial Information of the Bank have been prepared for inclusion in the addendum to Draft Red Herring Prospectus (DRHP) to be filed by the Bank with the Securities and Exchange Board of India ("SEBI") in connection with the proposed Initial Public Offering ('IPO') of equity shares of the Bank. The Restated Financial Information comprise of the Restated Summary Statement of Assets and Liabilities as at 31 December 2020, 31 December 2019,31 March 2020, 31 March 2019, 31 March 2018, the Restated Summary Statements of Profit and Loss, the Restated Summary Statement of Cash Flows for the period/ years ended 31 December 2020 31 December 2019, 31 March 2020, 31 March 2019 and 31 March 2018 and Annexure 1 to 23 thereto (hereinafter collectively referred to as "the Restated Financial Information").

The Restated Financial Information have been prepared to comply in all material respects with the requirements of:
1) Section 26 of Part I of Chapter III of the Companies Act, 2013 as amended ("the Act"),
2) the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended from time to time ("SEBI ICDR Regulations"); and
3) Guidance Note on Report in Company Prospectus (Revised 2019) issued by Institute of Chartered Accountants of India (referred to as 'the Guidance note')

The restated financial information have been prepared and presented under the historical cost convention and accrual basis of accounting, unless otherwise stated and are in accordance with Generally Accepted Accounting Principles in India ('GAAP'), statutory requirements prescribed under the Banking Regulation Act, 1949, circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time, Accounting Standards ('AS') specified under Section 133 of the Companies Act, 2013 to the extent applicable, in so far as they apply to banks and current practices prevailing within the banking industry in India..

Use of estimates

The preparation of financial statements in conformity with GAAP requires the management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses for the reporting period. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Actual results could differ from these estimates. Any revision in the accounting estimates is recognised prospectively in the current and future periods.

Significant accounting policies (Contd.)

3. Significant accounting policies

A. Investments

Classification:

In accordance with the RBI guidelines on investment classification and valuation, investments are classified on the date of purchase into "Held for Trading" ('HFT'), "Available for Sale" ('AFS') and "Held to Maturity" ('HTM' or "Banking book") categories (hereinafter called "categories"). Subsequent shifting amongst the categories is done in accordance with the RBI guidelines.

Under each of these categories, investments are further classified under six groups (hereinafter called "groups") – Government Securities, Other Approved Securities, Shares, Debentures and Bonds, Investments in Subsidiaries / Joint Ventures and Other Investments.

The Bank follows trade date accounting for purchase and sale of investments except for Central & State government securities where settlement date method of accounting is followed in accordance with RBI Guidelines.

Basis of classification:

Investments that are held principally for resale within 90 days from the date of purchase are classified under HFT category.

Investments which the Bank intends to hold till maturity are classified as HTM securities. Investments which are not classified in either of the above categories are classified under AFS category.

Acquisition Cost and Broken Period Interest

Brokerage, commission and broken period interest on debts instruments are recognised in Profit and Loss Account and are not included in the cost of acquisition.

Disposal of Investments

Profit/loss on sale of investments under the aforesaid three categories is recognised in the Profit and Loss Account. Cost of investments is based on the weighted average cost method. The profit from sale of investment under HTM category, net of taxes and transfer to statutory reserve is appropriated from Profit and Loss Account to "Capital Reserve" in accordance with the RBI Guidelines.

Short Sale

The Bank undertakes short sale transactions in dated central government securities in accordance with RBI guidelines. The short positions are categorised under HFT category and netted off from investments in the Balance Sheet. These positions are marked- to- market along with the other securities under HFT portfolio. The mark to-market loss is charged to profit and loss account and gain, if any, is ignored as per RBI guidelines.

Valuation

Investments classified under AFS and HFT categories are marked to market as per the RBI guidelines.

Traded investments are valued based on the trades / quotes on the recognised stock exchanges, price list of RBI or prices declared by Primary Dealers Association of India ('PDAI') jointly with Fixed Income Money Market and Derivatives Association ('FIMMDA')/ Financial Benchmark India Private Limited (FBIL), periodically.

The market value of unquoted government securities which qualify for determining the Statutory Liquidity Ratio ('SLR'), included in the AFS and HFT categories, is computed as per the Yield-to-Maturity ('YTM') rates published by FIMMDA/FBIL.

The valuation of other unquoted fixed income securities (viz. State Government securities, other approved securities, bonds and debentures) and preference shares, is done with a mark-up (reflecting associated credit and liquidity risk) over the YTM rates for government securities published by FIMMDA/FBIL.

Units of mutual funds are valued at the latest repurchase price / net asset value declared by the mutual fund. Treasury bills, commercial papers and certificate of deposits being discounted instruments, are valued at carrying cost.

Net depreciation in the value, if any, compared to the acquisition cost, in any of the groups, is charged to the Profit and Loss Account. The net appreciation, if any, in any of the groups is not recognised except to the extent of depreciation already provided.

Investments classified under HTM category are carried at their acquisition cost and not marked to market. Any premium on acquisition is amortised over the remaining maturity period of the security on a constant yield-to-maturity basis. Such amortisation of premium is adjusted against interest income under the head "Income from investments" as per the RBI guidelines.

Non-performing investments are identified, and depreciation / provision are made thereon based on the RBI guidelines. The depreciation / provision on such non-performing investments are not set off against the appreciation in respect of other performing securities. Interest on non-performing investments is not recognised in the Profit and Loss Account until received.

As per the RBI circular RBI/2017-18/147 DBR. No.BP.BC.102/21.04.048/2017-18 dated April 2, 2018, to build up adequate reserves to protect against increase in yields in future, the Bank has created an Investment Fluctuation Reserve (IFR) to the extent of the lower of following: a) net profit on sale of investments during the year; b) net profit for the year less mandatory appropriations. As per the RBI circular, this reserve will be created until the amount of IFR is at least 2 percent of the HFT and AFS portfolio, on a continuing basis and where feasible this should be achieved within a period of three year.

Investment Reserve Account

In accordance with the RBI Master Circular on Prudential Norms for Classification, Valuation and Operation of Investment Portfolio by Banks, in case the provision on account of depreciation in the HFT and AFS categories is found to be in excess of the required amount, the excess is credited to the Profit and Loss Account and an equivalent amount net of taxes, if any, and adjusted for transfer to Statutory Reserve as applicable to such excess provision is appropriated to the Investment Reserve Account.

Repo and Reverse Repo Transactions

In accordance with the RBI guidelines, repurchase and reverse repurchase transactions in government securities including those conducted under the Liquidity Adjustment Facility ('LAF') and Marginal Standing Facility ('MSF') with RBI are accounted as borrowing and lending transactions respectively.
Borrowing cost on repo transactions is accounted for as interest expense and revenue on reverse repo transactions is accounted for as interest income

B. Advances

Advances are classified as performing and non-performing advances ('NPAs') as per the RBI guidelines on Income Recognition and Asset Classification and are stated net of specific provisions made towards NPAs and inter-bank participation with risk. Further, NPAs are classified into sub-standard, doubtful and loss assets based on the criteria stipulated by the RBI. Provisions for NPAs are made for sub-standard and doubtful assets at rates as prescribed by the RBI. NPAs are identified by periodic appraisals of the loan portfolio by management.

NPA accounts are written off in accordance with RBI guidelines and Bank's Policy post approval from Board of Directors (BOD). Amounts recovered against debts written-off are recognised in the Profit and Loss account.

For restructured/rescheduled assets, provision is made in accordance with guidelines issued by RBI. The restructured accounts are classified in accordance with RBI guidelines.

The Bank maintains a general provision on standard advances at the rates prescribed by RBI. Provision made against standard assets is included in "Other liabilities & provisions".

Provisions made in excess of the Bank's policy for specific loan provisions for non-performing assets and regulatory general provisions are categorised as floating provisions. Creation of floating provisions is considered by the Bank up to a level approved by the BOD. In accordance with the RBI guidelines, floating provisions are used up to a level approved by the BOD and RBI only for contingencies under extraordinary circumstances and for making specific provisions for impaired accounts as per these guidelines or any other regulatory guidelines as applicable. The floating provision is netted-off from advances.

Significant accounting policies (Contd.)

The Bank recognises the provision for unhedged foreign currency exposure of its borrowers as per regulatory guidelines stipulated by the RBI from time to time and as per methodology prescribed. The provisions are included in provision for standard assets and reported under other liabilities.

C. Transfer and Servicing of Assets

The Bank transfers loans through securitisation transactions. The transferred loans are de-recognised, and gains/losses are accounted for, only if the Bank surrenders the rights to benefits specified in the underlying securitised loan contract.

In accordance with the RBI guidelines for securitisation of standard assets, the profit/premium arising from sell down/securitisation to be amortised over the life of the transaction based on the method prescribed in the guidelines and the loss, if any, arises in the sell down/securitisation transaction, is recognised upfront in the Profit or Loss Account.

The Bank transfers advances through inter-bank participation with risk. In accordance with the RBI guidelines, for participation with risk, the aggregate amount of the participation issued by the Bank is reduced from advances.

D. Priority Sector Lending Certificates

The Bank enters into transactions for the sale or purchase of Priority Sector Lending Certificates (PSLCs). In the case of a sale transaction, the Bank sells the fulfilment of priority sector obligation and in the case of a purchase transaction, the Bank buys the fulfilment of priority sector obligation through the RBI trading platform. There is no transfer of risks or loan assets. The fee received for the sale of PSLCs is recorded as 'Miscellaneous Income' and the fee paid for purchase of the PSLCs is recorded as 'Other Expenditure' in Profit and Loss account. The Bank amortise the income over the residual quarters.

E. Foreign Currency Transactions

(i) Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

(ii) Foreign currency monetary items are reported using the closing rate prevailing at the Balance Sheet date. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

All exchange differences are recognized as income or as expenses in the period in which they arise.

F. Revenue Recognition

(i) Interest income is recognised in the Profit and Loss Account on an accrual basis, except in the case of non-performing assets is recognised upon realisation as per income recognition and asset classification norms of RBI.
(ii) Income on non-coupon bearing discounted instruments is recognised over the tenor of the instrument on a constant effective yield basis.
(iii) Loan processing fees is accounted for upfront when it becomes due.
(iv) Interest income on deposits with banks and financial institutions is recognized on a time proportion basis taking into accounts the amount outstanding and the implicit rate of interest.
(v) Dividend is recognised as income when the right to receive the dividend is established.
(vi) Profit or loss on sale of mutual fund units is recognised on trade date.
(vii) All other fees are accounted for as and when they become due.

G. Fixed Assets and Depreciation

Tangible Assets

Fixed assets are stated at cost less accumulated depreciation / amortization and impairment loss, if any. The cost comprises purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Any trade discounts and rebates are deducted in arriving at the purchase price.

Significant accounting policies (Contd.)

Depreciation is charged over the estimated useful life of the fixed asset on written down value basis from the date asset is put to use considering residual value of 5% of the cost. Assets individually costing Rs. 5,000 or less are fully depreciated in the year of purchase. Assets purchased / sold during the year are depreciated on a pro-rata basis for the actual number of days the assets have been put to use. Depreciation rate used by the Bank are in line with those specified under Schedule II of the Companies Act, 2013.

The details of useful life are as under:

Class of Assets	Estimated useful life
Computers & Accessories	3 years
Office equipment	5 years
Premises	30 years
Furniture and fittings	10 years
Vehicle	8 years
Leasehold Improvements: Improvements to leasehold premises are amortised over the primary period of lease or estimated useful life, whichever is lower.	

H. Intangible Assets

Intangible Assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any.
Intangible assets such as software are amortized over a period of 36 months or license period whichever is lower on a straight-line basis with zero residual value.

I. Leases

Operating Lease

Leases, where the lessor effectively retains substantially all the risks and benefits of ownership for the leased term are classified as operating leases in accordance with Accounting Standard 19, Leases. The office premises are generally rented on cancellable terms or renewable at the option of both the parties. Computers and tablets are rented on operating lease.

J. Impairment

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

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

Significant accounting policies (Contd.)

K. Taxation

Tax expense comprises current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961 enacted in India. Deferred taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the Bank has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Bank writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised.

L. Earnings Per Share

Basic and diluted earnings per share are computed in accordance with Accounting Standard 20 – Earnings per share.

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

Diluted earnings per equity share reflect the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted to equity during the year. Diluted earnings per equity share are computed using the weighted average number of equity shares and potential dilutive equity shares outstanding during the period except where the results are anti-dilutive.

M. Provisions, contingent liabilities and contingent assets

In accordance with AS 29, Provision, Contingent liabilities and Contingent Assets, the provision is recognised when the Bank has a present obligation as a result of past event, where it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

A disclosure of contingent liability is made when there is:

• a possible obligation arising from a past event, the existence of which will be confirmed by occurrence or non-occurrence of one or more uncertain future events not within the control of the Bank; or

• a present obligation arising from a past event which is not recognised as it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

N. Cash and cash equivalents

Cash and cash equivalents include cash in hand, balances with RBI, balances with other banks and money at call and short notice.

Significant accounting policies (Contd.)

O. Borrowing cost

Borrowing cost includes arranger fees, processing fees, stamp duty on issuance of debenture certificates and other associated transaction cost related to borrowing from banks and other financial institutions.
In accordance with Accounting Standard 16, borrowing costs are recognised upfront.

P. Retirement and other employee benefits

(i) Defined Contribution Plans

Retirement benefits in the form of provident fund and employee state insurance schemes are defined contribution schemes and the contributions are charged to the Profit and Loss Account for the year when the contributions to the respective funds are due. There are no other obligations other than the contribution payable to the respective funds.

(ii) Defined Benefit Plan
The Bank operates a defined benefit scheme for its employees, viz., gratuity scheme. The costs of providing benefits under this plan is determined on the basis of actuarial valuation at each year-end.

Separate actuarial valuation is carried out for each plan using the projected unit credit method. In accordance with the gratuity fund's rules, actuarial valuation of gratuity liabilities is calculated based on certain assumptions regarding rate of interest, salary growth, mortality and staff alteration as per projected unit credit method.

Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial year. Actuarial gains/losses are immediately taken to profit and loss account and are not deferred.

(iii) Provision for Leave availment is made in accordance with Accounting Standard 15 “Employee benefits”.

Q. Employee Stock Compensation Cost

Employees (including senior executives) of the Bank receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions).

In accordance with the Guidance Note on Accounting for Employee Share-based Payments, issued by the ICAI, the cost of equity-settled transaction is measured using the fair value method and recognized, together with a corresponding increase in the “Employees Stock options outstanding account” in reserves. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Bank’s best estimate of the number of equity instruments that will ultimately vest. The expense or credit recognized in the Profit and Loss Account for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and is recognized in employee benefits expense.

R. Share issue expenses

Share issue expenses are adjusted from Share Premium Account in terms of Section 52 of the Companies Act, 2013 and post approval from RBI in accordance with RBI/2006-07/132 DBOD.BP.BC No. 31 / 21.04.018/ 2006-07.

S. Segment information
The disclosure relating to segment information is in accordance with AS-17, Segment Reporting and as per guidelines issued by RBI.

Suryoday Small Finance Bank Limited
Annexure 22 - Notes forming part of the Restated Summary Statements
(All amounts are in Indian Rupees in million unless otherwise stated)

1. Capital

1.1 Capital to Risk Weighted Assets Ratio (CRAR)

The following table sets forth, for the year indicated, computation of capital adequacy as per operating guidelines.

Particulars	As at December 31, 2020	As at December 31, 2019	As at March 31, 2020	As at March 31, 2019	As at March 31, 2018
Common equity tier I Capital ratio (%)	36.94%	39.61%	34.30%	38.66%	40.25%
Tier 1 capital ratio (%)	36.94%	39.61%	34.30%	38.66%	40.25%
Tier 2 capital ratio (%)	4.23%	1.02%	1.14%	1.56%	3.15%
Total capital ratio (CRAR) (%)	41.17%	40.63%	35.44%	40.22%	43.40%
Percentage of the shareholding of the Government of India in public sector banks	-	-	-	-	-
Amount of Additional Tier 1 capital raised of which;					
Perpetual Non Cumulative Preference Shares (PNCPS):	-	-	-	-	-
Perpetual Debt Instruments (PDI)	-	-	-	-	-

Subordinated debt (Tier 2 capital) outstanding as at December 31, 2020 is ₹ 1400 million, as at December 31, 2019 : ₹ 600 million, as at March 31, 2020 is ₹ 600 million, as at March 31, 2019 is ₹ 600 million as at March 31, 2018 is ₹ 600 million.

The Bank has applied 100% risk weight on Advances charged as security against grandfathered borrowing on the date of conversion in to a small finance bank. The Bank has applied to the RBI for approval of capital risk charge on advances secured against grandfathered borrowings.

Further as per RBI's directions given in the circular DBR.NBD.No. 4502/16.13.218/2017- 18, dated November 8, 2017, no separate risk charge has been calculated for Market Risk and Operational Risk for capital ratios.

If the Bank considers Market Risk and Operational Risk then Total capital ratio would be 30.08% for December 31, 2020, 33.13% for December 31, 2019, 29.57% March 31, 2020, 35.03% for March 31, 2019 and 37.53% for March 31, 2018.

1.2 Capital Infusion

Capital infusion pursuant to ESOPs:

Particulars	During the period ended December 31, 2020	During the period ended December 31, 2019	During the year ended March 31, 2020	During the year ended March 31, 2019	During the year ended March 31, 2018
Number of Equity shares alloted with face value ₹ 10 in respect of stock options exercised	2,00,788	2,29,392	5,11,649	2,83,727	3,31,982
Aggregate consideration (including share premium)	28.97	28.50	66.72	32.76	23.44

Capital infusion pursuant to Private placement of Equity shares:

Particulars	During the period ended December 31, 2020	During the period ended December 31, 2019	During the year ended March 31, 2020	During the year ended March 31, 2019	During the year ended March 31, 2018
Pursuant to Shareholders' approval, Number of Equity shares alloted with face value ₹ 10	23,90,020	45,00,000	45,00,000	1,38,02,083	31,00,000
Aggregate consideration (including share premium)	621.41	630.00	630.00	2,484.37	232.50

Details of movement in the paid up equity share capital are as below:

Particular	December 31, 2020		December 31, 2019		March 31, 2020		March 31, 2019		March 31, 2018	
	Equity shares	Amount	Equity shares	Amount	Equity shares	Amount	Equity shares	Amount	Equity shares	Amount
Equity shares at the beginning of the period/ year	8,65,94,131	865.94	8,15,82,482	815.82	8,15,82,482	815.82	6,74,96,672	674.97	6,40,64,690	640.65
Addition pursuant to stock options exercised	2,00,788	2.01	2,29,392	2.30	5,11,649	5.12	2,83,727	2.83	3,31,982	3.32
Addition pursuant to employee equity shares issued during the year	23,90,020	23.90	45,00,000	45.00	45,00,000	45.00	1,38,02,083	138.02	31,00,000	31.00
Equity shares outstanding at the end of the period/ year	**8,91,84,939**	**891.85**	**8,63,11,874**	**863.12**	8,65,94,131	**865.94**	**8,15,82,482**	**815.82**	**6,74,96,672**	**674.97**

Suryoday Small Finance Bank Limited
Annexure 22 - Notes forming part of the Restated Summary Statements
(All amounts are in Indian Rupees in million unless otherwise stated)

2. Earnings per equity share

Particulars	December 31, 2020 #	December 31, 2019 #	March 31, 2020	March 31, 2019	March 31, 2018
Net profit after tax	548.66	1,266.78	1,111.98	903.98	114.92
Weighted average number of equity shares in computing the basic earnings per share	8,86,14,794	8,17,62,698	8,29,13,336	6,77,12,250	6,51,63,944
Basic earnings per share	**6.19**	**15.49**	**13.41**	**13.35**	**1.76**
Weighted average number of equity shares in computing the diluted earnings per share	9,06,77,709	8,21,23,452	8,35,98,505	6,86,86,960	6,53,02,594
Diluted earnings per share	**6.05**	**15.43**	**13.30**	**13.16**	**1.76**
Nominal value per Share (₹)	10.00	10.00	10.00	10.00	10.00

not annualised.

2.1 Reconciliation of weighted average number of equity shares used in the computation of basic and diluted earnings per share:

Particulars	December 31, 2020	December 31, 2019	March 31, 2020	March 31, 2019	March 31, 2018
Weighted average number of equity shares in computing the basic earnings per share	8,86,14,794	8,17,62,698	8,29,13,336	6,77,12,250	6,51,63,944
Effect of potential equity shares outstanding	20,62,915	3,60,754	6,85,169	9,74,710	1,38,650
Weighted average number of equity shares in computing the diluted earnings per share	9,06,77,709	8,21,23,452	8,35,98,505	6,86,86,960	6,53,02,594

Basic earnings per equity share is computed by dividing the net profit or loss after tax for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.
Diluted earnings per equity share is computed by dividing the net profit or loss after tax for the year attributable to equity shareholder by weighted average number of equity shares including potential equity shares outstanding as at the end of the year, except when results are anti dilutive.

Suryoday Small Finance Bank Limited
Annexure 22 - Notes forming part of the Restated Summary Statements
(All amounts are in Indian Rupees in million unless otherwise stated)

3. Drawdown of Reserves

3.1 Statutory Reserve

The Bank has made an appropriation out of profits for each financial year at the end of the year to Statutory Reserve pursuant to the requirements of Section 17 of the Banking Regulation Act, 1949 and RBI circular DBOD.No.BP.BC.24/21.04.018/ 2000-2001 dated September 23, 2000.

Particulars	December 31, 2020	December 31, 2019	March 31, 2020	March 31, 2019	March 31, 2018
Transfer to Statutory Reserves	N.A	N.A	277.34	216.49	25.32

3.2 Investment Reserve

The Bank has appropriated Profit and Loss Account (net of tax and statutory reserve) at the end of the year to Investment Reserve as per RBI guidelines.

Particulars	December 31, 2020	December 31, 2019	March 31, 2020	March 31, 2019	March 31, 2018
Transfer to Investment Reserves	N.A	N.A	Nil	Nil	0.55

3.3 Investment Fluctuation Reserve

The Bank has appropriated from Profit and Loss Account (net of taxes) at the end of the year to Investment Fluctuation Reserve as per RBI

Particulars	December 31, 2020	December 31, 2019	March 31, 2020	March 31, 2019	March 31, 2018
Transfer to Investment Fluctuation Reserves	N.A	N.A	71.04	19.41	Nil

3.4 Capital Reserve

The Bank has appropriated from profit and loss account (net of taxes and statutory reserves) and transferred to capital reserves being the profit from sale of investments under HTM category as per RBI guidelines.

Particulars	December 31, 2020	December 31, 2019	March 31, 2020	March 31, 2019	March 31, 2018
Transfer to Capital Reserves	N.A	N.A	1.53	0.40	Nil

3.5 Share Premium

Share issue expenses are adjusted from Share Premium Account are in accordance with RBI circular RBI/2006-07/132 DBOD.BP.BC No. 31 / 21.04.018/ 2006-07 and Section 52 of the Companies Act, 2013

Particulars	December 31, 2020	December 31, 2019	March 31, 2020	March 31, 2019	March 31, 2018
Expenses related to issue of equity shares	4.38	Nil	Nil	27.87	0.35

(All amounts are in Indian Rupees in million unless otherwise stated)

4. Employees Stock Option Scheme

The Bank has share- based payment schemes for it's employees. Schemes in operation for last 3 years are Employee Stock Option Scheme 2014, Employee Stock Option Scheme 2016 and Employee Stock Option Scheme 2019. The Bank has issued Nil; 18,72,100; 20,67,100; 1,131,000; 856,950 options under the Employee Stock Option Scheme for the financial period/ year December 31, 2020; December 31, 2019; March 31, 2020; March 31, 2019 and March 31, 2018 respectively

The details of the Employee Stock Option Scheme are as under:

Particulars	**Employee stock option scheme 2014**	**Employee stock option scheme 2016**					**Employee stock sption Scheme 2019**	
Grant Date	June 26, 2014	January 19, 2017	July 27, 2017	March 1, 2018	July 16, 2018	February 5, 2019	November 6, 2019	January 10, 2020
Number of Options granted	5,21,500	15,10,000	5,50,000	3,06,950	4,07,000	7,24,000	18,72,100	1,95,000
Method of Settlement	Equity	Equity					Equity	
Vesting	40% after one year from the date of grant i.e. July 1, 2015 30% after two years from the date of grant i.e. July 1, 2016 balance 30% after three years from the date of grant i.e. July 1, 2017	25% after one year from the date of grant and every year thereafter.					25% after one year from the date of grant and every year thereafter.	
Exercisable period	3 years from the Vesting date	3 years from the Vesting date						
Vesting Conditions	No vesting conditions has been prescribed	From second vesting tranche onwards, based on performance rating of the employee						
Exercise Price Per Option (Rs)	₹ 36	₹ 108	₹ 125	₹ 127	₹ 140	₹ 173	₹ 196	₹ 196

Following are the outstanding options as at period/ year end:

	Employee stock option scheme 2014					**Employee stock option scheme 2016**					**Employee stock option scheme 2019**				
Particulars	**As at December 31, 2020**	**As at December 31, 2019**	**As at March 31, 2020**	**As at March 31, 2019**	**As at March 31, 2018**	**As at December 31, 2020**	**As at December 31, 2019**	**As at March 31, 2020**	**As at March 31, 2019**	**As at March 31, 2018**	**As at December 31, 2020**	**As at December 31, 2019**	**As at March 31, 2020**	**As at March 31, 2019**	**As at March 31, 2018**
Total Options granted and outstanding at the beginning of the period/ year	-	-	-	1,200	1,75,950	**14,27,891**	**23,01,972**	23,01,972	18,04,158	15,10,000	**20,67,100**	-	-	-	-
Add: Options granted during the period/ year	-	-	-	-	-	-	-	-	11,31,000	8,56,950	-	18,72,100	20,67,100	-	-
Less: Options forfeited / lapsed during the period/ year	-	-	-	-	(2,400)	(1,56,532)	(2,88,491)	(3,62,432)	(3,50,659)	(4,03,160)	(2,30,250)	-	-	-	-
Less : Options exercised during the period/ year	-	-	-	(1,200)	(1,72,350)	(1,52,563)	(2,29,392)	(5,11,649)	(2,82,527)	(1,59,632)	(48,225)	-	-	-	-
Options Outstanding as at end of the period/ year	**-**	**-**	**-**	**-**	**1,200**	**11,18,796**	**17,84,089**	**14,27,891**	**23,01,972**	**18,04,158**	**17,88,625**	**18,72,100**	**20,67,100**	**-**	**-**
- Vested	-	-	-	-	1,200	2,54,619	2,27,111	2,87,628	2,76,307	1,45,704	3,83,175	-	-	-	-
- Yet to Vest	-	-	-	-		8,64,177	15,56,978	11,40,263	20,25,665	16,58,454	14,05,450	18,72,100	20,67,100	-	-

The value of options have been estimated on the date of the grant using Black-Scholes model.

(All amounts are in Indian Rupees in million unless otherwise stated)

The key assumptions used in Black Scholes model for calculating value of options as on the date of the grant are:

	Employee stock option scheme 2014		
Variables	**Tranche 1**	**Tranche 2**	**Tranche 3**
1.Risk Free Interest Rate	8.65%	8.65%	8.65%
2.Expected Life (in years)	2.56	3.56	4.56
3.Expected Volatility	38.00%	39.00%	37.00%
4.Dividend Yield	0.00%	0.00%	0.00%
5.Fair value of the option on the grant date (₹)	18.99	21.91	23.80

	Employee stock option scheme 2016 - Grant 1			
Variables	**Tranche 1**	**Tranche 2**	**Tranche 3**	**Tranche 4**
1.Risk Free Interest Rate	5.50%	5.50%	5.50%	5.50%
2.Expected Life (in years)	2.56	3.56	4.56	5.56
3.Expected Volatility	41.68%	39.61%	38.41%	40.66%
4.Dividend Yield	0.00%	0.00%	0.00%	0.00%
5.Fair value of the option on the grant date (₹)	42.82	48.32	53.26	60.00

	Employee stock option scheme 2016 - Grant 2			
Variables	**Tranche 1**	**Tranche 2**	**Tranche 3**	**Tranche 4**
1.Risk Free Interest Rate	5.50%	5.50%	5.50%	5.50%
2.Expected Life (in years)	2.56	3.56	4.56	5.56
3.Expected Volatility	38.88%	38.78%	37.41%	39.34%
4.Dividend Yield	0.00%	0.00%	0.00%	0.00%
5.Fair value of the option on the grant date (₹)	37.43	44.74	49.95	57.16

	Employee stock option scheme 2016 - Grant 3			
Variables	**Tranche 1**	**Tranche 2**	**Tranche 3**	**Tranche 4**
1.Risk Free Interest Rate	6.50%	6.50%	6.50%	6.50%
2.Expected Life (in years)	2.56	3.56	4.56	5.56
3.Expected Volatility	39.35%	39.32%	38.05%	37.08%
4.Dividend Yield	0.00%	0.00%	0.00%	0.00%
5.Fair value of the option on the grant date (₹)	39.68	47.58	53.37	58.52

	Employee stock option scheme 2016 - Grant 4			
Variables	**Tranche 1**	**Tranche 2**	**Tranche 3**	**Tranche 4**
1.Risk Free Interest Rate	6.65%	6.70%	6.70%	6.75%
2.Expected Life (in years)	2.56	3.56	4.56	5.56
3.Expected Volatility	33.05%	37.71%	38.38%	37.34%
4.Dividend Yield	0.00%	0.00%	0.00%	0.00%
5.Fair value of the option on the grant date (₹)	38.86	51.12	59.19	65.01

	Employee stock option scheme 2016 - Grant 5			
Variables	**Tranche 1**	**Tranche 2**	**Tranche 3**	**Tranche 4**
1.Risk Free Interest Rate	7.38%	7.38%	7.38%	7.38%
2.Expected Life (in years)	2.56	3.56	4.56	5.56
3.Expected Volatility	30.63%	38.03%	37.18%	37.28%
4.Dividend Yield	0.00%	0.00%	0.00%	0.00%
5.Fair value of the option on the grant date (₹)	47.50	65.37	74.07	82.60

Suryoday Small Finance Bank Limited
Annexure 22 - Notes forming part of the Restated Summary Statements
(All amounts are in Indian Rupees in million unless otherwise stated)

	Employee stock option scheme 2019 - Grant 1			
Variables	**Tranche 1**	**Tranche 2**	**Tranche 3**	**Tranche 4**
1.Risk Free Interest Rate	6.50%	6.50%	6.50%	6.50%
2.Expected Life (in years)	2.56	3.56	4.56	5.56
3.Expected Volatility	32.19%	32.81%	37.19%	37.63%
4.Dividend Yield	0.00%	0.00%	0.00%	0.00%
5.Fair value of the option on the grant date (₹)	54.00	66.17	81.67	91.40

	Employee stock option scheme 2019 - Grant 2			
Variables	**Tranche 1**	**Tranche 2**	**Tranche 3**	**Tranche 4**
1.Risk Free Interest Rate	6.56%	6.56%	6.56%	6.56%
2.Expected Life (in years)	2.56	3.56	4.56	5.56
3.Expected Volatility	32.64%	31.90%	37.22%	36.75%
4.Dividend Yield	0.00%	0.00%	0.00%	0.00%
5.Fair value of the option on the grant date (₹)	54.62	65.29	81.90	90.49

Effect of the share based payment plans on the Profit and Loss Account and on its financial position:

Particulars	**For the year ended December 31, 2020**	**For the year ended December 31, 2019**	**For the year ended March 31, 2020**	**For the year ended March 31, 2019**	**For the year ended March 31, 2018**
Employee stock option expenditure (included in Annexure 20 (I))	50.02	24.19	49.93	25.56	35.05
Particulars	**As at December 31, 2020**	**As at December 31, 2019**	**As at March 31, 2020**	**As at March 31, 2019**	**As at March 31, 2018**
Employee stock options outstanding account (included in Annexure 6 (V))	109.43	61.92	71.02	46.30	34.09

The Expected life of the stock option is based on historical data and current expectation and is not necessarily indicative of the pattern that may occur.
The expected volatility reflects the assumption that the historical volatility of a comparable listed entity for 6 years period ended on the date of the grant is indication of future trends which may not necessarily be the actual outcome.

5. Investments

5.1 Particulars of Investments and movement in provision held towards depreciation on Investments

Particulars	December 31, 2020	December 31, 2019	March 31, 2020	March 31, 2019	March 31, 2018
1) Value of Investments					
i) Gross value of investments					
- In India	15,114.56	8,943.62	8,081.98	6,643.93	3,113.43
- Outside India	-	-	-	-	-
ii) Provisions for depreciation on investments					
- in India	0.15	15.36	-	-	-
- Outside India	-	-	-	-	-
iii) Net value of investments					
- In India	15,114.41	8,928.27	8,081.98	6,643.93	3,113.43
- Outside India	-	-	-	-	-
2) Movement of provisions held towards depreciation on investments:					
i) Opening balance	-	-	-	-	1.12
ii) Add: Provision made during the period/ year	87.09	15.36	15.40	7.87	0.44
iii) Less: Write back of excess provision during the period/ year	(86.94)	-	(15.40)	(7.87)	(1.56)
iv) Closing balance	0.15	15.36	-	-	-

The net book value of investments held under three categories, viz. Held to Maturity (HTM), Held for Trading (HFT) and Available for Sale (AFS) is as under :

Category	As at December 31, 2020		As at December 31, 2019		As at March 31, 2020		As at March 31, 2019		As at March 31, 2018	
	₹ in million	%	₹ in million	%	₹ in million	%	₹ in million	%	₹ in million	%
Held to Maturity	5,311.90	35.14%	3,984.09	44.62%	4,080.81	50.49%	2,651.16	39.90%	2,369.41	76.10%
Available for Sale	9,802.51	64.86%	4,841.01	54.22%	4,001.17	49.51%	3,992.77	60.10%	744.02	23.90%
Held for Trading	-	-	103.16	1.16%	-	-	-	-	-	-
Total	15,114.41	100%	8,928.26	100%	8,081.98	100%	6,643.93	100%	3,113.43	100%

5.2 Repo/ Reverse Repo Transactions

The Details relating to repo/reverse repo transactions (in face value terms) during the period/ year ended December 31, 2020 are as follows:

	Minimum outstanding	Maximum outstanding	Daily average outstanding	As at 31 December 2020 Outstanding
Securities sold under repo	50.00	4,058.03	1,288.72	2,244.79
Government Securities	50.00	4,058.03	1,288.72	2,244.79
Corporate Debt Securities	-	-	-	-
Securities purchased under reverse repo	3,680.00	10,580.00	6,886.42	7,180.00
Government Securities	3,680.00	10,580.00	6,886.42	7,180.00
Corporate Debt Securities	-	-	-	-

The Details relating to repo/reverse repo transactions (in face value terms) during the period/ year ended December 31, 2019 are as follows:

	Minimum outstanding	Maximum outstanding	Daily average outstanding	As at 31 December 2019 Outstanding
Securities sold under repo	49.99	1,763.15	626.19	966.28
Government Securities	49.99	1,763.15	626.19	966.28
Corporate Debt Securities	-	-	-	-
Securities purchased under reverse repo	30.00	1,400.00	566.76	30.00
Government Securities	30.00	1,400.00	566.76	30.00
Corporate Debt Securities	-	-	-	-

The Details relating to repo/reverse repo transactions (in face value terms) during the year ended March 31, 2020 are as follows:

	Minimum outstanding	Maximum outstanding	Daily average outstanding	As at 31 March 2020 Outstanding
Securities sold under repo	49.99	1,767.19	643.01	1,305.56
Government Securities	49.99	1,767.19	643.01	1,305.56
Corporate Debt Securities	-	-	-	-
Securities purchased under reverse repo	30.00	6,290.00	748.01	6,290.00
Government Securities	30.00	6,290.00	748.01	6,290.00
Corporate Debt Securities	-	-	-	-

The Details relating to repo/reverse repo transactions (in face value terms) during the year ended March 31, 2019 are as follows:

	Minimum outstanding	Maximum outstanding	Daily average outstanding	As at 31 March 2019 Outstanding
Securities sold under repo	42.52	500.00	233.14	-
Government Securities	42.52	500.00	233.14	-
Corporate Debt Securities	-	-	-	-
Securities purchased under reverse repo	18.71	1,087.56	202.41	494.46
Government Securities	18.71	1,087.56	202.41	494.46
Corporate Debt Securities	-	-	-	-

The Details relating to repo/reverse repo transactions (in face value terms) during the year ended March 31, 2018 are as follows :

	Minimum outstanding	Maximum outstanding	Daily average outstanding	As at 31 March 2018 Outstanding
Securities sold under repo	108.30	208.56	191.73	208.56
Government Securities	108.30	208.56	191.73	208.56
Corporate Debt Securities	-	-	-	-
Securities purchased under reverse repo	18.90	814.79	186.68	814.79
Government Securities	18.90	814.79	186.68	814.79
Corporate Debt Securities	-	-	-	-

Suryoday Small Finance Bank Limited
Annexure 22 - Notes forming part of the Restated Summary Statements
(All amounts are in Indian Rupees in million unless otherwise stated)

5.3 Sale and Transfer to /from HTM Category

During the period/years ended December 31, 2020; December 31, 2019; March 31, 2020, March 31, 2019 and March 31, 2018, the Bank has not sold and transferred securities to or from HTM category exceeding 5% of the book value of investment held in HTM category at the beginning of the year. The 5% threshold referred to above does not include
a. one-time transfer of securities to/from HTM category with the approval of Board of Directors permitted to be undertaken by banks as per the extant RBI guidelines,
b. sale of securities under pre-announced Open Market Operation (OMO) auction to the RBI and
c. sale of securities or transfer to AFS / HFT consequent to the reduction of ceiling on SLR securities under HTM.

RBI circular DBR.No.BP.BC.113/21.04.048/2017-18 dated June 15, 2018 granted banks an option to spread provisioning for mark to market losses on investments held in AFS and HFT. The circular stated that the provisioning requirement for quarter ending June 30, 2018 may be spread equally over up to four quarters, commencing with the quarter ending June 30, 2018. The Bank has not availed the said option.

5.4 Issuer-wise composition of non-SLR investments

Balance as at December 31, 2020

Issuer	Amount	Extent of private placement#	Extent of "below investment grade "securities#	Extent of "unrated" securities#	Extent of "unlisted" securities#*
1.Public sector undertakings	-	-	-	-	-
2.Financial institutions	-	-	-	-	-
3.Banks	-	-	-	-	-
4.Private corporate	-	-	-	-	-
5.Subsidiaries / Joint ventures	-	-	-	-	-
6.Others	63.20	7.70	-	7.70	7.70
7.Provision held towards depreciation	(0.15)	(0.15)	-	(0.15)	(0.15)
Total	**63.05**	**7.55**	**-**	**7.55**	**7.55**

Balance as at December 31,2019

Issuer	Amount	Extent of private placement#	Extent of "below investment grade "securities#	Extent of "unrated" securities#	Extent of "unlisted" securities#*
1.Public sector undertakings	-	-	-	-	-
2.Financial institutions	-	-	-	-	-
3.Banks	988.49	-	-	-	-
4.Private corporate	-	-	-	-	-
5.Subsidiaries / Joint ventures	-	-	-	-	-
6.Others	-	-	-	-	-
7.Provision held towards depreciation	-	-	-	-	-
Total	**988.49**	**-**	**-**	**-**	**-**

Balance as at March 31, 2020

Issuer	Amount	Extent of private placement#	Extent of "below investment grade "securities#	Extent of "unrated" securities#	Extent of "unlisted" securities#*
1.Public sector undertakings	-	-	-	-	-
2.Financial institutions	-	-	-	-	-
3.Banks	1,229.99	-	-	-	-
4.Private corporate	-	-	-	-	-
5.Subsidiaries / Joint ventures	-	-	-	-	-
6.Others	-	-	-	-	-
7.Provision held towards depreciation	-	-	-	-	-
Total	**1,229.99**	**-**	**-**	**-**	**-**

Balance as at March 31,2019

Issuer	Amount	Extent of private placement#	Extent of "below investment grade "securities#	Extent of "unrated" securities#	Extent of "unlisted" securities#*
1.Public sector undertakings	-	-	-	-	-
2.Financial institutions	-	-	-	-	-
3.Banks	1,484.43	-	-	-	-
4.Private corporate	-	-	-	-	-
5.Subsidiaries / Joint ventures	-	-	-	-	-
6.Others	500.00	-	-	-	-
7.Provision held towards depreciation	-	-	-	-	-
Total	**1,984.43**	**-**	**-**	**-**	**-**

Balance as at March 31,2018

Issuer	Amount	Extent of private placement#	Extent of "below investment grade "securities#	Extent of "unrated" securities#	Extent of "unlisted" securities#*
1.Public sector undertakings	-	-	-	-	-
2.Financial institutions	245.29	-	-	-	-
3.Banks	-	-	-	-	-
4.Private corporate	-	-	-	-	-
5.Subsidiaries / Joint ventures	-	-	-	-	-
6.Others	-	-	-	-	-
7.Provision held towards depreciation	-	-	-	-	-
Total	**245.29**	**-**	**-**	**-**	**-**

 # Amounts reported under these columns above are not mutually exclusive
** Excludes investments in commercial paper and certificate of deposits*

5.5 Non performing Non-SLR investments
As at December 31, 2020, December 31, 2019, March 31, 2020, March 31, 2019 and March 31, 2018, there are no non performing Non - SLR investments.

5.6 Details of investment in Security Receipt (SRs)
As at December 31, 2020, December 31, 2019, March 31, 2020, March 31, 2019 and March 31, 2018, there are no investment in SRs.

6.Derivatives
During the period/ year ended December 31, 2020, December 31, 2019, March 31, 2020; March 31, 2019 and March 31, 2018 the Bank has not undertaken any derivative transaction. Hence, disclosure related to Forward Rate Agreement / Interest Rate Swap/ Credit default Swap and Exchange Traded Interest Rate Derivatives are not provided.

Suryoday Small Finance Bank Limited
Annexure 22 - Notes forming part of the Restated Summary Statements
(All amounts are in Indian Rupees in million unless otherwise stated)

7. Asset quality

7.1 Non Performing Assets (NPAs)

The following table sets forth, for the periods indicated, the details of movement of gross non-performing assets (NPAs), net NPAs and provisions.

Particulars	As at December 31, 2020	As at December 31, 2019	As at March 31, 2020	As at March 31, 2019	As at March 31, 2018
(i) Net NPAs to Net Advances (%)	0.33%	0.52%	0.57%	0.44%	1.86%
(ii) Movement of NPAs (Gross)					
Gross NPA's as on April 1 of particular period/ year	1,012.50	496.21	496.21	565.69	512.50
Additions (fresh NPAs) during the period/ year	0.50	823.44	1,042.95	330.81	517.95
Sub Total (A)	**1,013.00**	**1,319.65**	**1,539.16**	**896.50**	**1,030.45**
Less :-					
- Upgradation	56.00	21.89	6.07	1.25	0.75
- Recoveries (excluding Recoveries made from upgraded accounts)	31.47	22.42	41.73	63.42	36.08
- Technical / Prudential Write offs	626.38	160.82	319.93	-	-
- write offs other than mentioned above	0.02	158.94	158.93	335.62	427.93
Sub Total (B)	713.87	364.07	526.66	400.29	464.76
Gross NPAs (A-B)	**299.13**	**955.58**	**1,012.50**	**496.21**	**565.69**
(iii) Movement of Net NPAs					
(a) Opening balance	203.74	120.06	120.06	292.27	311.41
(b) Additions during the period/ year	(12.79)	84.00	340.59	80.19	324.23
(c) Reductions during the period/ year	62.81	27.87	256.91	252.40	343.37
(d) Closing balance	**128.14**	**176.19**	**203.74**	**120.06**	**292.27**
(iv) Movement of provisions for NPAs (excluding provision on standard assets)					
(a) Opening balance	808.76	376.15	376.15	273.42	201.09
(b) Provision made during the period/ year*	13.29	739.44	702.36	250.62	193.72
(c) Write off/ write back of excess provision **	651.06	336.20	269.75	147.89	121.39
(d) Closing balance	**170.99**	**779.39**	**808.76**	**376.15**	**273.42**

* Include floating provision as at year end to the extent utilised

** Provision made on written off account for the year have been netted off.

*** Refer note below for classification of NPA during the period ended December 31, 2020. Additions during the period is adjusted for provision made against GNPA as at March 31, 2020.

The Honourable Supreme Court of India (Hon'ble SC), in a public interest litigation (Gajendra Sharma Vs. Union of India & Anr), vide an interim order dated September 03, 2020 ("Interim Order"), has directed banks that accounts which were not declared NPA till August 31, 2020 shall not be declared as NPA till further orders. Pending the finality, the Bank has not classified any account which was not NPA as of August 31, 2020 as per the RBI IRAC norms, as NPA after August 31, 2020. Further, in light of the Interim Order, even accounts that would have otherwise been classified as NPA post August 31, 2020 have not been and will not be, classified as NPA till such time that the Hon'ble SC rules finally on the matter.

However, if the Bank had classified borrower accounts as NPA after August 31, 2020, the Bank's proforma Gross NPA ratio and proforma Net NPA ratio would have been 9.28% at December 31, 2020 (at September 30, 2020: 2.58%) and 5.38% at December 31, 2020 (at September 30, 2020: 0.42%) respectively. Pending disposal of the case, the Bank, as a matter of prudence has, in respect of these accounts made a contingent provision, which is included in Provisions and Contingencies".

7.2 Technical or prudential write-offs

Technical or prudential write-offs refer to the amount of non-performing assets which are outstanding in the books of the branches, but have been written-off at the head office level. The financial accounting systems of the Bank are integrated and there are no write-offs done by the Bank which remain outstanding in the books of the branches.

The following table sets forth, for the periods indicated, the details of movement in technical/ prudential write-off .

Particulars	As at December 31, 2020	As at December 31, 2019	As at March 31, 2020	As at March 31, 2019	As at March 31, 2018
Opening balance	316.57	-	-	-	-
Add : Technical / Prudential write offs during the period/ year	626.38	160.82	319.93	-	-
Sub total (A)	942.95	160.82	319.93	-	-
Less : Recoveries made from previously technical / prudential written off accounts during the period/ year (B)	11.99	-	3.36	-	-
Closing balance as at period/ year end (A-B)	**930.96**	**160.82**	**316.57**	-	-

7.3 Details of Non Performing Financial Assets Purchased / Sold

The Bank has not purchased or sold any non performing financial assets during the year ended December 31, 2020, December 31, 2019, March 31, 2020, March 31, 2019 and March 31, 2018.

7.4 Floating provision

Particulars	As at December 31, 2020	As at December 31, 2019	As at March 31, 2020	As at March 31, 2019	As at March 31, 2018
Opening balance	532.18	323.15	323.15	62.58	62.58
Provision made during the period/ year	5.55	52.90	209.03	260.57	-
Drawdown made during the period/ year	-	-	-	-	-
Closing balance	**537.73**	**376.05**	**532.18**	**323.15**	**62.58**

Floating provision has been netted off from Gross NPA to arrive at Net NPA and has not been considered as Tier 2 capital for all reporting periods following the RBI circular "Prudential norms on creation and utilisation of floating provisions" dated June 22, 2006.

Suryoday Small Finance Bank Limited
Annexure 22 - Notes forming part of the Restated Summary Statements
(All amounts are in Indian Rupees in million unless otherwise stated)

7.5 - Disclosure of Restructured Assets

The Bank has restructured the following accounts during the year ended December 31, 2020.

Sr.no	Type of Restructuring		Under CDR Mechanism					Under SME Debt Restructuring Mechanism					Others					Total				
	Assets Classification / Details		Standard	Sub-standard	Doubtful	Loss	Total	Standard	Sub-standard	Doubtful	Loss	Total	Standard	Sub-standard	Doubtful	Loss	Total	Standard	Sub-standard	Doubtful	Loss	Total
1	Restructured Accounts as on April 1 of the FY (opening figures)	No. of borrowers	-	-	-	-	-	-	-	-	-	-	156	7	46	-	209	156	7	46	-	209
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	1.77	0.13	0.35	-	2.25	1.77	0.13	0.35	-	2.25
		Provision there-on	-	-	-	-	-	-	-	-	-	-	0.09	0.03	0.36	-	0.48	0.09	0.03	0.36	-	0.48
2	Fresh restructuring during the period	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	12	-	12	-	-	12	-	12
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	16.67	-	16.67	-	-	16.67	-	16.67
		Provision there-on	-	-	-	-	-	-	-	-	-	-	-	-	9.65	-	9.65	-	-	9.65	-	9.65
3	Upgradations to restructured standard category during the period	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision there-on	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Increase/(decrease) in borrower level outstanding of existing restructured cases during the period.	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	(0.45)	(0.00)	(0.06)	-	(0.51)	(0.45)	(0.00)	(0.06)	-	(0.51)
		Provision there-on	-	-	-	-	-	-	-	-	-	-	0.08	0.06	(0.06)	-	0.08	0.08	0.06	(0.06)	-	0.08
5	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the period and hence need not be shown as restructured standard advances at the beginning of the next FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision there-on	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Downgradations of restructured accounts during the period	No. of borrowers	-	-	-	-	-	-	-	-	-	-	(9)	(4)	13	-	-	(9)	(4)	13	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	(0.13)	(0.08)	0.21	-	-	(0.13)	(0.08)	0.21	-	-
		Provision there-on	-	-	-	-	-	-	-	-	-	-	(0.13)	(0.08)	0.21	-	-	(0.13)	(0.08)	0.21	-	-
7	Write-offs/ Recovery of restructured accounts during the period	No. of borrowers	-	-	-	-	-	-	-	-	-	-	(35)	-	(9)	-	(44)	(35)	-	(9)	-	(44)
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	(0.21)	-	(0.03)	-	(0.24)	(0.21)	-	(0.03)	-	(0.24)
		Provision there-on	-	-	-	-	-	-	-	-	-	-	(0.01)	-	(0.03)	-	(0.04)	(0.01)	-	(0.03)	-	(0.04)
8	Restructured Accounts as on December 31 of the period (closing figures)	No. of borrowers	-	-	-	-	-	-	-	-	-	-	112	3	62	-	177	112	3	62	-	177
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	0.98	0.05	17.14	-	18.17	0.98	0.05	17.14	-	18.17
		Provision there-on	-	-	-	-	-	-	-	-	-	-	0.03	0.01	10.13	-	10.17	0.03	0.01	10.13	-	10.17

The Bank has restructured the following accounts during the year ended December 31, 2019.

Si.no	Type of Restructuring		Under CDR Mechanism					Under SME Debt Restructuring Mechanism					Others					Total				
	Assets Classification / Details		Standard	Sub-standard	Doubtful	Loss	Total	Standard	Sub-standard	Doubtful	Loss	Total	Standard	Sub-standard	Doubtful	Loss	Total	Standard	Sub-standard	Doubtful	Loss	Total
1	Restructured Accounts as on April 1 of the FY (opening figures)	No. of borrowers	-	-	-	-	-	-	-	-	-	-	174	1	62	-	237	174	1	62	-	237
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	3.42	0.00	0.33	-	3.75	3.42	0.00	0.33	-	3.75
		Provision there-on	-	-	-	-	-	-	-	-	-	-	0.34	0.00	0.33	-	0.67	0.34	0.00	0.33	-	0.67
2	Fresh restructuring during the period	No. of borrowers	-	-	-	-	-	-	-	-	-	-	54	3	51	-	108	54	3	51	-	108
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	1.33	0.04	0.65	-	2.02	1.33	0.04	0.65	-	2.02
		Provision there-on	-	-	-	-	-	-	-	-	-	-	0.29	0.02	0.65	-	0.96	0.29	0.02	0.65	-	0.96
3	Upgradations to restructured standard category during the period	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision there-on	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Increase/(decrease) in borrower level outstanding of existing restructured cases during the period.	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	(1.70)	-	(0.21)	-	(1.91)	(1.70)	-	(0.21)	-	(1.91)
		Provision there-on	-	-	-	-	-	-	-	-	-	-	(0.07)	-	(0.21)	-	(0.28)	(0.07)	-	(0.21)	-	(0.28)
5	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the period and hence need not be shown as restructured standard advances at the beginning of the next FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision there-on	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Downgradations of restructured accounts during the period	No. of borrowers	-	-	-	-	-	-	-	-	-	-	(47)	4	43	-	-	(47)	4	43	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	(0.62)	0.09	0.53	-	-	(0.62)	0.09	0.53	-	-
		Provision there-on	-	-	-	-	-	-	-	-	-	-	(0.55)	0.02	0.53	-	-	(0.55)	0.02	0.53	-	-
7	Write-offs/ Recovery of restructured accounts during the period	No. of borrowers	-	-	-	-	-	-	-	-	-	-	(32)	(4)	(68)	-	(104)	(32)	(4)	(68)	-	(104)
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	(0.34)	(0.04)	(0.50)	-	(0.88)	(0.34)	(0.04)	(0.50)	-	(0.88)
		Provision there-on	-	-	-	-	-	-	-	-	-	-	(0.02)	(0.02)	(0.50)	-	(0.54)	(0.02)	(0.02)	(0.50)	-	(0.54)
8	Restructured Accounts as on December 31 of the period (closing figures)	No. of borrowers	-	-	-	-	-	-	-	-	-	-	149	4	88	-	241	149	4	88	-	241
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	2.09	0.09	0.80	-	2.98	2.09	0.09	0.80	-	2.98
		Provision there-on	-	-	-	-	-	-	-	-	-	-	(0.01)	0.02	0.80	-	0.81	(0.01)	0.02	0.80	-	0.81

The Bank has restructured the following accounts during the year ended March 31, 2020.

Sr.no	Type of Restructuring		Under CDR Mechanism					Under SME Debt Restructuring Mechanism					Others					Total				
	Assets Classification		Standard	Sub-standard	Doubtful	Loss	Total	Standard	Sub-standard	Doubtful	Loss	Total	Standard	Sub-standard	Doubtful	Loss	Total	Standard	Sub-standard	Doubtful	Loss	Total
	Details																					
1	Restructured Accounts as on April 1 of the FY (opening figures)	No. of borrowers	-	-	-	-	-	-	-	-	-	-	174	1	62	-	237	174	1	62	-	237
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	3.42	(0.00)	0.33	-	3.75	3.42	(0.00)	0.33	-	3.75
		Provision there-on	-	-	-	-	-	-	-	-	-	-	0.34	(0.00)	0.33	-	0.67	0.34	(0.00)	0.33	-	0.67
2	Fresh restructuring during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	54	3	51	-	108	54	3	51	-	108
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	1.33	0.04	0.66	-	2.03	1.33	0.04	0.66	-	2.03
		Provision there-on	-	-	-	-	-	-	-	-	-	-	0.08	0.02	0.66	-	0.76	0.08	0.02	0.66	-	0.76
3	Upgradations to restructured standard category during the FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision there-on	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Increase/(decrease) in borrower level outstanding of existing restructured cases during the year.	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	(2.14)	-	(0.19)	-	(2.33)	(2.14)	-	(0.19)	-	(2.33)
		Provision there-on	-	-	-	-	-	-	-	-	-	-	(0.08)	-	(0.19)	-	(0.27)	(0.08)	-	(0.19)	-	(0.27)
5	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision there-on	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Downgradations of restructured accounts during the FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-	(26)	7	19	-	-	(26)	7	19	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	(0.29)	0.13	0.16	-	0.00	(0.29)	0.13	0.16	-	0.00
		Provision there-on	-	-	-	-	-	-	-	-	-	-	(0.20)	0.04	0.16	-	-	(0.20)	0.04	0.16	-	-
7	Write-offs/ Recovery of restructured accounts during the FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-	(46)	(4)	(86)	-	(136)	(46)	(4)	(86)	-	(136)
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	(0.55)	(0.04)	(0.60)	-	(1.19)	(0.55)	(0.04)	(0.60)	-	(1.19)
		Provision there-on	-	-	-	-	-	-	-	-	-	-	(0.05)	(0.02)	(0.60)	-	(0.67)	(0.05)	(0.02)	(0.60)	-	(0.67)
8	Restructured Accounts as on March 31 of the FY (closing figures)	No. of borrowers	-	-	-	-	-	-	-	-	-	-	156	7	46	-	209	156	7	46	-	209
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	1.77	0.13	0.36	-	2.26	1.77	0.13	0.36	-	2.26
		Provision there-on	-	-	-	-	-	-	-	-	-	-	0.09	0.04	0.36	-	0.49	0.09	0.04	0.36	-	0.49

The Bank has restructured the following accounts during the year ended March 31, 2019.

Si.no	Type of Restructuring		Under CDR Mechanism					Under SME Debt Restructuring Mechanism					Others					Total				
	Assets Classification		Standard	Sub-standard	Doubtful	Loss	Total	Standard	Sub-standard	Doubtful	Loss	Total	Standard	Sub-standard	Doubtful	Loss	Total	Standard	Sub-standard	Doubtful	Loss	Total
	Details																					
1	Restructured Accounts as on April 1 of the FY (opening figures)	No. of borrowers	-	-	-	-	-	-	-	-	-	-	15	10	-	-	25	15	10	-	-	25
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	0.20	0.02	-	-	0.22	0.20	0.02	-	-	0.22
		Provision there-on	-	-	-	-	-	-	-	-	-	-	0.01	0.01	-	-	0.02	0.01	0.01	-	-	0.02
2	Fresh restructuring during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	174	11	49	-	234	174	11	49	-	234
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	3.94	0.05	0.27	-	4.26	3.94	0.05	0.27	-	4.26
		Provision there-on	-	-	-	-	-	-	-	-	-	-	0.17	0.01	0.27	-	0.45	0.17	0.01	0.27	-	0.45
3	Upgradations to restructured standard category during the FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision there-on	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Increase/(decrease) in borrower level outstanding of existing restructured cases during the year.	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	(0.52)	-	-	-	(0.52)	(0.52)	-	-	-	(0.52)
		Provision there-on	-	-	-	-	-	-	-	-	-	-	0.17	-		-	0.17	0.17	-	-	-	0.17
5	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision there-on	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Downgradations of restructured accounts during the FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-	(1)	(12)	13	-	-	(1)	(12)	13	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	(0.01)	(0.05)	0.06	-	(0.00)	(0.01)	(0.05)	0.06	-	(0.00)
		Provision there-on	-	-	-	-	-	-	-	-	-	-	-	(0.01)	0.06	-	0.05	-	(0.01)	0.06	-	0.05
7	Write-offs/ Recovery of restructured accounts during the FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-	(14)	(8)	-	-	(22)	(14)	(8)	-	-	(22)
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	(0.19)	(0.02)	-	-	(0.21)	(0.19)	(0.02)	-	-	(0.21)
		Provision there-on	-	-	-	-	-	-	-	-	-	-	(0.01)	(0.01)	-	-	(0.02)	(0.01)	(0.01)	-	-	(0.02)
8	Restructured Accounts as on March 31 of the FY (closing figures)	No. of borrowers	-	-	-	-	-	-	-	-	-	-	174	1	62	-	237	174	1	62	-	237
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	3.42	(0.00)	0.33	-	3.75	3.42	(0.00)	0.33	-	3.75
		Provision there-on	-	-	-	-	-	-	-	-	-	-	0.34	(0.00)	0.33	-	0.67	0.34	(0.00)	0.33	-	0.67

Suryoday Small Finance Bank Limited
Annexure 22 - Notes forming part of the Restated Summary Statements
(All amounts are in Indian Rupees in million unless otherwise stated)

The Bank has restructured the following accounts during the year ended March 31, 2018.

Si.no	Type of Restructuring		Under CDR Mechanism					Under SME Debt Restructuring Mechanism					Others					Total				
	Assets Classification		Standard	Sub-standard	Doubtful	Loss	Total	Standard	Sub-standard	Doubtful	Loss	Total	Standard	Sub-standard	Doubtful	Loss	Total	Standard	Sub-standard	Doubtful	Loss	Total
	Details																					
1	Restructured Accounts as on April 1 of the FY (opening figures)	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision there-on	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	Fresh restructuring during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	19	11	-	-	30	19	11	-	-	30
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	0.22	0.07	-	-	0.29	0.22	0.07	-	-	0.29
		Provision there-on	-	-	-	-	-	-	-	-	-	-	0.01	0.02	-	-	0.03	0.01	0.02	-	-	0.03
3	Upgradations to restructured standard category during the FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision there-on	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Increase/(decrease) in borrower level outstanding of existing restructured cases during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision there-on	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision there-on	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Down gradations of restructured accounts during the FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-	(1)	1	-	-	-	(1)	1	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision there-on	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Write-offs/ Recovery of restructured accounts during the FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-	(3)	(2)	-	-	(5)	(3)	(2)	-	-	(5)
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	(0.02)	(0.05)	-	-	(0.07)	(0.02)	(0.05)	-	-	(0.07)
		Provision there-on	-	-	-	-	-	-	-	-	-	-	(0.00)	(0.01)	-	-	(0.01)	(0.00)	(0.01)	-	-	(0.01)
8	Restructured Accounts as on March 31 of the FY (closing figures)	No. of borrowers	-	-	-	-	-	-	-	-	-	-	15	10	-	-	25	15	10	-	-	25
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	0.20	0.02	-	-	0.22	0.20	0.02	-	-	0.22
		Provision there-on	-	-	-	-	-	-	-	-	-	-	0.01	0.01	-	-	0.02	0.01	0.01	-	-	0.02

* Write-off of restructured accounts includes recoveries in existing balances.

(All amounts are in Indian Rupees in million unless otherwise stated)

7.6 Divergence in the asset classification and provisioning

RBI vide its circular DBR.BP.BC.No.63/21.04.018/2016-17 dated April 18, 2017 and Notification dated April 1, 2019, has directed banks shall make suitable disclosures, if either or both of the following conditions are satisfied:

(a) the additional provisioning for NPAs assessed by the RBI exceeds 10 per cent of the reported profit before provisions and contingencies for the reference period, and/ or
(b) the additional Gross NPAs identified by the RBI exceed 15 per cent of the published incremental Gross NPAs for the reference period.

There has been no divergence observed by RBI for the financial year 2018-19 in respect of the Bank's asset classification and provisioning as per the extant prudential norms on income recognition asset classification and provisioning (IRACP) which require such disclosures.

7.7 Credit default swaps

The Bank has not transacted in credit default swaps during the period ended December 31, 2020; December 31, 2019 and years ended March 31, 2020; March 31, 2019 and March 31, 2018.

7.8 Resolution of Stressed Assets – Revised Framework

The Bank does not have any account for resolution of stressed Assets (Revised framework) as per the RBI Circular RBI/2017-18/131DBR.No.BP.BC.101/21.04.048/2017-18 Loans as on December 31, 2020; December 31, 2019; March 31, 2020; March 31, 2019 and March 31, 2018.

7.9 Micro, Small and Medium Enterprises (MSME) sector – Restructuring of Advance

The Bank has not restructured any account as per the RBI Circular DBR.No.BP.BC.100/21.04.048/2017-18 dated February 07, 2018 and DBR.No.BP.BC.108/21.04.048/2017-18 dated June 6, 2018 and RBI/2018-19/100 DBR.No.BP.BC.18/21.04.048/2018-19 dated January 01, 2019 as on December 31, 2020; December 31, 2019; March 31, 2020; March 31, 2019 and March 31, 2018.

7.10 Details of factoring exposure

The factoring exposure of the Bank is NIL as at December 31, 2020; December 31, 2019; March 31, 2020; March 31, 2019 and March 31, 2018.

8. Securitisation and related disclosures

8.1 Details of Sales

The Bank has securitised certain standard assets in accordance with the guidelines issued by the RBI.

Particular	December 31, 2020	December 31, 2019	March 31, 2020	March 31, 2019	March 31, 2018
(i) No. of accounts sold during the period/ year	-	-	-	68,201	-
(ii) Aggregate value of accounts sold during the period/ year	-	-	-	1,035.63	-
(iii) Aggregate Consideration received during the period/ year	-	-	-	921.67	-
(iv) Additional Consideration realised in respect of account transferred in earlier period/ years	-	-	-	-	-
(v) Aggregate gain over net book value during the period/ year	-	-	-	106.81	-
(vi) MRR	-	-	-	113.96	-
(vii) First Loss	-	-	-	165.96	-
(viii) Others	-	-	-	-	-
(ix) Outstanding Balance	-	-	-	528.35	-
(x) No. of SPV transaction for securitisation transaction	-	-	-	2	-

8.2 Details of Direct assignment transactions

Particular	December 31, 2020	December 31, 2019	March 31, 2020	March 31, 2019	March 31, 2018
(i) No. of accounts	-	-	-	1,26,182	-
(ii) Aggregate value of accounts sold to SC	-	-	-	1,237.32	-
(iii) Aggregate Consideration	-	-	-	1,113.59	-
(iv) Aggregate gain over net book value	-	-	-	65.11	-

8.3 Inter- Bank Participation with Risk Sharing:

The aggregate amount of participations issued by the Bank are reduced from Advances as per regulatory guidelines as on December 31, 2020 is ₹ 500.00 million, as on December 31, 2019 ₹ 1354.00 million, March 31, 2020 is ₹ 694.00 million, as on March 31, 2019 is ₹ 1030.00 million and as on 31 March 2018 is ₹ 950.00 million

9.1 Exposure to Real Estate Sector

Category	December 31, 2020	December 31, 2019	March 31, 2020	March 31, 2019	March 31, 2018
A) Direct exposure	2,678.07	1,808.92	2,032.83	1,069.55	455.92
(i) Residential mortgages	2,581.16	1,708.46	1,938.55	985.04	455.92
(of which housing loans eligible for inclusion in priority sector advances)	2,108.60	1,355.69	1,566.58	773.06	438.89
(ii) Commercial real estate	96.91	100.46	94.28	84.51	-
(ii) Investments in mortgage backed securities (MBS) and other securitised	-	-	-	-	-
a) Residential	-	-	-	-	-
b) Commercial real estate	-	-	-	-	-
B) Indirect exposure	55.88	91.18	82.35	-	-
Fund based and non-fund based exposures on National Housing Bank and housing finance Company (HFCs).	55.88	91.18	82.35	-	-
Total Exposure to Real Estate Sector	2,733.95	1,900.10	2,115.18	1,069.55	455.92

(All amounts are in Indian Rupees in million unless otherwise stated)

9.2 Capital Market Exposure

As at December 31, 2020, December 31, 2019, March 31, 2020, March 31, 2019 and March 31, 2018 the Bank does not have any Capital Market Exposure.

9.3 Risk Category wise Country Exposure

The Bank's exposures are concentrated in India, hence country risk exposure as at December 31, 2020, December 31, 2019, March 31, 2020, March 31, 2019 and March 31, 2019 is Nil.

9.4 Intra Group Exposure

The Bank does not have any group entities, hence intra group exposure as at December 31, 2020, December 31, 2019, March 31, 2020, March 31, 2019 and March 31, 2019 is Nil.

9.5 Unsecured Advances

Advances for which intangible collaterals such as rights, licenses, authority etc. are charged in favour of the Bank in respect of projects financed by the Bank, are reckoned as unsecured advances under annexure 13 of the Balance Sheet in line with extant RBI guidelines. There are no such advances given during the year and outstanding as at December 31, 2020; December 31, 2019; March 31, 2020; March 31, 2019 and as at March 31, 2018.

9.6 Details of Single Borrower Limit (SBL), Group Borrower Limit (GBL) exceeded by the Bank

During the period/ year ended December 31, 2020; December 31, 2019; March 31, 2020; March 31, 2019 and year ended March 31, 2018, the Bank's credit exposures to single borrowers and group borrowers were within the limits prescribed under extant RBI guidelines.

10. Concentration of Deposits, Advances, Exposure and NPA's

10.1 Concentration of deposits

Particulars	December 31, 2020	December 31, 2019	March 31, 2020	March 31, 2019	March 31, 2018
Total deposits of twenty largest depositors	9,977.14	9,872.09	11,045.51	7,119.74	4,434.05
Percentage of deposits of twenty largest depositors to total deposits of the Bank	29.84%	39.63%	38.77%	44.68%	59.16%

10.2 Concentration of advances

Particulars	December 31, 2020	December 31, 2019	March 31, 2020	March 31, 2019	March 31, 2018
Total advances to twenty largest borrowers	2,735.60	2,698.74	2,548.82	1,398.31	289.97
Percentage of advances of twenty largest borrowers to total advances of the Bank	7.10%	7.84%	7.03%	5.09%	1.81%

*Advances are computed as per the definition of Credit Exposure as prescribed in Master Circular on Exposure Norms DBR.No. Dir. BC.12/13.03.00/2015-16 dated July 1, 2015.

10.3 Concentration of exposure

Particulars	December 31, 2020	December 31, 2019	March 31, 2020	March 31, 2019	March 31, 2018
Total exposure to twenty largest borrowers / customers*	2,719.91	2,926.60	3,143.97	2,708.38	459.39
Percentage of exposure of twenty largest borrowers / customers to total exposure of the Bank on borrowers / customers	7.11%	8.47%	8.50%	9.22%	2.84%

* Exposures are computed as per the definition of Credit Exposure as prescribed in Master Circular on Exposure Norms DBR.No. Dir. BC.12/13.03.00/2015-16 dated July 1, 2015.

10.4 Concentration of NPAs

Particulars	December 31, 2020	December 31, 2019	March 31, 2020	March 31, 2019	March 31, 2018
Total gross exposure to top four NPA accounts	42.86	50.37	49.38	25.92	1.71

11. Sector-wise advances

Particulars	December 31, 2020		
	Outstanding total gross advances (I)	Gross NPAs (II)	Percentage of gross NPAs to Total advances in that sector (II/I)
A . Priority Sector *			
1. Agriculture and allied activities	2,913.24	0.33	0.01%
2. Advances to industries sector eligible as priority sector lending	49.07	5.07	10.33%
3. Services	7,479.40	97.75	1.31%
-Transport Operators	467.69	81.49	17.42%
4. Personal loans	1,010.47	7.11	0.70%
Sub total (A)	**11,452.18**	**110.26**	**0.96%**
B. Non Priority Sector			
1. Agriculture and allied activities	11,189.99	3.53	0.03%
2. Industry	249.83	3.38	1.35%
3. Services	12,872.02	168.21	1.31%
-Transport Operators	3,300.43	73.81	2.24%
4. Personal Loans	2,767.02	13.75	0.50%
Sub total (B)	**27,078.86**	**188.87**	0.70%
Total (A+B)	**38,531.04**	**299.13**	**0.78%**

Particulars	December 31, 2019		
	Outstanding total gross advances (I)	Gross NPAs (II)	Percentage of gross NPAs to Total advances in that sector (II/I)
A . Priority Sector *			
1. Agriculture and allied activities	1,823.98	45.11	2.47%
2. Advances to industries sector eligible as priority sector lending	108.13	11.13	10.29%
3. Services	4,364.56	198.38	4.55%
-Transport Operators	1,131.05	94.53	8.36%
4. Personal loans	1,355.69	65.07	4.80%
Sub total (A)	**7,652.36**	**319.69**	4.18%
B. Non Priority Sector			
1. Agriculture and allied activities	11,419.59	242.53	2.12%
2. Industry	44.94	4.20	9.35%
3. Services	13,945.25	374.93	2.69%
-Transport Operators	2,343.36	758.18	32.35%
4. Personal Loans	1,352.32	14.22	1.05%
Sub total (B)	**26,762.10**	**635.88**	**2.38%**
Total (A+B)	**34,414.46**	**955.57**	**2.78%**

Suryoday Small Finance Bank Limited
Annexure 22 - Notes forming part of the Restated Summary Statements
(All amounts are in Indian Rupees in million unless otherwise stated)

Particulars	March 31, 2020		
	Outstanding total gross advances (I)	**Gross NPAs (II)**	**Percentage of gross NPAs to Total advances in that sector (II/I)**
A . Priority Sector *			
1. Agriculture and allied activities	1,375.54	29.75	2.16%
2. Advances to industries sector eligible as priority sector lending	84.43	7.78	9.21%
3. Services	4,987.86	227.66	4.56%
-Transport Operators	1,059.55	97.89	9.24%
4. Personal loans	569.26	23.95	4.21%
Sub total (A)	**7,017.09**	**289.14**	**4.12%**
B. Non Priority Sector			
1. Agriculture and allied activities	12,729.39	273.55	2.15%
2. Industry	35.37	1.34	3.79%
3. Services	14,279.33	391.24	2.74%
-Transport Operators	2,642.32	76.49	2.89%
4. Personal Loans	2,202.74	57.23	2.60%
Sub total (B)	**29,246.83**	**723.36**	2.47%
Total (A+B)	**36,263.92**	**1,012.50**	**2.79%**

Suryoday Small Finance Bank Limited
Annexure 22 - Notes forming part of the Restated Summary Statements
(All amounts are in Indian Rupees in million unless otherwise stated)

Particulars	March 31, 2019		
	Outstanding total gross advances (I)	**Gross NPAs (II)**	**Percentage of gross NPAs to Total advances in that sector (II/I)**
A . Priority Sector *			
1. Agriculture and allied activities	1,326.93	6.44	0.49%
2. Advances to industries sector eligible as priority sector lending	22.99	1.99	8.66%
3. Services	1,646.09	42.74	2.60%
-Transport Operators	92.96	0.44	0.47%
4. Personal loans	792.96	46.91	5.92%
Sub total (A)	**3,788.97**	**98.08**	2.59%
B. Non Priority Sector			
1. Agriculture and allied activities	9,209.36	46.77	0.51%
2. Industry	179.59	13.99	7.79%
3. Services	13,767.00	331.10	2.41%
-Transport Operators	2,091.78	20.32	0.97%
4. Personal Loans	461.37	6.27	1.36%
Sub total (B)	**23,617.32**	**398.13**	**1.69%**
Total (A+B)	**27,406.29**	**496.21**	**1.81%**

	March 31, 2018		
Particulars	**Outstanding total gross advances (I)**	**Gross NPAs (II)**	**Percentage of gross NPAs to Total advances in that sector (II/I)**
A . Priority Sector *			
1. Agriculture and allied activities	1,034.72	12.62	1.22%
2. Advances to industries sector eligible as priority sector lending	5.28	0.16	3.07%
3. Services	685.17	29.90	4.36%
-Transport Operators	-	-	-
4. Personal loans	456.54	0.93	0.20%
Sub total (A)	**2,181.71**	**43.61**	2.00%
B. Non Priority Sector			
1. Agriculture and allied activities	5,060.83	83.20	1.64%
2. Industry	60.85	1.87	3.07%
3. Services	8,326.68	435.98	5.24%
-Transport Operators	-	-	-
4. Personal Loans	330.12	1.03	0.31%
Sub total (B)	**13,778.48**	**522.08**	**3.79%**
Total (A+B)	**15,960.19**	**565.69**	**3.54%**

*** PSLCs sold during the year has been classified as non-priority sector advances**

Suryoday Small Finance Bank Limited
Annexure 22 - Notes forming part of the Restated Summary Statements
(All amounts are in Indian Rupees in million unless otherwise stated)

12. Asset Liability Management (ALM)

Assets and liabilities are classified in the maturity buckets as per the guidelines issued by the RBI.

	Day - 1	2-7 Days	8-14 Days	15-30 Days	31 Days and upto 2 months	More than 2 months and upto 3 months	Over 3 Months and upto 6 months	Over 6 Months and upto 1 year	Over 1 Year and upto 3 years	Over 3 Years and upto 5 years	Over 5 years	Total
As at December 31, 2020												
Deposits	117.36	364.67	341.96	1,159.19	2,309.60	1,162.21	3,754.79	8,935.09	9,869.40	5,401.93	22.20	33,438.40
Advances	107.33	518.49	592.80	711.08	2,026.12	3,972.42	5,833.04	10,784.71	10,150.78	424.86	2,701.00	37,822.63
Investments	9,075.23	86.99	75.82	283.58	171.71	121.53	513.57	1,178.16	2,220.78	1,318.45	68.58	15,114.40
Borrowings	2,254.79	-	11.90	-	501.70	886.20	2,099.00	1,953.80	4,536.15	1,627.25	1,000.00	14,870.79
Foreign currency assets	-	-	-	-	-	-	-	-	-	-	-	-
Foreign currency liabilities	-	-	-	-	-	-	-	-	-	-	-	-

	Day - 1	2-7 Days	8-14 Days	15-30 Days	31 Days and upto 2 months	More than 2 months and upto 3 months	Over 3 Months and upto 6 months	Over 6 Months and upto 1 year	Over 1 Year and upto 3 years	Over 3 Years and upto 5 years	Over 5 years	Total
As at December 31, 2019												
Deposits	31.89	933.57	295.25	624.21	725.39	1,391.82	4,251.13	5,174.57	11,201.91	282.23	1.60	24,913.57
Advances	204.44	462.56	581.54	865.77	1,986.94	2,057.32	5,828.44	8,959.96	10,082.79	878.84	1,700.43	33,609.03
Investments	3,930.14	179.18	78.20	415.53	125.45	948.62	408.81	467.54	2,295.61	77.52	1.67	8,928.27
Borrowings	976.28	0.03	8.33	-	409.03	705.03	705.09	1,824.80	3,840.45	400.26	-	8,869.30
Foreign currency assets	-	-	-	-	-	-	-	-	-	-	-	0.00
Foreign currency liabilities	-	-	-	-	-	-	-	-	-	-	-	0.00

	Day - 1	2-7 Days	8-14 Days	15-30 Days	31 Days and upto 2 months	More than 2 months and upto 3 months	Over 3 Months and upto 6 months	Over 6 Months and upto 1 year	Over 1 Year and upto 3 years	Over 3 Years and upto 5 years	Over 5 years	Total
As at March 31, 2020												
Deposits	67.15	1,174.70	434.58	723.84	1,116.69	2,533.80	4,241.60	4,997.21	12,090.19	1,106.04	1.35	28,487.15
Advances	-	-	-	-	-	2,874.70	6,365.67	10,365.43	13,046.90	710.30	1,956.44	35,319.44
Investments	2,284.49	196.41	84.35	100.82	232.66	955.83	864.16	579.33	2,499.60	283.69	0.64	8,081.98
Borrowings	-	765.60	11.90	225.00	171.93	321.93	1,384.83	2,258.87	6,156.52	1,349.57	-	12,646.15
Foreign currency assets	-	-	-	-	-	-	-	-	-	-	-	-
Foreign currency liabilities	-	-	-	-	-	-	-	-	-	-	-	-

	Day - 1	2-7 Days	8-14 Days	15-30 Days	31 Days and upto 2 months	More than 2 months and upto 3 months	Over 3 Months and upto 6 months	Over 6 Months and upto 1 year	Over 1 Year and upto 3 years	Over 3 Years and upto 5 years	Over 5 years	Total
As at March 31, 2019												
Deposits	15.44	413.58	479.74	995.78	985.49	903.92	1,930.74	4,177.19	6,000.92	30.87	0.58	15,934.25
Advances	54.37	288.96	389.96	568.47	1,390.63	1,440.51	4,200.93	7,798.61	9,122.31	586.98	954.11	26,795.84
Investments	1,716.68	863.55	376.76	237.00	186.46	1,135.28	289.87	475.46	1,287.41	75.20	0.26	6,643.93
Borrowings	-	0.03	13.33	225.00	510.03	710.03	967.42	2,045.85	5,770.54	1,000.05	-	11,242.28
Foreign currency assets	-	-	-	-	-	-	-	-	-	-	-	0.00
Foreign currency liabilities	-	-	-	-	-	-	-	-	-	-	-	0.00

	Day - 1	2-7 Days	8-14 Days	15-30 Days	31 Days and upto 2 months	More than 2 months and upto 3 months	Over 3 Months and upto 6 months	Over 6 Months and upto 1 year	Over 1 Year and upto 3 years	Over 3 Years and upto 5 years	Over 5 years	Total
As at March 31, 2018												
Deposits	7.85	153.51	50.18	13.42	339.69	391.49	867.08	2,309.03	3,355.90	6.80	0.27	7,495.22
Advances	36.96	175.81	262.94	358.37	898.79	940.16	2,646.20	4,515.56	5,125.13	458.77	268.09	15,686.78
Investments	336.94	205.62	77.05	35.53	140.57	259.52	264.07	210.79	1,434.17	149.09	0.08	3,113.43
Borrowings	-	200.00	136.69	24.09	403.36	1,044.17	1,750.86	1,514.90	1,683.86	420.39	-	7,178.32
Foreign currency assets	-	-	-	-	-	-	-	-	-	-	-	-
Foreign currency liabilities	-	-	-	-	-	-	-	-	-	-	-	-

Classification of assets and liabilities under the different maturity buckets is based on the same estimates and assumptions as used by the Bank for compiling the return submitted to the RBI.

(All amounts are in Indian Rupees in million unless otherwise stated)

13. Contingent liabilities

Contingent liabilities *	December 31, 2020	December 31, 2019	March 31, 2020	March 31, 2019	March 31, 2018
The Bank is contingently liable to financial institutions with respect to securitisation of loans and advances to the extent of cash collateral and credit enhancements	-	69.32	-	165.96	-
Service tax liability	5.97	5.69	5.76	5.47	5.19
Income tax liability	32.68	27.44	29.70	26.69	25.88
Undrawn commitments	2.99	4.81	3.66	80.49	46.85
Others	7.11	6.78	7.11	6.78	-

Description of contingent liabilities

a) **Claims against the Bank not acknowledged as debts - taxation**
The Bank is a party to various taxation matters in respect of which appeals are pending. The Bank expects the outcome of the appeals to be favourable based on decisions on similar issues in the previous years by the appellate authorities, based on the facts of the case and taxation laws.

b) **Claims against the Bank not acknowledged as debts - others**
The Bank is a party to various legal proceedings in the normal course of business. The Bank does not expect the outcome of these proceedings to have a material adverse effect on the Bank's financial conditions, results of operations or cash flows.

c) **Other items for which the Bank is contingently liable**
Primarily includes Provident fund liability

*Also refer Annexure 16 - Contingent liabilities

14. Provision on Standard Assets

Particulars	December 31, 2020	December 31, 2019	March 31, 2020	March 31, 2019	March 31, 2018
Provision towards standard assets	139.96	98.49	115.86	73.75	39.70

15. Break up of 'Provisions and Contingencies' shown under the head 'Expenditure' in Profit and Loss Account

The following table sets forth, for the periods indicated, the break-up of provisions and contingencies included in Profit and Loss Account:

Particulars	December 31, 2020	December 31, 2019	March 31, 2020	March 31, 2019	March 31, 2018
Provision for depreciation on Investment	0.15	15.36	-	-	(1.12)
Provision towards NPA (Net off write off)	384.98	461.85	603.88	412.08	500.26
Provision towards Income tax	321.79	510.20	620.08	623.35	107.23
Deferred Tax Benefit	(169.88)	6.65	(188.30)	(100.09)	(43.79)
Provision for Standard Assets	24.10	24.74	42.11	34.05	19.88
Other provision and contingencies *	755.86	73.45	872.62	292.16	27.59
Total	**1,317.00**	**1,092.25**	**1,950.39**	**1,261.55**	**610.05**

* Since the quarter 4 of FY2020, the COVID-19 pandemic has impacted most countries, including India. The Government of India initiated a nation-wide lock-down from March 25, 2020 which was further extended until May 31, 2020. A gradual and calibrated easing of lock-down measures has started from June 2020. Since the easing of lockdown measures, there has been a gradual pickup in economic activity and growth in high frequency economic indicators is improving. During nine month period ended December 31, 2020, the loan growth was impacted due to lower credit demand and fee income declined due to lower borrowing and investment activity by customers. The slowdown in the economy is expected to result in higher additions to non-performing loans and increase in provisions.

In the current financial year , the Bank made an additional COVID provision related provision of ₹ 747.20 million and held a total of ₹ 1407.10 million as at December 2020. This additional provision made by the Bank is more than the requirement as per RBI guidelines dated April 17, 2020.

In order to mitigate the burden of debt servicing brought about by disruptions on account of COVID-19 pandemic and to ensure the continuity of viable businesses, RBI through its circulars dated March 27, 2020 and April 17, 2020, permitted banks to grant a moratorium, on the payment of installments and / or interest, falling due between March 1, 2020 and May 31, 2020, to their borrowers classified as standard even if overdue, as on February 29, 2020. This period was extended by RBI till August 31, 2020 through its circular dated May 23, 2020. The Bank accordingly extended the moratorium option to its borrowers in accordance with its Board approved policies. For all such accounts where the moratorium is granted, the asset classification shall remain stand still during the moratorium period (i.e. the number of days past- due shall exclude the moratorium period for the purposes of determining whether an asset is non-performing).

The following table sets forth the break-up of benefits extended as per above circular "COVID-19 Regulatory Package - Asset Classification and Provisioning dated April 17, 2020" to overdue accounts (excluding. NPA) as at February 29, 2020:

Particulars	December 31, 2020	March 31, 2020
(i) Respective amounts in SMA/overdue categories for borrowers as at March 31, 2020, where the moratorium/ deferment was extended in terms of paragraph 2 and 3 of the circular[1]	1,065.91	1,086.86
(ii) of the above, Respective amount where asset classification benefits is extended[1]	1,065.91	139.62
(iii) Provisions made during the period/ year	-	108.69
(iv) Provisions adjusted during the respective accounting periods against slippages and the residual provisions	-	-
(v) Residual provisions held at period end[2]	108.69	108.69

1. Outstanding balance as at December 31 2020.
2. Total COVID-19 related provision held at December 31, 2020 ₹ 1407.10 million (March 31, 2020:₹ 659.91 million). The provision made by the Bank was more than the requirement under RBI guidelines.

Suryoday Small Finance Bank Limited
Annexure 22 - Notes forming part of the Restated Summary Statements
(All amounts are in Indian Rupees in million unless otherwise stated)

16. Business ratio

Particulars	December 31, 2020	December 31, 2019	March 31, 2020	March 31, 2019	March 31, 2018
Interest income as a percentage to working funds[1 2]	10.63%	13.09%	17.23%	18.38%	16.51%
Non-interest income as a percentage to working funds[1 2]	1.11%	1.47%	1.97%	2.32%	2.19%
Operating profit[3] as a percentage to working funds[1 2]	3.18%	5.48%	6.88%	7.51%	4.17%
Return on assets[1] (average)	0.93%	2.94%	2.50%	3.13%	0.66%
Business[4] (deposit plus net advances) per employee[5] (₹ in million)	13.87	11.11	12.33	10.76	7.67
Profit per employee[5] (₹ in million)	0.12	0.31	0.27	0.27	0.05
Provision coverage ratio[6]	89.58%	84.22%	84.71%	75.80%	48.33%

1.Working funds represent the monthly average of total assets computed for reporting dates of Form X submitted to RBI under Section 27 of the Banking Regulation Act, 1949.
2. Working funds is the monthly average of total assets during the previous year.
3. Operating profit is net profit for the year before provisions and contingencies.
4. "Business" is the total of net advances and deposits (net of inter-bank deposits).
5. Productivity ratios are based on average monthly employee numbers.
6. Provision coverage ratio include Technical write offs.

17. Employee benefits

Employment benefits - Gratuity

The Bank has non-contributory defined benefit arrangement providing gratuity benefits expressed in terms of final monthly salary and years of service. Every employee who has completed five years or more of service gets a gratuity on cessation of employment at 15 days salary (last drawn basic salary) for each completed year of service, subject to a maximum of ₹ 20 lakhs . The scheme is funded with LIC of India and HDFC Standard Life Insurance Company Ltd. The following tables summarise the components of net benefit expense recognised in the Profit and Loss Account and the funded status and amounts recognised in the Balance Sheet.

Expenses recognised in the Profit and Loss Account	December 31, 2020	December 31, 2019	March 31, 2020	March 31, 2019	March 31, 2018
Current service cost	14.59	11.34	16.57	11.08	7.92
Interest cost on benefit obligation	2.40	1.91	2.55	1.84	1.35
Past Service Cost	-	-	-	-	0.47
Expected return on plan assets*	(0.09)	(0.29)	(0.36)	(0.51)	(0.66)
Net actuarial (gain)/ loss recognized in the period	0.46	4.27	4.57	1.28	(1.45)
Employer Expenses	**17.36**	**17.23**	**23.33**	**13.69**	**7.63**

** Represents expected returns determined by the actuary*

Net Liability/ (Asset) recognised in the Balance Sheet	December 31, 2020	December 31, 2019	March 31, 2020	March 31, 2019	March 31, 2018
Present value of Defined Benefit Obligation	72.98	53.22	58.22	38.10	26.26
Fair value of plan assets	1.06	4.76	3.66	6.87	8.72
Net liability recognized in balance sheet	71.92	48.46	54.56	31.23	17.54
Less: Unrecognised Past Service Cost	-	-	-	-	-
Liability recognized in balance sheet	**71.92**	**48.46**	**54.56**	**31.23**	**17.54**

Reconciliation of Defined Benefit Obligation (DBO)	December 31, 2020	December 31, 2019	March 31, 2020	March 31, 2019	March 31, 2018
Present Value of DBO at start of year	**58.22**	**38.10**	**38.11**	**26.27**	**20.69**
Interest cost	2.40	1.91	2.55	1.84	1.35
Current service cost	14.59	11.34	16.57	11.08	7.92
Past Service Cost	-	-	-	-	0.47
Benefits paid	(2.72)	(2.59)	(3.78)	(2.41)	(2.66)
Actuarial (gain)/ loss	0.49	4.46	4.77	1.33	(1.50)
Present Value of DBO at end of period/ year	**72.98**	**53.22**	**58.22**	**38.11**	**26.27**

Reconciliation of Fair Value of Plan Assets	December 31, 2020	December 31, 2019	March 31, 2020	March 31, 2019	March 31, 2018
Fair Value of Plan Assets at start of year	3.67	6.88	6.88	8.73	10.78
Expected return on plan assets	0.09	0.29	0.36	0.51	0.66
Contributions by the employer	-	-	-	-	-
Benefits paid	(2.72)	(2.59)	(3.78)	(2.41)	(2.66)
Actuarial (loss)/ gain	0.03	0.19	0.21	0.05	(0.05)
Fair value of plan assets at end of period/ year	**1.07**	**4.77**	**3.67**	**6.88**	**8.73**
Estimated employer contributions for the next year	1.00	1.00	0.56	5.00	5.00
Actual return on plan assets	0.13	0.48	0.00	0.56	0.61

The principal assumptions used in determining gratuity obligations for the Bank's plan are shown below:	December 31, 2020	December 31, 2019	March 31, 2020	March 31, 2019	March 31, 2018
Discount rate	4.50%	6.10%	5.50%	6.70%	7.00%
Expected rate of return on assets	5.50%	6.70%	6.70%	7.00%	6.50%
Employee turnover	25.00%	25.00%	25.00%	25.00%	25.00%
Salary growth rate	7.50%	7.50%	7.50%	7.50%	7.50%
Mortality Rate	IALM 2012-14 (Ult.)	IALM 2012-14 (Ult.)	IALM 2012-14 (Ult.)	IALM 2012-14 (Ult.)	IALM 2006-08ULT.
Expected average remaining working lives of employees	3 Years	3 Years	3 Years	3 Years	3 Years

Percentage break-down of total plan assets

Particulars	December 31, 2020	December 31, 2019	March 31, 2020	March 31, 2019	March 31, 2018
Insurer Managed Funds (non unit-linked)	31.00%	86.00%	81.00%	61.00%	55.50%
Insurer Managed Funds (unit-linked)	69.00%	14.00%	19.00%	39.00%	44.50%
Total	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

(All amounts are in Indian Rupees in million unless otherwise stated)

Planned Asset Break up for Unit Linked Fund

Debentures and Bonds	65.35%	76.52%	52.83%	65.27%	59.85%
Government Securities	32.58%	20.01%	41.88%	32.74%	33.30%
Deposits, Money market instruments and net current assets	2.07%	3.47%	5.29%	1.99%	6.85%
Total	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

Planned Asset Break up for Non Linked Fund

Government Securities	98.22%	93.19%	18.66%	21.98%	25.53%
Corporate Bonds	0.78%	4.61%	79.94%	66.80%	67.86%
Cash and Deposit	1.00%	2.20%	1.40%	11.22%	6.61%
Total	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

Experience Adjustments

Experience Adjustments	**December 31, 2020**	**December 31, 2019**	**March 31, 2020**	**March 31, 2019**	**March 31, 2018**	**March 31, 2017**	**March 31, 2016**
Present Value of DBO	72.98	53.22	58.22	38.10	26.26	20.69	14.03
Fair Valuation of Plan Assets	1.06	4.76	3.66	6.87	8.72	10.78	11.14
Funded Status [Surplus/(Deficit)]	**(71.92)**	**(48.46)**	**(54.56)**	**(31.23)**	**(17.54)**	**(9.91)**	**(2.89)**
Experience adjustment on plan liabilities : (Gain) / Loss	-2.79	-3.06	2.00	0.40	(1.60)	(0.19)	0.05
Experience adjustment on plan Assets : Gain / (Loss)	0.02	0.17	0.20	0.09	0.13	0.09	(0.29)

All the assets consist of unit-linked and traditional insurer managed debt instruments, the expected rate of return on assets is drawn from the Indian Government bond yields at the start of the year.

Employment benefits - Leave Availment

The actuarial liability in respect of privilege leave granted to employees of the Bank is as follows:

Particulars	**December 31, 2020**	**December 31, 2019**	**March 31, 2020**	**March 31, 2019**	**March 31, 2018**
Leave Availment balance	9.96	7.31	8.57	6.19	3.63
Assumption:					
Discount rate	4.50%	6.10%	5.50%	6.70%	7.00%
Salary escalation rate	7.50%	7.50%	7.50%	7.50%	7.50%

The estimates of future salary growth considered in the actuarial valuation take into account inflation, seniority, promotion and other relevant factors such as demand and supply in the employment market.
All the assets consist of unit-linked and traditional insurer managed debt instruments, the expected rate of return on assets is drawn from the Indian Government bond yields.

Employee benefits - Provident Fund

The contribution to Employees Provident Fund included under “Payments to and Provisions for Employees” in annexure 20 amounted to ₹ 71.23 million, ₹ 61.90 million, ₹ 86.22 million, ₹ 60.82 million, ₹ 44.22 million for the period/ year ended December 31, 2020; December 31, 2019; March 31, 2020; March 31, 2019; and March 31, 2018 respectively.

18. Disclosure on Remuneration

A) Qualitative Disclosures

(a) Information relating to the bodies that oversee remuneration.

Name, composition and mandate of the main body overseeing remuneration

The Nomination and Remuneration Committee (NRC) of the Board is the main body overseeing remuneration. As on December 31, 2020, the NRC had five members of which three are Independent Directors. The functions of the Committee include formulating criteria to determine independence of directors, identifying persons for appointment as directors on the Board of the Bank, devising a policy on board diversity, formulating criteria for evaluation of performance of the Board, its Committees and individual directors, recommending remuneration of senior management personnel, administering, monitoring and formulating detailed terms and conditions of the Employees' Stock Option Scheme of the Bank, recommending to the Board policy on succession planning for the Board and senior management and overseeing and reviewing the succession plans from time to time.

External consultants whose advice has been sought, the body by which they were commissioned, and in what areas of the remuneration process

Not Applicable

Scope of the Bank's remuneration policy (e.g. by regions, business lines), including the extent to which it is applicable to foreign subsidiaries and branches

(a) The Policy on appointment and remuneration of Directors, Key Managerial personnel and senior management employees was approved by the Board on January 23, 2017 and reviewed periodically. It was modified in October 2020 to exclude the remuneration aspects in view of new Compensation Policy being formulated and approved by the Board.

(b) The Bank's new Compensation Policy (formulated in accordance with RBI Guidelines on Compensation of Whole Time Directors, Chief Executive Officers, Material Risk Takers and Risk Control & Compliance Staff), was approved by the Board in October 2020. The Compensation Policy is under implementation for FY 2020-21.

(c) The Employee Policies Manual of the Bank approved by the Board on January 23, 2017 and reviewed periodically covers the compensation policy for all other employees of the Bank.

Type of employees covered and number of such employees by the Compensation Policy and the Employee Policies Manual.

All permanent employees of the Bank are covered. The total number of permanent employees of the Bank at December 31, 2020 was 4,770.

(b) Information relating to the design and structure of remuneration processes.

Key features and objectives of Compensation policy: The Bank, under the guidance of the NRC and the Board, follows remuneration practices that are intended to drive meritocracy and performance based on a prudent risk management framework and in line with the RBI guidelines.

Effective governance of compensation: The NRC has oversight over compensation to senior management personnel and also provides overall guidance to the compensation paid to other employees.

Alignment of compensation philosophy with prudent risk taking: While the Bank seeks to achieve a mix of fixed and variable (cash and non-cash) remuneration for employees covered under the new Compensation Policy, for all other employees, it has predominantly a fixed remuneration structure with no guaranteed bonuses. Also, the remuneration of employees in financial and risk control functions is not linked to business outcomes and solely depends on their performance. Further, the Bank has an Employee Stock Option Scheme for eligible employees aimed at aligning compensation to long term performance through stock options that vest over a period of time.

Whether the remuneration committee reviewed the firm's remuneration policy during the past year, and if so, an overview of any changes that were made: Yes; the new Compensation Policy was approved during the period and the earlier Policy on appointment and remuneration of Directors, Key Managerial personnel and senior management employees was modified accordingly.

Discussion of how the Bank ensures that risk and compliance employees are remunerated independently of the businesses they oversee: The remuneration of employees in control functions such as Risk and Compliance depends solely on their performance and is not linked to any business outcomes.

(c) Description of the ways in which current and future risks are taken into account in the remuneration processes.

Overview of the key risks that the Bank takes into account when implementing remuneration measures: The Board approves the overall risk management policy including risk framework, limits, etc. The Bank conducts all its business activities within this framework. The NRC while assessing the performance of the Bank and senior management, shall consider adherence to the policies and accordingly make its recommendations to the Board.

Overview of the nature and type of key measures used to take account of these risks, including risk difficult to measure: The evaluation process shall incorporate both qualitative and quantitative aspects including asset quality, provisioning, increase in stable funding sources, refinement/improvement of the risk management framework, effective management of stakeholder relationships and mentoring key members of the top and senior management.

Discussion of the ways in which these measures affect remuneration: In order to ensure alignment of remuneration with prudent practices, the NRC takes into account adherence to the risk framework in addition to business performance.

Discussion of how the nature and type of these measures have changed over the past year and reasons for the changes, as well as the impact of changes on remuneration: With the introduction of the new Compensation Policy, the compensation structure of employees covered therein has undergone a change

(d) Description of the ways in which the Bank seeks to link performance during a performance measurement period with levels of remuneration

Overview of main performance metrics for the Bank, top level business lines and individuals: The main performance metrics include profitability, business growth, asset quality, compliance, and customer service.

Discussion of how amounts of individual remuneration are linked to the Bank-wide and individual performance: The assessment of employees shall be based on their performance with respect to their result areas and shall include the metrics mentioned above.

Discussion of the measures the Bank will in general implement to adjust remuneration in the event that performance metrics are weak, including the Bank's criteria for determining 'weak' performance metrics: In case such an event should occur, the Board/NRC shall review and provide overall guidance on the corrective measures to be taken.

(e) Description of the ways in which the Bank seeks to adjust remuneration to take account of the longer term performance

Discussion of the Bank's policy on deferral and vesting of variable remuneration and, if the fraction of variable remuneration that is deferred differs across employees or groups of employees, a description of the factors that determine the fraction and their relative importance: Under the new Compensation Policy, the cash variable component will be deferred equally over 5 years and the non-cash variable component (employee stock options) will be deferred over the vesting period as per the extant ESOP Scheme.

In case of other employees, where cash variable is not applicable and in case of employees being granted ESOPs, they will be deferred over the vesting period as

Discussion of the Bank's policy and criteria for adjusting deferred remuneration before vesting and (if permitted by national law) after vesting through claw back arrangements: In the case of employees covered under the Compensation Policy, all deferred variable compensation would be subjected to malus/clawback arrangements as provided in the RBI guidelines and this would be administered by the NRC.

(f) Description of the different forms of variable remuneration that the Bank utilises and the rationale for using these different forms :

Overview of the forms of variable remuneration offered. A discussion of the use of different forms of variable remuneration and, if the mix of different forms of variable remuneration differs across employees or group of employees, a description of the factors that determine the mix and their relative importance: As per the new Compensation Policy, only the employees falling under the categories of Material Risk Takers (MRTs), Risk Control & Compliance Staff (RCS) and Enabling & Supporting Functions Staff (ESS) are eligible for variable remuneration which could be in cash or non- cash forms. The Policy also determines the category-wise mix of the variable compensation payable.

Suryoday Small Finance Bank Limited
Annexure 22 - Notes forming part of the Restated Summary Statements
(All amounts are in Indian Rupees in million unless otherwise stated)

18. Disclosure on Remuneration

B) Quantitative Disclosure

The following table sets forth, for the period indicated, the details of quantitative disclosure for remuneration of Managing Director & Chief Executive Officers.

Sr. No	Subject	December 31, 2020	December 31, 2019	March 31, 2020	March 31, 2019	March 31, 2018
(a)	Number of meetings held by the NRC during the financial year and remuneration paid to its members	Number of meetings : 6 Remuneration paid : ₹ 0.42 million	Number of meetings : 4 Remuneration paid : ₹ 0.26 million	Number of meetings : 6 Remuneration paid : ₹ 0.38 million	Number of meetings : 4 Remuneration paid : ₹ 0.18 million	Number of meetings : 2 Remuneration paid : ₹ 0.12 million
(b)	Remunration paid to its members					
(b) (i)	Number of employees having received a variable remuneration award during the financial year.	1 employee	1 employee	1 employee	1 employee	None
(b) (ii)	Number and total amount of sign on awards made during the financial year	None	None	None	None	None
(b) (iii)	Details of guaranteed bonus, if any, paid as joining /sign on bonus	None	None	None	None	None
(b) (iv)	Details of severance pay, in addition to accrued benefits, if any	None	None	None	None	None
(c) (i)	Total amount of outstanding deferred remuneration, split into cash, shares and share linked instruments and other forms	None	None	None	None	None
(c) (ii)	Total amount of deferred remuneration paid out in the financial year	None	None	None	None	None
(d)	Breakdown of amount of remuneration awards for the period to show fixed and variable, deferred and non deferred:					
(d) (i)	Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non deferred.	Fixed Pay* : ₹ 9.75 million Variable pay : ₹ 0.00 million (Board has approved Rs. 3.2 million subject to RBI approval which is awaited)	Fixed Pay* : ₹ 9.75 million Variable pay : ₹ 2.50 million	Fixed Pay* : ₹ 13.62 million Variable pay : ₹ 2.50 million	Fixed Pay* : ₹ 10.50 million Variable pay : ₹ 1.71 million	Fixed Pay* : ₹ 9.0 million Variable pay : ₹ 0.00 million
(e) (i)	Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and / or implicit adjustments.	None	None	None	None	None
(e) (ii)	Total amount of reductions during the financial year due to ex post explicit adjustments.	None	None	None	None	None
(e) (iii)	Total amount of reductions during the financial year due to ex post implicit adjustments	None	None	None	None	None

* Fixed pay includes basic salary, contribution to provident fund and reimbursements

(All amounts are in Indian Rupees in million unless otherwise stated)

19. Segment Reporting

Business segments have been identified and reported taking into account, the customer profile, the nature of products and services, the differing risks and returns, the organisation structure and the guidelines prescribed by RBI. The Bank operates in the following segments:

a) Treasury

Treasury performs liquidity management activities for various business segments. Transfer pricing is based on internally approved yield curve or at an agreed transfer rate on the funding provided by treasury to another business segment.

b) Retail banking

The retail banking segment serves retail customers through a branch network. Exposures are classified under retail banking taking into account the status of the borrower (orientation criterion), the nature of product, granularity of the exposure and the quantum thereof.

Revenues of the retail banking segment are primarily derived from interest and fees earned on retail loans, interest on deposits placed as collateral with banks and financial institutions. Expenses of this segment primarily comprise interest expense on borrowings, deposits, infrastructure and premises expenses for operating the branch network, personnel costs and other direct overheads.

c) Wholesale banking

Wholesale banking includes all advances to companies and statutory bodies, which are not included under Retail banking. Revenues of the wholesale banking segment consist of interest and fees on loans made to customers.

d) Other Banking Operation

Other Banking includes other items not attributable to any particular business segment. This segment includes income from para banking activities such as distribution of third party product and the associated costs.

e) Unallocated

All items which are reckoned at an enterprise level are classified under this segment. This includes other unallocable assets and liabilities such as deferred tax etc.

Geographical segments

The business operations of the Bank are concentrated in India hence the Bank is considered to operate only in domestic segment.

Segment reporting for the period ended December 31, 2020 is given below:

Particulars	Treasury	Retail banking	Corporate	Other banking operations	Total
Segment Revenue	1,166.35	6,401.79	249.07	26.36	7,843.57
Segment Result	171.20	531.25	18.28	-	720.73
Unallocated expenses					(20.16)
Operating Profit					700.57
Income taxes					(151.91)
Extraordinary profit/loss					-
Net Profit					548.66
Other information:					
Segment assets	23,254.11	35,811.40	3,807.74	34.17	62,907.42
Unallocated assets					596.67
Total assets					63,504.09
Segment Liabilities	13,902.61	37,059.27	446.89	67.95	51,476.72
Unallocated liabilities					117.75
Total liabilities					51,594.47
Capital employed					11,909.62
Capital expenditure					90.67
Depreciation					98.56

Annexure 22 - Notes forming part of the Restated Summary Statements
(All amounts are in Indian Rupees in million unless otherwise stated)

Segment reporting for the period ended December 31, 2019 is given below:

Particulars	**Treasury**	**Retail banking**	**Corporate**	**Other banking operations**	**Total**
Segment Revenue	526.78	5,964.61	193.69	41.38	6,726.46
Segment Result	43.52	1,725.52	32.67	-	1,801.71
Unallocated expenses					(18.08)
Operating Profit					1,783.63
Income taxes					(516.85)
Extraordinary profit/loss					-
Net Profit					1,266.78
Other information:					
Segment assets	10,335.85	32,256.70	2,950.87	82.06	45,625.48
Unallocated assets					266.09
Total assets					45,891.57
Segment Liabilities	9,665.32	25,022.05	389.22	56.98	35,133.57
Unallocated liabilities					4.87
Total liabilities					35,138.44
Capital employed					10,753.13
Capital expenditure					24.98
Depreciation					50.00

Segment reporting for the year ended March 31, 2020 is given below:

Particulars	**Treasury**	**Retail banking**	**Corporate**	**Other banking operations**	**Total**
Segment Revenue	701.31	8,139.09	282.01	57.29	9,179.70
Segment Result *	73.29	1,540.07	(44.88)	-	1,568.48
Unallocated expenses					(24.72)
Operating Profit					1,543.76
Income taxes					(431.78)
Extraordinary profit/loss					-
Net Profit					1,111.98
Other information:					
Segment assets	16,350.52	33,454.63	3,261.15	48.46	53,114.76
Unallocated assets					530.46
Total assets					53,645.22
Segment Liabilities	13,471.98	28,975.32	519.82	10.47	42,977.59
Unallocated liabilities					5.32
Total liabilities					42,982.91
Capital employed					10,662.31
Capital expenditure					227.20
Depreciation					97.84

* Includes additional provision of ₹ 659.91 million for potential impact of COVID-19 (annexure 22 (15)) - Retail banking ₹ 574.34 million and Corporate banking ₹ 85.56 million. Without COVID-19 additional provision segment result for Retail banking and Corporate would have been ₹ 2,110.38 million and ₹ 40.69 million respectively.

Segment reporting for the year ended March 31, 2019 is given below:

Particulars	**Treasury**	**Retail banking**	**Corporate**	**Other banking operations**	**Total**
Segment Revenue	444.15	5,907.75	81.53	63.76	6,497.19
Segment Result	46.24	1,376.04	23.10	-	1,445.38
Unallocated expenses					(18.14)
Operating Profit					1,427.24
Income taxes					(523.26)
Extraordinary profit/loss					-
Net Profit					903.98
Other information:					
Segment assets	9,183.46	26,841.43	1,198.23	109.84	37,332.96
Unallocated assets					279.07
Total assets					37,612.03
Segment Liabilities	12,398.90	16,230.26	116.50	58.60	28,804.26
Unallocated liabilities					4.10
Total liabilities					28,808.36
Capital employed					8,803.67
Capital expenditure					104.75
Depreciation					55.94

Segment reporting for the year ended March 31, 2018 is given below:

Particulars	**Treasury**	**Retail banking**	**Corporate**	**Other banking operations**	**Total**
Segment Revenue	263.31	3,202.44	1.26	22.52	3,489.53
Segment Result	5.94	163.39	(1.57)	19.44	187.20
Unallocated expenses					(8.85)
Operating Profit					178.35
Income taxes					(63.43)
Extraordinary profit/loss					-
Net Profit					114.92
Other information:					
Segment assets	4,648.46	16,565.67	188.30	11.87	21,414.30
Unallocated assets					145.34
Total assets					21,559.64
Segment Liabilities	199.84	15,873.11	95.07	3.04	16,171.06
Unallocated liabilities					3.73
Total liabilities					16,174.79
Capital employed					5,384.85
Capital expenditure					116.37
Depreciation					46.64

Suryoday Small Finance Bank Limited
Annexure 22 - Notes forming part of the Restated Summary Statements
(All amounts are in Indian Rupees in million unless otherwise stated)

20. Liquidity Coverage Ratio

Quantitative information on Liquidity Coverage Ratio (LCR) is given below:

Particulars	Quarter ended June 30, 2020		Quarter ended September 30, 2020		Quarter ended December 31, 2020	
	Total unweighted value (average)*	Total weighted value (average)*	Total unweighted value (average)*	Total weighted value (average)*	Total unweighted value (average)	Total weighted value (average)
1 Total High Quality Liquid Assets (HQLA)		13,613.95		19,444.23		20,907.26
Cash Outflows						
2 Retail deposits and deposits from small business customers, of which:	10,523.93	1,052.39	12,795.59	1,279.56	14,893.39	1,489.34
(i) Stable deposits	-	-	-	-	-	-
(ii) Less stable deposits	10,523.93	1,052.39	12,795.59	1,279.56	14,893.39	1,489.34
3 Unsecured wholesale funding, of which:	7,797.85	6,407.27	8,432.13	6,833.26	8,633.10	6,964.69
(i) Operational deposits (all counterparties)	-	-	-	-	-	-
(ii) Non-operational deposits (all counterparties)	1,645.40	254.82	1,919.93	321.06	2,005.52	337.11
(iii) Unsecured debt	6,152.45	6,152.45	6,512.20	6,512.20	6,627.58	6,627.58
4 Secured wholesale funding		565.80		527.16		491.14
5 Additional requirements, of which	-	-	-	-	-	-
(i) Outflows related to derivative exposures and other collateral requirement	-	-	-	-	-	-
(ii) Outflows related to loss of funding on debt products	-	-	-	-	-	-
(iii) Credit and liquidity facilities	-	-	-	-	-	-
6 Other contractual funding obligation	2,312.94	1,681.86	2,288.58	1,755.14	2,966.00	1,516.69
7 Other contingent funding obligations	-	-	-	-	-	-
8 Total cash outflows		9,707.32		10,395.12		10,461.86
Cash Inflows						
9 Secured lending (e.g. reverse repo)	5,920.75	-	6,854.80	-	7,609.88	-
10 Inflows from fully performing exposures	1,802.43	1,588.70	3,105.14	2,077.14	3,336.32	2,031.73
11 Other cash inflows	804.38	402.19	887.72	443.86	1,099.65	549.83
12 Total cash inflows	8,527.56	1,990.89	10,847.66	2,521.00	12,045.85	2,581.56
21 Total HQLA		13,613.95		19,444.23		20,907.26
22 Total Net Cash Outflows		7,716.43		7,874.12		7,880.30
23 Liquidity Coverage Ratio (%)		176.43		246.94		265.31

Suryoday Small Finance Bank Limited
Annexure 22 - Notes forming part of the Restated Summary Statements
(All amounts are in Indian Rupees in million unless otherwise stated)

Quantitative information on Liquidity Coverage Ratio (LCR) is given below:

Particulars	Quarter ended June 30, 2019		Quarter ended September 30, 2019		Quarter ended December 31, 2019		Quarter ended March 31, 2020	
	Total unweighted value (average)*	Total weighted value (average)*	Total unweighted value (average)*	Total weighted value (average)*	Total unweighted value (average)	Total weighted value (average)	Total unweighted value (average)	Total weighted value (average)
1 Total High Quality Liquid Assets (HQLA)		4,425.34		6,165.49		6,616.42		7,484.78
Cash Outflows								
2 Retail deposits and deposits from small business customers, of which:	5,360.06	536.01	6,853.71	685.37	7,980.02	798.00	9,466.62	946.66
(i) Stable deposits	-	-	-	-	-	-	-	-
(ii) Less stable deposits	5,360.06	536.01	6,853.71	685.37	7,980.02	798.00	9,466.62	946.66
3 Unsecured wholesale funding, of which:	3,709.61	3,107.31	4,213.90	3,570.90	5,738.62	4,798.44	6,490.67	5,129.32
(i) Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
(ii) Non-operational deposits (all counterparties)	735.50	133.19	743.76	100.78	1,144.46	204.29	1,661.66	300.31
(iii) Unsecured debt	2,974.11	2,974.12	3,470.14	3,470.12	4,594.16	4,594.15	4,829.01	4,829.01
4 Secured wholesale funding		800.23		838.03		734.31		672.97
5 Additional requirements, of which	200.00	200.00	200.00	200.00	-	-	-	-
(i) Outflows related to derivative exposures and other collateral requirement	200.00	200.00	200.00	200.00	-	-	-	-
(ii) Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
(iii) Credit and liquidity facilities	-	-	-	-	-	-	-	-
6 Other contractual funding obligation	1,174.54	1,120.68	1,471.77	1,380.44	1,513.06	1,242.36	1,991.51	1,508.81
7 Other contingent funding obligations	-	-	-	-	-	-	-	-
8 Total cash outflows		5,764.23		6,674.74		7,573.11		8,257.76
Cash Inflows								
9 Secured lending (e.g. reverse repo)	95.41	-	350.12	0.00	536.28	-	977.45	0.00
10 Inflows from fully performing exposures	4,108.48	2,971.49	4,251.36	3,057.89	4,120.60	2,877.65	4,358.27	3,037.12
11 Other cash inflows	723.03	361.52	714.87	357.44	700.03	350.02	688.76	344.38
12 Total cash inflows	4,926.92	3,333.01	5,316.35	3,415.33	5,356.91	3,227.67	6,024.48	3,381.50
21 Total HQLA		4,425.34		6,165.49		6,616.42		7,484.78
22 Total Net Cash Outflows		2,431.22		3,259.41		4,345.44		4,876.26
23 Liquidity Coverage Ratio (%)		182.02		189.16		152.26		153.49

Suryoday Small Finance Bank Limited
Annexure 22 - Notes forming part of the Restated Summary Statements
(All amounts are in Indian Rupees in million unless otherwise stated)

Quantitative information on Liquidity Coverage Ratio (LCR) is given below:

Particulars	Quarter ended June 30, 2018		Quarter ended September 30, 2018		Quarter ended December 31, 2018		Quarter ended March 31, 2019	
	Total unweighted value (average)*	Total weighted value (average)*	Total unweighted value (average)*	Total weighted value (average)*	Total unweighted value (average)	Total weighted value (average)	Total unweighted value (average)	Total weighted value (average)
1 Total High Quality Liquid Assets (HQLA)		2,413.16		3,090.31		3,815.11		4,026.94
Cash Outflows								
2 Retail deposits and deposits from small business customers, of which:	2,630.38	263.04	3,186.42	318.64	3,545.22	354.52	4,277.40	427.74
(i) Stable deposits	-	-	-	-	-	-	-	-
(ii) Less stable deposits	2,630.38	263.04	3,186.42	318.64	3,545.22	354.52	4,277.40	427.74
3 Unsecured wholesale funding, of which:	2,656.27	1,370.23	2,907.19	1,180.15	3,506.18	3,068.16	3,507.78	3,035.34
(i) Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
(ii) Non-operational deposits (all counterparties)	1,282.23	128.22	1,607.82	160.78	523.70	85.68	569.20	96.76
(iii) Unsecured debt	1,374.04	1,242.01	1,299.37	1,019.37	2,982.48	2,982.48	2,938.58	2,938.58
4 Secured wholesale funding		419.15		672.31		402.50		804.53
5 Additional requirements, of which	217.46	217.46	201.59	201.59	200.00	200.00	200.00	200.00
(i) Outflows related to derivative exposures and other collateral requirement	217.46	217.46	201.59	201.59	200.00	200.00	200.00	200.00
(ii) Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
(iii) Credit and liquidity facilities	-	-	-	-	-	-	-	-
6 Other contractual funding obligation	587.16	550.20	665.85	613.63	777.92	773.41	858.89	785.58
7 Other contingent funding obligations	-	-	3.00	0.09	-	-	-	-
8 Total cash outflows		2,820.08		2,986.41		4,798.59		5,253.19
Cash Inflows								
9 Secured lending (e.g. reverse repo)	13.33	-	170.00	-	78.31	-	84.32	-
10 Inflows from fully performing exposures	2,122.73	1,491.03	2,184.64	1,420.44	2,394.08	1,546.62	3,035.03	2,044.54
11 Other cash inflows	45.49	39.29	56.40	38.68	392.17	196.08	472.70	236.28
12 Total cash inflows	2,181.55	1,530.32	2,411.04	1,459.12	2,864.56	1,742.70	3,592.05	2,280.82
21 Total HQLA		2,413.16		3,090.31		3,815.11		4,026.94
22 Total Net Cash Outflows		1,289.76		1,527.29		3,055.89		2,972.37
23 Liquidity Coverage Ratio (%)		187.10		202.34		124.84		135.48

Suryoday Small Finance Bank Limited
Annexure 22 - Notes forming part of the Restated Summary Statements
(All amounts are in Indian Rupees in million unless otherwise stated)

Quantitative information on Liquidity Coverage Ratio (LCR) is given below:

Particulars	**Quarter ended June 30, 2017**		**Quarter ended September 30, 2017**		**Quarter ended December 31, 2017**		**Quarter ended March 31, 2018**	
	Total unweighted value (average)*	**Total weighted value (average)***	**Total unweighted value (average)***	**Total weighted value (average)***	**Total unweighted value (average)***	**Total weighted value (average)***	**Total unweighted value (average)***	**Total weighted value (average)***
1 Total High Quality Liquid Assets (HQLA)		2,778.14		1,988.78		1,630.28		1,953.25
Cash Outflows								
2 Retail deposits and deposits from small business customers, of	339.41	33.94	948.99	94.90	1,508.30	150.83	2,150.78	215.08
(i) Stable deposits	-	-			-	-	-	-
(ii) Less stable deposits	339.41	33.94	948.99	94.90	1,508.30	150.83	2,150.78	215.08
3 Unsecured wholesale funding, of which:	141.12	123.68	433.86	298.55	848.40	662.98	926.07	413.58
(i) Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
(ii) Non-operational deposits (all counterparties)	19.38	1.94	150.34	15.03	206.02	20.60	513.84	51.38
(iii) Unsecured debt	121.74	121.74	283.52	283.52	642.38	642.38	412.23	362.20
4 Secured wholesale funding		301.86		246.78		221.73		358.45
5 Additional requirements, of which	365.46	365.46	304.55	304.55	263.49	263.49	234.92	234.92
(i) Outflows related to derivative exposures and other collateral	365.46	365.46	304.55	304.55	263.49	263.49	234.92	234.92
(ii) Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
(iii) Credit and liquidity facilities	-	-	-	-	-	-	-	-
6 Other contractual funding obligation	256.49	256.49	263.35	263.35	707.33	707.33	868.99	829.03
7 Other contingent funding obligations	-	-	-	-	-	-		-
8 Total cash outflows		1,081.43		1,208.13		2,006.36		2,051.06
Cash Inflows								
9 Secured lending (e.g. reverse repo)	-	-	-	-	-	-	300.00	-
10 Inflows from fully performing exposures	707.72	353.86	798.04	399.02	1,316.35	849.62	1,684.03	1,160.70
11 Other cash inflows	589.80	582.45	279.86	273.82	649.10	637.37	289.00	280.72
12 Total cash inflows	1,297.52	936.31	1,077.90	672.84	1,965.45	1,486.99	2,273.03	1,441.42
21 Total HQLA		2,778.14		1,988.78		1,630.28		1,953.25
22 Total Net Cash Outflows		270.36		535.29		519.37		609.64
23 Liquidity Coverage Ratio (%)		1027.59		371.53		313.90		320.39

*The weighted value and unweighted value are calculated by monthly simple average. From 1 October 2018, the Bank started computing LCR on daily basis.

(All amounts are in Indian Rupees in million unless otherwise stated)

Quantitative information on Liquidity Coverage Ratio (LCR) is given below:

The objective of LCR is to ensure that the Bank maintains an adequate stock of unencumbered HQLA that can be converted into cash to meet its liquidity needs for a 30 day period. under a significantly severe liquidity stress scenario. At a minimum, the stock of liquid assets should enable the Bank to survive until day 30 of the stress scenario, by which time it is assumed that appropriate corrective actions can be taken.
The LCR is calculated by dividing the amount of High Quality Liquid unencumbered Assets (HQLA) by the estimated net cash outflows over a stressed 30 day period as per RBI Guidelines. Minimum LCR requirement for small finance banks is 90% upto 31 March 2021 and 100% by April 1, 2021. As per RBI circular on Basel III Framework on Liquidity Standards – Liquidity Coverage Ratio (LCR) dated April 17, 2020, the LCR requirement for Banks is reduced as under:

From date of circular to September 30, 2020	- 80%
Oct 1, 2020 to March 31, 2021	- 90%
April 1, 2021 onwards	- 100%

HQLA comprises of cash in hand, excess CRR, excess SLR/Non SLR securities, maximum liquidity facility allowed by RBI under marginal standing facility (MSF) and Facility to Avail Liquidity for Liquidity Coverage Ratio (FALLCR).

The net cash outflows are calculated by applying RBI prescribed outflow factors to the various categories of liabilities (deposits, borrowings), as well as to undrawn commitments and other miscellaneous liabilities, partially offset by inflows from assets maturing within 30 days.
Reason for LCR in excess of minimum regulatory requirement are as follows:
1. The Bank continues to maintain excess liquidity to meet fund requirement for disbursements and contingency funding for contingencies.

Reason for increase in LCR during the period:
1. Maintaining excess liquidity in HQLA to meet fund requirement and funding for contingencies.

The major sources of funding are deposits, inter-banks borrowing and refinance from financial institutions.
The liquidity management of the Bank is centralised at Treasury. Treasury Front Office shall, depending upon the expected outflows and inflows for the day, decide to borrow or lend to maintain optimal liquidity.

(All amounts are in Indian Rupees in million unless otherwise stated)

21. Deferred Tax Assets

The composition of Deferred Tax Assets (DTA) is as under :

Particulars	December 31, 2020	December 31, 2019	March 31, 2020	March 31, 2019	March 31, 2018
Deferred tax asset arising out of:					
Loan loss provision and COVID provision	556.01	204.16	392.64	207.66	114.46
Employee benefits	20.80	12.63	15.91	13.08	7.40
Depreciation	19.58	14.72	17.95	15.97	9.66
Others	0.40	0.44	0.39	1.89	6.98
Total (a)	**596.79**	**231.95**	**426.89**	**238.60**	**138.50**
Deferred tax liability arising out of:					
Total (b)	-	-	-	-	-
Deferred tax asset (net) (a-b)	**596.79**	**231.95**	**426.89**	**238.60**	**138.50**

22. PSLC

Sale of PSLC during the period/year ended:

Type of PSLCs	December 31, 2020	December 31, 2019	March 31, 2020	March 31, 2019	March 31, 2018
Agriculture	-	-	-	-	-
Small and Marginal Farmers	11,000.00	11,350.00	12,650.00	9,150.00	4,900.00
Micro Enterprises	-	10,250.00	10,250.00	11,757.50	7,952.50
General	8,500.00	-	1,000.00	-	-
Total	**19,500.00**	**21,600.00**	**23,900.00**	**20,907.50**	**12,852.50**

Purchase of PSLC during the period/year ended:

Type of PSLCs	December 31, 2020	December 31, 2019	March 31, 2020	March 31, 2019	March 31, 2018
Agriculture	-	-	-	-	-
Small and Marginal Farmers	-	-	-	-	-
Micro Enterprises	200.00	-	-	-	-
General	-	-	-	-	-
Total	**200.00**	**-**	**-**	**-**	**-**

Net PSLC sold have been netted under priority sector category in annexure 13 and classified under Non- priority sector.

23. Unhedged Foreign currency Exposure

In accordance with the RBI guidelines on banks' exposures to entities with Unhedged Foreign Currency Exposure ('UFCE'), the Bank has put in place a mechanism to seek information from its borrowers and to evaluate the currency induced credit risk. In the case of listed entities, the Bank obtains information relating to unhedged positions based on the latest available audited / reviewed financial statements; whilst in the case of unlisted/ private companies, the Bank obtains the aforesaid information based on the latest available audited financial statements (not exceeding a financial year) so as to estimate the extent of likely loss and to provide for incremental capital or to recognise incremental provision in accordance with the aforesaid guidelines. Further, as per the above-mentioned guidelines, the Bank obtains audited and certified UFCE information from the statutory auditors of the borrowers on an annual basis. In the case of smaller entities i.e. entities with exposure to banking industry of less than ₹ 250 million and as identified by the Bank as having any foreign exchange exposure, the Bank recognises an incremental provision at 10 basis points on all such exposures.

In accordance with RBI guidelines, the Bank holds standard asset provisions and capital requirement in respect of the unhedged foreign currency exposure of its customers.

Particulars	December 31, 2020	December 31, 2019	March 31, 2020	March 31, 2019	March 31, 2018
Standard asset provisions	13.49	-	16.69	1.28	-
Capital requirement	381.50	-	454.57	2.41	-

24. Leases

Operating lease primarily comprises of office premises, vehicle, computers and tablets, which are renewable at the option of the Bank. The following table sets forth the details of future rentals payable on operating leases :

Particulars	December 31, 2020	December 31, 2019	March 31, 2020	March 31, 2019	March 31, 2018
Not later than one year	57.64	72.42	65.17	54.20	9.29
Later than one year but not later than five years	44.50	101.87	68.86	98.49	25.42
Later than five years	0.90	2.25	1.92	3.22	3.29
Total	**103.04**	**176.55**	**135.95**	**155.91**	**38.00**
The total lease payments recognised in the Statement of Profit and Loss account for the year	**185.22**	**140.61**	**201.04**	**105.95**	**64.59**

The terms of renewal and escalation clauses are those normally prevalent in similar agreements. There are no undue restrictions or onerous clauses in the agreement.

(All amounts are in Indian Rupees in million unless otherwise stated)

25. Customer Complaints

Particulars	December 31, 2020	December 31, 2019	March 31, 2020	March 31, 2019	March 31, 2018
(a) No. of complaints pending at the beginning of the period/ year	12	17	17	-	-
(b) No. of complaints received during the period/ year	1,615	683	1,088	495	109
(c) No. of complaints redressed during the period/ year	1,561	680	1,093	478	109
(d) No. of complaints pending at the end of the period/ year	66	20	12	17	-

ATM related customer complaints included in the above

Particulars	December 31, 2020	December 31, 2019	March 31, 2020	March 31, 2019	March 31, 2018
(a) No. of complaints pending at the beginning of the period/ year	-	2	2	-	-
(b) No. of complaints received during the period/ year	189	166	443	157	7
(c) No. of complaints redressed during the period/ year	184	162	445	155	7
(d) No. of complaints pending at the end of the period/ year	5	6	-	2	-

26. Award passed by the Banking Ombudsman

Particulars	December 31, 2020	December 31, 2019	March 31, 2020	March 31, 2019	March 31, 2018
(a) No. of unimplemented Awards at the beginning of the period/ year	-	-	-	-	-
(b) No. of Awards passed by the Banking Ombudsmen during the period/ year	-	-	-	-	-
(c) No. of Awards implemented during the period/ year	-	-	-	-	-
(d) No. of unimplemented Awards at the end of the period/ year	-	-	-	-	-

27. Corporate Social Responsibility (CSR)

a) Gross amount required to be spent by the company during the year ending March 31, 2021 and year ended March 31, 2020 ; March 31, 2019 and March 31, 2018 is ₹ 20.54 million; ₹ 11.86 million ; ₹ 5.43 million ₹ 6.08 million respectively under section 135 of the Companies Act, 2013.

b) Amount spent during the peried ended December 31, 2020

Particulars	In Cash	Yet to be paid in cash	Total
i) Construction /acquisition of asset	-	-	-
ii) on purpose other than (i) above	0.94	19.56	20.50
Total	**0.94**	**19.56**	**20.50**

b) Amount spent during the peried ended December 31, 2019

Particulars	In Cash	Yet to be paid in cash	Total
i) Construction /acquisition of asset	-	-	-
ii) on purpose other than (i) above	1.06	11.38	12.44
Total	**1.06**	**11.38**	**12.44**

b) Amount spent during the year ended March 31, 2020

Particulars	In Cash	Yet to be paid in cash *	Total
i) Construction /acquisition of asset	-	-	-
ii) on purpose other than (i) above	9.44	3.00	12.44
Total	**9.44**	**3.00**	**12.44**

*Paid on May 21, 2020

b) Amount spent during the year ended March 31, 2019

Particulars	In Cash	Yet to be paid in cash	Total
i) Construction /acquisition of asset	-	-	-
ii) on purpose other than (i) above	7.54	-	7.54
Total	**7.54**	**-**	**7.54**

b) Amount spent during the year ended March 31, 2018

Particulars	In Cash	Yet to be paid in cash	Total
i) Construction /acquisition of asset	-	-	-
ii) on purpose other than (i) above	6.62	-	6.62
Total	**6.62**	**-**	**6.62**

28. Related party disclosure

The Bank has only one related party i.e. Mr. R Baskar Babu, Managing Director (MD) and Chief Executive Officer. Hence, related party transactions are not disclosed as per the exemption provided in the RBI Master circular on 'Disclosure in Financial Statements' Notes to Accounts dated 1 July 2015.

29. Off balance sheet SPV

There are no off balance sheet SPVs sponsored by the Bank, which needs to be consolidated as per accounting norms.

30. Small and micro industries

Under the Micro, Small and Medium Enterprises Development Act, 2006 which came into force from October 2, 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises. There have been no reported cases of delays in payments to micro and small enterprises or of interest payments due to delays in such payments during the period/ year ended December 31, 2020, December 31, 2019, March 31, 2020, March 31, 2019 and March 31, 2018

Suryoday Small Finance Bank Limited
Annexure 22 - Notes forming part of the Restated Summary Statements
(All amounts are in Indian Rupees in million unless otherwise stated)

31. Depositor Education and Awareness Fund

In accordance with the guidelines issued by the RBI, the Bank is required to transfers the amount to the credit of any account which has not been operated upon for a period of ten years or any deposit or any amount remaining unclaimed for than ten years to the DEAF. During the period/ year ended December 31, 2020, December 31, 2019, March 31, 2020, March 31, 2019 and March 31, 2018, no amount has been transferred to Depositor Education and Awareness Fund.

32. Bancassurance Business

The details of fees / brokerage earned in respect of insurance broking undertaken by the Bank are as under:

Nature of income	December 31, 2020	December 31, 2019	March 31, 2020	March 31, 2019	March 31, 2018
For selling life insurance policies	21.91	26.81	37.57	29.97	13.28
For selling non-life insurance policies	4.33	14.56	19.52	9.45	9.02
Total	26.24	41.37	57.09	39.42	22.30

33. Overseas Assets, NPAs and Revenue

The Bank does not hold any overseas assets / NPA as at December 31, 2020, as at December 31, 2019, March 31, 2020, as at March 31, 2019 and as at 31 March 2018 and no overseas operations were undertaken during the period ended December 31, 2020, December 31, 2019 and year ended March 31, 2020, March 31, 2019 and year ended March 31, 2018 hence revenue from overseas operation is Nil.

34. Fraud cases reported

Particulars	December 31, 2020	December 31, 2019	March 31, 2020	March 31, 2019	March 31, 2018
No. of fraud cases reported during the period/ year	98	61	87	71	84
Amount involved in fraud	2.71	1.29	3.57	1.50	3.60
Provisions created against fraud cases (adjusted for recovery)	1.37	0.18	0.98	0.20	0.30

35. Penalties levied by the RBI

During the period/ year ended December 31, 2020, December 31, 2019, March 31, 2020, March 31, 2019 and March 31, 2018, no penalty was imposed by RBI on the Bank.

36. Letter of Comfort

The Bank has not issued letter of comfort during the period/ year ended December 31, 2020, December 31, 2019 March 31, 2020, March 31, 2019 and 31 March 2018.

37. Investor education and protection fund

There is no amount required to be transferred to Investor Education and Protection Fund by the Bank for the period/ year ended December 31, 2020, December 31, 2019, March 31, 2020, March 31, 2019 and 31 March 2018.

38. Proposed dividend

As per the RBI circular dated April 17, 2020, the Banks shall not make any further dividend pay-outs from profits pertaining to the financial year ended March 31, 2020 until further instruction, with a view that Banks must conserve capital in an environment of heightened uncertainty caused by COVID-19. The Board of Directors of the Bank has not proposed any final dividend for the year ended March 31, 2020.

As per our report of even date
For MSKC & Associates
(Formerly known as R.K. Kumar & Co.)
Chartered Accountants
Firm Registration No: 001595S

Tushar Kurani
Partner
Membership No: 118580

For and on behalf of the Board of Directors

R. Ramachandran
Chairman
DIN-01953653

R. Baskar Babu
Managing Director and
Chief Executive Officer
DIN-02303132

Jyotin Mehta
Director
DIN-00033518

Place: Navi Mumbai
Date: February 08, 2021

Geeta Krishnan
Company Secretary

Bhavin Damania
Chief Financial Officer

OTHER FINANCIAL INFORMATION

The accounting ratios required under Clause 11 of Part A of Schedule VI of the SEBI ICDR Regulations are given below:

Accounting Ratios

	As at and for period ended December 31, 2020	**As at and for period ended December 31, 2019**	**As at and for Year Ended March 31, 2020**	**As at and for Year Ended March 31, 2019**	**As at and for Year Ended March 31, 2018**
Basic earnings per share [Refer Note (a)(i) and (c) below]	6.19	15.49	13.41	13.35	1.76
Diluted earnings per share [Refer Note (a)(ii) and (c) below]	6.05	15.43	13.30	13.16	1.76
Return on Networth ([Refer Note (a)(ii) and (d) below]	4.61%	11.78%	10.43%	10.27%	2.13%
Net assets value per basic equity share ([Refer Note (a)(iv) and (d) below]	133.54	124.58	123.13	107.91	79.78
EBITDA [Refer Note (b) below]	799.13	1,833.63	1,641.60	1,483.18	225.00

The figures disclosed in this section are derived from the Restated Financial Statements

Note

(a) Ratios have been computed as per the following formulas

(i) Basic earning per share = Net profit, as restated, attributable to equitys shareholders / Weighted average number of basic Equity Shares outstanding during the period/year

(ii) Diluted earning per share = Net profit, as restated, attributable to equitys shareholders / Weighted average number of diluted Equity Shares outstanding during the period/year

(iii) Return on Net Worth (%) = Net Profit, as restated, attributable to equity shareholders / Net Worth at the end of the period/year

(iv) Net asset value per share (Basic) = Net asset means total assets minus total liabilities excluding revaluation reserves. / Total number of Equity Shares outstanding at the end of the period/year

(b) Earnings before interest, tax, depreciation and amortisation (EBITDA) has been arrived at by adding back depreciation and tax expense to the net profit appearing in annexure II - restated summary statement of profit and loss

The following table sets forth a reconciliation of Bank's EBITDA to profit for the years:

Particulars	Period ended December 31, 2020	Period ended December 31, 2019	Year ended March 31, 2020	Year ended March 31, 2019	Year ended March 31, 2018
Net Profit	548.66	1,266.78	1,111.98	903.98	114.92
Add:					
Depreciation	98.56	50.00	97.84	55.94	46.64
Current tax (included in Provision and Contingencies)	321.79	510.20	620.08	623.35	107.23
Deferred tax (included in Provision and Contingencies)	(169.88)	6.65	(188.30)	(100.09)	(43.79)
EBITDA	799.13	1,833.63	1,641.60	1,483.18	225.00

(c) Earnings per share calculations are done in accordance with Accounting Standard 20 "Earnings Per Share" ("AS 20") as notified under Section 133 of the Companies Act 2013.

(d)"Net worth" means sum of paid up equity share capital, share premium and all reserves and surplus excluding revaluation reserve, as appearing in the Restated Financial Statements for the respective years

As per our report of even date

For and on behalf of the Board of Directors

For MSKC & Associates
Chartered Accountants
Firm Registration No: 001595S

Tushar Kurani
Partner
Membership No: 118580

R. Ramachandran
Chairman
DIN-01953653

R. Baskar Babu
Managing Director and Chief Executive Officer
DIN-02303132

Jyotin Mehta
Director
DIN-00033518

Place: Navi Mumbai
Date: February 08, 2021

Geeta Krishnan
Company Secretary

Bhavin Damania
Chief Financial Officer

OTHER FINANCIAL INFORMATION

1. The audited financial statements of our Bank as at for the nine months ended December 31, 2020 and December 31, 2019, for the year ended March 31, 2020, March 31, 2019, and March 31, 2018 and the reports thereon dated May 27, 2020, May 29, 2019 and May 30, 2018, respectively ("**Financial Statements**") are available at https://www.suryodaybank.com/financials. Our Bank is providing a link to this website solely to comply with the requirements specified under the SEBI ICDR Regulations. The Financial Statements do not constitute, (i) a part of this Prospectus; or (ii) a prospectus, a statement in lieu of a prospectus, an offering circular, an offering memorandum, an advertisement, an offer or a solicitation of any offer or an offer document to purchase or sell any securities under the Companies Act, 2013, the SEBI ICDR Regulations, or any other applicable law in India or elsewhere in the world. The Financial Statements should not be considered as part of information that any investor should consider to subscribe for or purchase any securities of our Bank, or any entity in which it or its shareholders have significant influence (collectively, the "**Group**") and should not be relied upon or used as a basis for any investment decision. None of the Group or any of its advisors, nor any Book Running Lead Managers or Selling Shareholders, nor any of their respective employees, directors, affiliates, agents or representatives accept any liability whatsoever for any loss, direct or indirect, arising from any information presented or contained in the Financial Statements, or the opinions expressed therein.

2. For details of accounting ratios, see "*Financial Statements – Annexure 23 – Accounting Ratios*" on page 301.

FINANCIAL INDEBTEDNESS

Our Bank avails loans in the ordinary course of business for the purposes of onward lending, meeting working capital requirements and for general corporate purposes. For details of the borrowing powers of our Board, see "*Our Management – Borrowing powers of Board*" on page 195.

The following table sets forth the details of the aggregate outstanding borrowings of our Bank as of January 31, 2021:

(₹ in million)

Category of borrowing	Sanctioned amount	Outstanding amount*
Term Loans (secured and unsecured)	-	-
Refinance	23,640.00	16,084.80
NCDs and Subordinate Debt (unsecured)	1,400.00	1,400.00
Market Repo and TREPS	564.04	564.04
Total	**25,604.04**	**18,048.84**

* *As certified by C N K & Associates LLP pursuant to their certificate dated March 3, 2021.*

For further details in relation to financial indebtedness of our Bank as of January 31, 2021, see "*Financial Information*" beginning on page 241.

Principal terms of the outstanding borrowings availed by our Bank:

1. ***Interest:*** The interest rates for the various facilities availed by our Bank typically ranges from 4.15% per annum to 15.85% per annum. Further, for certain loans availed by our Bank, additional interest rates have been stipulated on the occurrence of certain events such as defaulted instalments of refinance, failure in compliance of terms and conditions and/or failure in payment of accrued interest.

   Our Bank has (i) 2,500 unsecured, subordinated, rated, listed, transferable, redeemable NCDs having face value of ₹100,000 aggregating to ₹250,000,000 at a coupon rate of 12.70% per annum; (ii) 150 rated, unsecured, subordinated, listed, redeemable NCDs having face value of ₹1,000,000 aggregating to ₹150,000,000 at a coupon rate of 15.85% per annum; (iii) 1,000 rated, listed, unsecured, subordinated, redeemable, transferable non-convertible lower Tier II bonds in the form of NCDs having face value of ₹10,00,000 each aggregating to ₹1,000,000,000. The NCDs mentioned in (i), (ii) and (iii) above are listed on the wholesale debt market segment of the BSE.

2. ***Security:*** In terms of our borrowings where security needs to be created, we are typically required to create security by way of first hypothecation or charge on our Bank's book debts and receivables. The nature of securities described herein is indicative and there may be additional requirements for creation of security under the various borrowing arrangements entered into by us.

3. ***Prepayment:*** Certain facilities availed by our Bank have prepayment provisions which prescribe a penalty on the principal amount prepaid subject to the consent of the majority debenture holders. These prepayment penalties can be upto around 2.5% of the amount being prepaid.

4. ***Repayment:*** The repayment period for refinance assistance and the term loans availed by our Bank typically ranges from 11 months to 60 months. The tenor of the NCDs and subordinate debt issued by us ranges from 67 months to 79 months. We are required to repay in such instalments as per the repayment schedule stipulated in the relevant loan documentation.

5. ***Key Covenants:*** In terms of our borrowing arrangements, we are required to:

   a) provide financial statements periodically;

   b) monitor compliance with financial covenants;

   c) intimate and/or take prior consent of the lenders for any changes in the capital structure of our Bank;

   d) take prior consent of lenders and debenture trustees (on behalf of the debenture holders) before undertaking any changes in constitutional documents (including when such change would have a material adverse effect on the issuer or would detrimentally affect the interests of the debenture holders);

   e) intimate and/or take prior consent of the lenders and debenture trustees (on behalf of the debenture holders) for any changes in board composition or senior management including when such change may amount to a change in control;

   f) take prior consent of lenders before permitting any transfer of shares by promoters (and lock-in of their respective shareholding of promoters);

g) take prior consent of lenders and debenture trustees (on behalf of the debenture holders) before undertaking any changes in ownership of more than 5% of the Equity Shares of our Bank; and

h) take prior consent of lenders and debenture trustees (on behalf of the debenture holders) before the declaration or payment of dividends.

6. ***Events of Default:*** Borrowing arrangements entered into by our Bank prescribe events of default, including among others:

a) false or untrue statement or information including misrepresentation;

b) failure or inability to make any payment on due dates;

c) cessation or threat of cessation of business activities of our Bank;

d) utilization of a loan for purposes other than the sanctioned purpose;

e) winding up or dissolution of our Bank;

f) breach of financial covenants;

g) material adverse change in the business, operations, property, assets and liabilities;

h) cross defaults across other borrowings of our Bank;

i) breach or default in performance or observance in the agreement and/or instructions; and

j) liquidation or dissolution of our Bank.

This is an indicative list and there may be additional terms that may amount to an event of default under the various borrowing arrangements entered into by our Bank.

7. ***Consequences of occurrence of events of default:*** In terms of the facility agreements, debenture trust deeds and sanction letters, the following, among others, are the consequences of occurrence of events of default, whereby the lenders, debenture holders and debenture trustees, as applicable, may:

a) In case of default in making any repayment of loans or payment of interest, right to recall at once the entire relative refinance and enforce the security;

b) In case of default in terms and conditions on which refinance is given, right to recall at once the entire refinance or any portion thereof and enforce the security;

c) Right to collect from the borrowers of the lenders the amount of installments of principal / interest or other monies in respect of the said loans and advances granted by the lenders to the said borrowers (refinanced accounts); and

d) Any other right that the lenders may have.

This is an indicative list and there may be such other additional terms under the various borrowing arrangements entered into by our Bank.

CAPITALISATION STATEMENT

The following table sets forth our Bank's capitalization as at December 31, 2020, on the basis of our Restated Financial Statements, and as adjusted for the Issue. This table should be read in conjunction with the sections titled "*Management's Discussion and Analysis of Financial Condition and Results of Operations*", "*Financial Information*" and "*Risk Factors*" on pages 306, 241 and 22, respectively.

(In ₹ millions)

Particulars	Pre-Issue as at December 31, 2020	As adjusted for the Proposed Issue (1)
Debt (2)		
Short term debt	2,244.79	2,244.79
Long term debt	12,626.00	12,626.00
Total Debt (A)	**14,870.79**	**14,870.79**
Shareholders' Funds		
Share Capital		
Equity shares of Rs. 10 each (3)	891.85	1,061.31
Equity Share Capital (B)	**891.85**	**1,061.31**
Reserves and Surplus		
i) Statutory reserves	669.99	669.99
ii) Investment fluctuation reserve	90.45	90.45
iii) Share Premium (4)	7,540.96	12,016.45
iv) Balance of profit and loss account	2,599.62	2,599.62
v) Capital Reserve	1.93	1.93
vi) Investment reserve	0.55	0.55
vii) ESOP Reserve	109.43	109.43
viii) General Reserve	4.84	4.84
Total Reserves and Surplus (C)	**11,017.77**	**15,493.26**
Total Shareholders' Funds (D=B+C) (5)	**11,909.62**	**16,554.57**
Long Term Debt/ Total Shareholders' Fund	1.06	0.76
Total Debt/ Shareholders' Fund (E = A/D)	1.25	**0.90**

Note:

1. *The post issue period is increased only to the extent of Share Capital and Shares premium account as compared to the corresponding pre issue amounts as at December 31, 2020. .*
2. *Borrowings with original contractual maturity of more than 1 year are classified as Long Term, per RBI Regulations. All other borrowings have been classified as Short Term and do not include deposit from customers. .*
3. *As adjusted for the proposed issue coloumn includes equity shares issued under Private Placement basis (85,33,226 shares) , Employee stock options post 31 December 2020 (262,661 shares) and Initial public offer shares (81,50,000 shares) .*
4. *The Bank has offered a discount of Rs 30 per Equity Share for Eligibile Employees. The impact of the same is not considered in the above statement.*
5. *Total Shareholders Funds include Share Capital and Reserves & Surplus.*

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations should be read in conjunction with our Restated Financial Statements beginning on page 241. The Restated Financial Statements have been derived from audited financial statements prepared in accordance with Indian GAAP and restated as per the SEBI ICDR Regulations.

Indian GAAP differs in certain material respects from Ind AS, U.S. GAAP and IFRS. See "Risk Factors – Significant differences exist between Indian GAAP and other accounting principles, such as Ind AS, U.S. GAAP and IFRS, which investors may be more familiar with and may consider material to their assessment of our financial condition" on page 51.

Some of the information in the following discussion, including information with respect to our plans and strategies, contain forward-looking statements that involve risks and uncertainties. You should read the section "Forward-Looking Statements" on page 21 for a discussion of the risks and uncertainties related to those statements. Our actual results may differ materially from those expressed in or implied by these forward-looking statements. Also read "Risk Factors" and "– Factors affecting our Results of Operations and Financial Condition" beginning on pages 22 and 308, respectively, for a discussion of certain factors that may affect our business, financial condition or results of operations.

Our Bank's Fiscal commences on April 1 and ends on March 31 of the immediately subsequent year, and references to a particular Fiscal are to the 12 months ended March 31 of that year. Unless otherwise indicated or the context otherwise requires, the financial information included herein is based on or derived from our Restated Financial Statements included in this Prospectus.

Unless the context otherwise requires, in this section, references to "we", "us", "our", "the Bank" or "our Bank" refers to Suryoday Small Finance Bank Limited.

*Unless otherwise indicated, industry and market data used in this section has been derived from the report "Report on Small Finance Bank and various loan products" dated September 2020 (the "**CRISIL Report**") prepared and released by CRISIL Limited and commissioned by us in connection with the Offer. Neither we, nor the BRLMs, any of their affiliates or advisors, nor any other person connected with the Offer has independently verified such information. Unless otherwise indicated, all financial, operational, industry and other related information derived from the CRISIL Report and included herein with respect to any particular year refers to such information for the relevant fiscal year. For further information, see "Certain Conventions, Presentation of Financial, Industry and Market Data and Currency of Presentation – Industry and Market Data" beginning on page 17.*

OVERVIEW

We were among the leading SFBs in India in terms of net interest margins, return on assets, yields and deposit growth and had the lowest cost-to-income ratio among SFBs in India in Fiscal 2020. (*Source: CRISIL Report*).

We have for over a decade been serving customers in the unbanked and underbanked segments in India and promoting financial inclusion. Pursuant to receipt of the RBI Final Approval, we started operations as an SFB on January 23, 2017. We were included in the second schedule to the RBI Act, as a scheduled bank pursuant to a notification dated July 24, 2017, issued by the RBI and published in the gazette of India dated September 2, 2017. Prior to commencement of operations as an SFB, we operated as an NBFC – MFI carrying out microfinance operations and operated the joint liability group-lending model for providing collateral-free, small ticket-size loans to economically active women belonging to weaker sections. Our average "priority sector" loans, as a percentage of average ANBC for Fiscal 2018, 2019 and 2020 and nine months ended December 31, 2020 was 99.08%, 112.10%, 103.67% and 114.09%, respectively. Over the years, we have diversified our loan portfolio to include non-micro banking loans thereby reducing our dependence on micro banking business.

We commenced our microfinance operations in 2009 and have since expanded our operations across 13 states and union territories, as of December 31, 2020. As of December 31, 2020, our customer base was 1.44 million and our employee base comprised 4,770 employees and we operated 554 Banking Outlets including 153 Unbanked Rural Centres ("**URCs**"). We have set up 661 customer service points ("**CSPs**") as additional service or touch points during April 1, 2020 and January 31, 2021 and intend to continue to expand our reach through the CSP model. Our delivery platform also includes partnering with business correspondents ("**BCs**") for sourcing both asset and liability business and have expanded our network and presence through their reach to promote financial inclusion. We have arrangements with various payment banks in India and have been able to leverage our relationship with such payment banks to grow our deposit base. Our distribution network also comprises our ATMs, phone banking, mobile banking, tablet banking, unified payment interface, CSPs, and internet banking services. Our operations are predominantly in urban and semi-urban locations due to greater income earning capabilities and employment opportunities in such areas compared with rural regions. We believe that our focus on urban and semi-urban locations also enables us to meet the financing requirements of economically graduating customers including the provision of housing finance and working capital loans for small businesses. As of December 31, 2020, 37.13%, 27.78% and 28.83% of our Gross Advances were from metropolitan, urban and semi-urban areas (based on branch locations as classified by the RBI), respectively.

We currently offer a variety of asset and liability products and services designed for inclusive finance and general banking customers. Our asset products consist of our inclusive finance portfolio (comprising loans to JLG customers), commercial vehicle loans, affordable housing loans, micro business loans, unsecured micro and small enterprise and small and medium enterprise loans, secured business loans, financial intermediary group loans and other loans. Our Gross Loan Portfolio has grown at a CAGR of 46.98% from ₹ 17,177.84 million as of March 31, 2018 to ₹ 37,108.42 million as of March 31, 2020 and was ₹ 39,082.29 million as of December 31, 2020. On the liability side, our products comprise current accounts, savings accounts, salary savings accounts and a variety of deposit accounts including recurring deposits and fixed deposits that we source from customers across India. Our deposits have grown at a CAGR of 94.95% from ₹ 7,495.22 million as of March 31, 2018 to ₹ 28,487.15 million as of March 31, 2020 and was ₹ 33,438.40 million as of December 31, 2020. As of December 31, 2020, retail deposits comprised 72.40% of our total deposits. Within retail deposits, CASA as a percentage of overall deposits was 13.32%, as of December 31, 2020. Since commencing our operations as an SFB, we have focused on growing a stable, sustainable and well-penetrated CASA base. Our CASA was ₹ 4,453.91 million as of December 31, 2020. In addition to our loan and deposit products, we also offer other banking facilities, products and services to generate non-interest income and cater towards the additional needs of our customers. These facilities, products and services include debit cards, internet banking, mobile banking, online bill payment services and the distribution of third-party life and general insurance products and mutual fund products.

We have leveraged the use of technology across all aspects of our operations. In particular, we use digital technology for customer acquisition and also customer lifecycle management. Our employees use tablets to service customers in the unbanked and underbanked segments which we believe has led to greater customer convenience and improved operational efficiency. We also have a robust back-end operating system supported by our core banking system and document management system.

Our founder, Managing Director and Chief Executive Officer, Baskar Babu Ramachandran is a first generation entrepreneur with several years of experience in the financial services sector. We have been backed by institutional investors since our inception. Our investors include a mix of development finance institutions such as IFC and DEG, private equity investors such as Gaja Capital India AIF Trust (represented by its trustee, Gaja Trustee Company Private Limited), Gaja Capital Fund II Limited, TVS Entities, ASK Pravi Private Equity Opportunities Fund and Lok Capital Growth Fund and institutional investors including HDFC Holdings Limited, HDFC Life Insurance Company Limited, IDFC FIRST Bank Limited and Kotak Mahindra Life Insurance Company Limited.

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

Metric	As of and for the years ended March 31,			As of and for the nine months ended December 31,	
	2018	2019	2020	2019	2020
	(₹ million, except percentages)				
Advances	15,686.78	26,795.84	35,319.44	33,609.03	37,822.63
Disbursements	17,088.23	28,560.30	30,904.76	23,133.99	11,597.37
Deposits	7,495.22	15,934.25	28,487.15	24,913.57	33,438.40
Retail term deposit / total term deposit ratio	33.92%	35.67%	48.55%	45.30%	68.16%
Net Worth	5,384.85	8,803.65	10,662.29	10,753.13	11,909.62
CASA Ratio	11.03%	11.25%	11.45%	11.93%	13.32%
Total Debt / Total Equity	2.72	3.09	3.86	3.14	4.06
Net Interest Income	1,658.30	3,403.74	4,909.05	3,611.32	3,532.77
Net Interest Margin	10.40%	12.80%	11.92%	12.30%* [9.22%]	8.49%* [6.36%]
Profit After Tax	114.92	903.98	1,111.98	1,266.78	548.66
Return on Average Assets	0.67%	3.17%	2.53%	4.03%* [3.02%]	1.24%* [0.93%]
Return on Average Equity	2.25%	14.77%	11.27%	17.62%* [13.22%]	6.32%* [4.74%]
Yield on average interest-earning assets	17.99%	19.93%	18.62%	21.05%* [15.79%]	19.76%* [14.82%]
Cost of Funds	10.71%	8.99%	8.55%	8.83%* [6.62%]	8.05%* [6.04%]
Provision Coverage Ratio	48.33%	75.80%	84.71%	84.22%	89.58%
GNPA	3.54%	1.81%	2.79%	2.78%	0.78%
NNPA	1.86%	0.44%	0.57%	0.52%	0.33%
Book Value Per Equity Share	79.78	107.91	123.13	124.58	133.54

Annualized, and figures in square brackets represent unannualized figures

As of March 31, 2018, 2019 and 2020 and as of December 31, 2020 our CRAR was 43.40% (Tier I capital of 40.25%), 40.22% (Tier I capital of 38.66%), 35.44% (Tier I capital of 34.30%) and 41.17 % (Tier I capital of 36.94%) respectively and was the highest among all SFBs in India as of March 31, 2020 (*Source: CRISIL Report*). As of December 31, 2020, our Bank's gross NPAs were ₹ 299.13 million, 0.78 % of gross advances, and net NPAs were ₹ 128.14 million, or 0.33 % of net advances.

Going forward, we intend to strengthen our relationship with our existing customers by leveraging our inclusive finance customer base and by offering other asset and liability products based on their requirements. Our focus will be to grow our customer base by providing quality customer service. We will continue to focus on the use of technology, explore partnerships with fintech companies, undertake data analytics to better understand the requirements of our customers, improve operational efficiency and further reduce costs. As we grow our operations, we will look to selectively expand our network of Banking Outlets across newer geographies and also penetrate further into our existing markets. We also intend to engage with BC partners and payment banks to leverage their network to help us expand and increase our market share.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The impact of COVID-19 on our results of operations and financial condition

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

Effective March 24, 2020, in compliance with the lockdown orders announced by the Indian Government, we temporarily closed certain of our Banking Outlets and substantially all of our employees were working remotely. Additionally, many of our customers, service providers and business correspondents/ direct selling agents temporarily ceased operating their respective enterprises. As a result, while our financial results for Fiscal 2020 reflect historical trends for the most part, we experienced a decline in collections, reduced disbursements and increased general provisioning in the last week of March 2020 and during nine months ended December 31, 2020 due to continuing impact of COVID-19 and various regulatory measures in response to COVID-19, including moratoriums availed by customers. Due to a surge in COVID-19 cases during January and February 2021, few State Government announced lockdown in selected regions and there may be further lockdown by Central and other State Governments and may lead to further deterioration in collections, disbursement and increase in provisioning. The impact of the pandemic on our business, operations and future financial performance include, but are not limited to the following:

- Significant decline in collections as most of our collections are cash-based and involve physical presence of our employees, which has not been possible due to the nation-wide lockdown and travel restrictions that have been imposed. This decline in collections could persist through and beyond a recessionary period.

- Significant decline in disbursements due to reduced economic activity in the three months ended June 30, 2020, particularly for our inclusive finance portfolio, and corresponding decline in processing fees.

- Potential significant increase in our NPA levels due to deterioration in the credit quality of our customers. While many borrowers had opted for the moratoriums available and most of the customers started paying instalments after moratorium period was over, there can be no assurance that customers impacted due to COVID-19 will continue to make payments on continuing basis. In the event our borrowers' or their enterprises have been unable to withstand the economic pressures caused by the COVID-19 pandemic, we may experience higher NPAs than anticipated driven by deterioration in asset quality due to our borrower's reduced ability to make timely repayments. We may therefore be required to recognise higher loan loss provisions in future periods, on account of the uncertainty in the external environment due to COVID-19.

- Adverse impacts to our income and growth rates – particularly if operating expenses do not decrease at the same pace as revenue declines. Many of our expenses are less variable in nature and may not correlate to changes in revenues, such as employee benefit expenses, depreciation and other costs associated with operating and maintaining our Banking Outlets. As such, we may not be able to decrease them significantly in the short-term, or we may choose not to significantly reduce them in an effort to remain focused on long-term outlook and investment opportunities.

- The shift to a remote working environment creates inherent productivity, connectivity, and oversight challenges. The extent and/ or duration of ongoing workforce restrictions and limitations may result in us adopting alternative modes of introducing and growing our new products and services. In addition, the changed environment under which we are operating could have an impact on our internal controls over financial reporting as well as our ability to meet a number of our compliance requirements in a timely or quality manner.

In addition, the RBI has issued guidelines in an effort to contain the impact of the COVID-19 pandemic on the financial services sector. Under these guidelines, all loans are eligible for moratoriums on instalments due during a period of three months, i.e. from March 1, 2020 to May 31, 2020. This was subsequently extended by another period of three months, i.e. until August 31, 2020. Accordingly, banks and other financial institutions were permitted to provide a moratorium of three months that was extended for another three months for all term loan instalments which are due for payment. In line with these guidelines, we have provided a moratorium of three months on the payment of all principal amounts and/or interest, as applicable, falling due between March 1, 2020 and May 31, 2020 to majority of our eligible borrowers, and have further extended the moratorium to eligible borrowers up to August 31, 2020, resulting in a decline in our collections during such period.

The RBI guidelines also require us to make provisions of up to 10% on loans that are in default but were standard as on February 29, 2020. In the nine months ended December 31, 2020, these COVID-19 related provisions amounted to ₹ 108.69 million. In the nine months ended December 31, 2020, we have additionally made specific provisions for the potential impact of the pandemic on our operations, amounting to ₹ 747.20 million, and have increased the floating provision of micro-finance loans from 1.5% to 2%, amounting to an additional provision of to ₹ 5.55 million.

The Supreme Court in Gajendra Sharma v. Union of India and Another by its interim order dated September 3, 2020 has directed banks in India that accounts that were not declared NPA till August 31, 2020 shall not be declared NPA till further orders, pending disposal of the case by Supreme Court. Pursuant to the order, our Bank has not classified any borrower's account which has not been declared as NPA as at August 31, 2020 as per the RBI Prudential Norms on Income Recognition, Asset Classification, Provisioning and Other Related Matters as NPAs after August 31, 2020. However, if we had classified borrower accounts as NPA after August 31, 2020, our Bank's gross NPA ratio as on December 31, 2020 would have been 9.28%, on a proforma basis, of this 8.49% pertains to new proforma GNPA (i.e., excluding the pre-COVID GNPA). After considering, the specific NPA provisions and floating provisions, net NPAs would have been 5.38%, on a proforma basis.

The global health and economic implications of this pandemic could continue to have significant impact on our business, operations and future financial performance. As a result of the scale of the pandemic and the speed at which the global community has been impacted, and the uncertainty related to the same, our quarterly and annual revenue growth rates and expenses as a percentage of our revenues may differ significantly from our historical rates, and our future operating results may fall below expectations. We are still assessing our business operations and system supports and the impact COVID-19 may have on our results and financial condition, but there can be no assurance that this analysis will enable us to avoid part or all of any impact from the spread of COVID-19 or its consequences, including downturns in business sentiment generally or in our sector in particular. The extent to which the COVID-19 impacts our results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions taken globally to contain the coronavirus or treat its impact, among others. Existing insurance coverage may not provide protection for all costs that may arise from all such possible events.

Regulatory Developments

Our results of operations and continued growth depend on stable government policies and regulation. The banking industry in India is subject to extensive regulation by governmental organizations and regulatory bodies such as the RBI. These regulations govern various aspects of our business including loans and advances, investments, deposits, risk management, foreign investment, corporate governance and market conduct, customer protection, foreign exchange management, capital adequacy, margin requirements, know-your customer and anti-money laundering, and provisioning for NPAs. In recent years, existing rules and regulations have been modified, new rules and regulations have been enacted and reforms have been implemented, with an objective to provide tighter control and more transparency in India's banking sector. As an SFB, we are required to comply with such rules and regulations, which affect our business, operations, cash flows, profitability and financial condition.

Under the Operating Guidelines for Small Finance Bank dated October 6, 2016 issued by the RBI (**"SFB Operating Guidelines"**), we are required to maintain a minimum capital adequacy ratio of 15% of the risk weighted assets ("**RWAs**") on a continuous basis, to be computed as per the Basel II norms prescribed by RBI, including a minimum Tier I capital of at least 7.5% of the RWAs, and the Tier II capital should be limited to a maximum of 100% of total Tier I capital. However, under the SFB Operating Guidelines, we are not required to maintain any capital conservation buffer or any counter-cyclical capital buffer. Our total capital to risk weighted asset ratio (CRAR) (as a percentage of RWA) was 43.40%, 40.22%, 35.44%, 40.63% and 41.17% as of March 31, 2018, March 31, 2019 and March 31, 2020 as of December 31, 2019 and 2020, respectively. Further, currently, we are required to maintain a cash reserve ratio (**"CRR"**) of 3% of our net demand and time liabilities (**"NDTL"**) with the RBI until March 31, 2020 and RBI will issue separate guidelines for CRR to be maintained with effect from 1 April 2020, on which no interest is paid. In addition, we are also required to maintain, under the current requirements, a SLR equivalent to 18% of our NDTL, to be invested in state or central Government or other RBI-approved securities. We are also required to extend 75% of our ANBC to the sectors eligible for classification as priority sector lending by the RBI. In addition, under the SFB Operating Guidelines, at least 25% of our total Banking Outlets have to be located in unbanked rural centres ("**URCs**") and at least 50% of our loan portfolio is required to constitute loans and advances of up to ₹2.5 million.

Further, certain requirements that are applicable to SFBs in terms of the SFB Licensing Guidelines, SFB Operating Guidelines, and other banking laws and regulations, are more stringent in comparison to scheduled commercial banks and non-banking financial companies, and have and will continue to limit our ability to carry out certain businesses and improve our prospects, in order to ensure compliance. In addition, the SFB model is relatively new to India, and uncertainty in the applicability, interpretation or implementation of the governing law, specifically due to the absence of administrative or judicial precedent may be time consuming as well as costly for us to resolve. Our inability to comply with laws and regulations applicable to an SFB may have an adverse effect on our business, results of operations, financial condition and cash flows.

Strengthening our Retail Liability Franchise to contain Cost of Funds

Our retail deposits represented 41.21% of our total deposits as of March 31, 2018 and grew to 42.91% as of March 31, 2019 and to 54.44% of our total deposits as of March 31, 2020 and were 51.83% and 72.40% of our total deposits as of December 31, 2019 and 2020, respectively. We intend to continue to strengthen our retail liability franchise by opening branches in new geographies and focusing on improving our per branch productivity. With online and digital banking being increasingly accepted and adopted, we propose to optimize the use of our Banking Outlets. We intend to do achieve this by rationalizing two or more Banking Outlets in close proximity, and downsizing the premises of certain of our existing Banking Outlets, in order to decrease our overhead expenses. We also intend to gradually expand our network of Banking Outlets to ensure optimum utilization of resources.

Our Cost of Funds in Fiscal 2018, 2019 and 2020 and in the nine months ended December 31, 2019 and 2020 were 10.71%, 8.99%, 8.55% and 8.83% (annualized) / 6.62% (unannulized) and 8.05% (annualized) / 6.04% (unannualized), respectively. Our primary source of funds is our relatively low-cost deposit base, which is largely derived from retail depositors in India. To continue to source low cost and stable funds through deposits, we intend to develop a granular retail deposit customer base. Over the next few years we intend to capitalise on our asset customer base and convert them to liability customers by launching products customised for their needs. We intend to develop products and services designed for our rural, semi-urban as well as urban retail customers. Expansion of our deposit base through measured expansion of our Banking Outlets will also be a focus in the near future. For further information on growth of our retail liability franchise, see "*Our Business – Strategies*" beginning on page 147. As we focus on growing our deposit base through strategic expansion of our network, any new Banking Outlets we establish may not be profitable immediately upon their opening or may take time to break even. While we may generate higher deposits from these outlets, failure to do so within a reasonable period may adversely impact our profitability.

Diversification of Product Offerings

We focus on customer segments that are unbanked or underbanked in terms of formal financing channels and believe that diversification of our business with respect to the products we offer is a key component of our success.

Over the last three years we have been able to diversify our product portfolio which has resulted in a decline of our unsecured business from representing 94.81% of our Net Advances as of March 31, 2018 to 77.49% of our Net Advances as of March 21, 2020 and were 74.59% of our Net Advances as of December 31, 2020. We commenced operations as a microfinance institution in 2009, and upon conversion into a SFB have diversified into other products which broadly include commercial vehicles, affordable home loans, secured and unsecured business loans and loans to financial intermediaries institutions. Our products are primarily aimed at customers that are not a part of the formal banking infrastructure. For instance, we offer inclusive finance loans and micro business loans for customers that are not a part of the formal banking infrastructure and undertake small businesses and individuals involved in agricultural allied activities, we offer affordable housing loans to middle and low income segment, secured business loans to SME/ MSME/ corporates, commercial vehicle loans to fleet owners and retail customers and unsecured business loans to micro and small enterprises. We also provide institutional credit to NBFCs and various liability products to individuals, enterprises, corporates, partnership firms, banks etc. In addition, we distribute various general and life insurance products and mutual fund products. We also provide various liability products like higher interest-bearing savings and term deposit loans to self-employed individuals and mid-sized enterprises. In addition, we offer funds transfer facilities and distribution of insurance products.

JLG loans constitute a significant portion of our Gross Loan Portfolio and as of March 31, 2018, 2019 and 2020 and December 31, 2019 and 2020, these loans represented 89.89%, 81.44%, 75.85%, 75.73% and 70.35%, of our Gross Loan Portfolio, respectively. We have over the years grown our secured portfolio and as of March 31, 2018, 2019 and 2020, our secured loans represented 5.19%, 15.68%, 22.51%, 22.80% and 25.41% of our Net Advances, respectively.

Our business is dependent on developing and introducing financial products and services relevant to our target customer segment on competitive terms and increasing our customer base for existing products as well as expanding our operations. In order to improve our financial performance, we continue to monitor and align our product mix across our businesses by tapping into relevant industry opportunities. For instance, for our home loans segment, our focus will be disbursing loans to self-employed and salaried individuals for non-agricultural properties and in particular in the affordable housing segment and leverage our existing inclusive finance (JLG) outreach and customer base to source home loan customers. For further information, see "*Our Business – Strategies*" beginning on 147. We cannot assure you that such diversification or expansion of operations will in future yield and/ or continue to yield favourable or expected results, as our overall profitability and success will be subject to various factors, including, among others, our ability to effectively recruit, retain and motivate appropriate and experienced managerial talent, and ability to compete with scheduled banks, housing finance companies and other NBFCs that are already well established in this market segment.

Interest Rate Volatility

Our results of operations depend substantially on our Net Interest Income, which is the difference between our interest earned and interest expended. Interest earned is the largest component of our total income, and represented 88.29%, 88.79%, 89.76%, 89.92% and 90.58% of our total income in Fiscal 2018, Fiscal 2019 and Fiscal 2020 and in the nine months ended December 31, 2019 and 2020, respectively. Our Net Interest Income is affected by our interest expense, which is largely dependent on our deposits and associated interest rates. In Fiscal 2018, Fiscal 2019 and Fiscal 2020 and in the nine months ended December 31, 2019 and 2020, the total interest expended represented 38.62%, 37.45%, 37.12%, 40.44% and 42.73%, respectively, of our total expenditure.

Accordingly, the magnitude and timing of interest rate changes in the asset and liability markets as well as the relative gradient of the rate curves, have a significant impact on our Net Interest Margins and our profitability. Movements in short and long-term interest rates affect our interest earned and interest expended.

Prior to operating as an SFB, as an NBFC we met our funding requirements through a combination of term loans from banks and financial institutions, issuance of non-convertible debentures, refinancing arrangements, securitization/ assignment of receivables, and issuance of commercial paper. On transitioning into an SFB, our borrowings are subject to inter-bank borrowing limits, at par with scheduled commercial banks prescribed by RBI and thus our primary sources of funding have been deposits and refinancing from refinance institutions such as SIDBI and NABARD. As of December 31, 2020 majority of our funding consists of retail deposits accounting for 72.40% of our total deposits, with a CASA ratio of 13.32%. Considering the growth of our business, we will have a continuous requirement of funds for expanding our outreach and enhance our loan portfolio. Our ability to continue to meet customer demand for new loans will depend primarily on our ability to raise funds in a timely manner by creating a stable deposit base which in turn is function of suitable interest rates and terms. Our Net Interest Income is affected by debt service costs and costs of funds, which depend on external factors such as the status of bank lending rates in India, in particular, interest rate movements, as well as internal factors such as changes in our credit rating based on our growth, performance and profitability. Any change in our credit ratings may alter interest rates for refinancing our outstanding debt, which would affect our financing costs, and impact our future issuances of debt and our ability to raise new capital on a competitive basis.

We may also be affected by changes in RBI repo rates, which impact the interest rates charged on interest-earning assets and the interest rates paid on interest-bearing liabilities. Interest rates have a substantial effect on our cost of funding, our business volume and our profit margin. In addition, as there are varying maturity periods applicable to our interest-bearing assets and interest-bearing liabilities, a change in interest rates may result in an increase in interest expense relative to interest income leading to a reduction in our Net Interest Income.

Operating Expenses and Productivity Levels

We have the lowest cost to income ratio amongst SFBs in Fiscal 2020 (*Source: CRISIL Report*). Our cost to income ratio for Fiscal 2018, 2019 and 2020 and in the nine months ended December 31, 2019 and 2020 was 64.44%, 46.83%, 47.05%, 44.40% and 55.39%, respectively. Our ability to continue to improve our cost to income ratio largely depends on our ability on contain our infrastructure costs and improve productivity levels.

We have incurred significant expenditure and will continue to incur further expenditure on our network of Banking Outlets, human resources and information technology platforms for our operations. Our network of Banking Outlets has nearly doubled from 240 Banking Outlets as of March 31, 2018 to 477 Banking Outlets as of March 31, 2020 and 554 Banking Outlets as of December 31, 2020. Of the total Banking Outlets, 133 outlets are present in URCs as of March 31, 2020, and 153 URCs as of December 31, 2020, in accordance with RBI guidelines to have at least 25% of outlets in unbanked regions. We intend to gradually open additional Banking Outlets in the future in a cost effective manner based on our growth plan. We believe this approach has resulted in our low operating costs. Through stringent monitoring and cost approval processes, we have made efforts to minimize expenditure incurred towards our physical infrastructure. We have achieved relatively lower spend on branch infrastructure with comparatively small-sized premises and quality amenities. The productivity levels of our Banking Outlets network may vary according to the stage of operation of a Banking Outlet and the number of customers that the Banking Outlet is able to serve. Our Gross Advances per banking outlet (excluding URCs) increased from ₹ 66.50 million in Fiscal 2018 to ₹ 76.02 million in Fiscal 2020 and were ₹ 69.55 million in the nine months ended December 31, 2020.

From Fiscal 2018 to Fiscal 2020, we have invested ₹ 462.38 million towards our technology infrastructure. We have partnered with a technology service provider for our core banking system. Our expenses for these services, as well as for our hardware including computers and other equipment are staggered over future periods, enabling us to better manage our expenses and productivity levels. We measure our performance and operational efficiency through productivity levels, and seek to consistently improve our productivity through rigorous monitoring and technology adoption. To this extent, we have carried out digitization of our processes including carrying out electronic KYC checks. We also use analytics to regularly monitor and measure our performance, and apply it to improve effectiveness of our business sourcing. Our analytics capabilities include monitoring customer behavior over the customers' loan cycle; analyzing location-wise portfolio trends at the pin code level in terms of delinquency patterns, and volume of customers and competitors.

Similarly, we believe we are able to contain employee-onboarding costs due to long-term association with our employees. We incentivize our employees through employee stock options (ESOP), and performance driven compensation, and believe this contributes to our long-term association with our employees. We believe these measures have enabled us to improve our employee-productivity levels, resulting in the growth of advances per sales employee from ₹10.44 million in Fiscal 2018 to ₹ 14.63 million in Fiscal 2020 and were ₹ 14.84 million in the nine months ended December 31, 2020.

Asset quality, NPAs and provisioning requirements

Our ability to manage the credit quality of our loans, which we measure in part through NPAs, is a key driver of our results of operations. In addition to requiring us to make a provision on standard assets, the RBI requires us to classify and, depending on the duration of non-payment, make a provision on loans that become NPAs, which are further sub-classified as sub-standard, doubtful and loss assets. As the number of our loans that become NPAs increases, the credit quality of our loan portfolio decreases. In accordance with RBI norms, we are required to classify loans that are over 90 days past due as an NPA. The following table illustrates our asset quality ratios as of the dates indicated:

	As of March 31,			As of December 31,	
	2018	2019	2020	2019	2020
NPAs					
Gross NPA/ Gross Advances (%)	3.54%	1.81%	2.79%	2.78%	0.78%
Net NPAs / Net Advances (%)	1.86%	0.44%	0.57%	0.52%	0.33%

We provide floating provision of 2% on outstanding standard JLG portfolio in addition to standard asset provision requirement of RBI. As of December 31, 2020, we have an outstanding floating provision of ₹ 537.73 million on outstanding standard JLG portfolio. As at March 31, 2020 and at December 31, 2020, we have outstanding COVID-19 provision of ₹ 659.91 million and ₹ 1,407.10 million, respectively.

Our credit quality is dependent upon our credit appraisal processes and recovery mechanisms. With the growth of our business, our ability to manage the credit quality of our loans will be a key driver to our results of operations, as quality loans help reduce the risk of losses from loan impairment and write-offs.

We believe that the quality of our credit function, resulting in effective credit evaluation measures, as well as our systematic processes such as verification of borrower risk profile, source of repayment, underlying collateral and disbursement and collection processes, effective portfolio monitoring and timely corrective interventions have enabled us to maintain relatively low levels of NPAs. Our ability to reduce or contain the level of our NPAs is also dependent on a number of factors beyond our control, such as increased competition, adverse effect on the business and results of operations of our borrowers, a rise in unemployment, a sharp and sustained rise in interest rate, slow industrial and business growth, changes in customer behavior and demographic patterns, central and state government decisions (including agricultural loan waivers) and changes in regulations, including with respect to regulations requiring us to lend to certain sectors identified by the RBI. Any increase in the level of final credit losses or an inability to maintain our asset quality may adversely affect our NPA levels and require us to increase our provisions and write-offs.

Provisions for NPAs are created by a charge to our profit and loss account and are currently subject to minimum provisioning requirements, linked to ageing of NPAs. Our provision coverage ratio (including floating provision) was 48.33%, 75.80%, 84.71%, 84.22% and 89.58% in Fiscal 2018, 2019 and 2020 and in the nine months ended December 31, 2019 and 2020, respectively, and there can be no assurance that our provision coverage ratio will continue to increase or that it may not decline in the future. We may need to make further provisions if there is dilution/ deterioration in the quality of our security or down-grading of the account or recoveries with respect to such NPAs do not materialize in time or at all. This increase in provisions may adversely impact our financial performance.

Competition

We have a limited operating history as an SFB and the success of our banking operations depends on a number of factors, including the demand for our services and our ability to compete with other banks and financial institutions effectively. The banking and financing sector in India is highly competitive and we face competition in all our principal areas of business. We face our most significant organized competition from other SFBs, NBFCs, microfinance institutions and cooperative banks which have significant presence in rural areas, public sector banks, private sector banks, housing finance companies and other financial services companies in India. In addition, many of our potential customers in economically weaker segments do not have access to any form of organized institutional lending, and rely on loans from informal sources, especially moneylenders, landlords, local shopkeepers and traders, at higher interest rates. In the organized sector, our competitors may have a better brand recognition, greater business experience, more diversified operations, greater customer and depositor base, wider network of branches and better access to, and lower costs of funding than we do. Further, the RBI has issued Guidelines for On-Tap Licensing of SFBs in the Private Sector on December 5, 2019, which permits applicants to apply for SFB license to the RBI at any time, subject to fulfilment of certain eligibility criteria and other conditions. We anticipate that this will increase competition within small finance banks operating in India, including our Bank. Further, consolidation in the industry driven by the merger of other banks is likely to further increase competition by creating larger, more homogeneous and potentially stronger competitors in the market. Increase in operations of existing competitors or entry of additional banks offering similar or a wider range of products and services could also increase competition. Further, with the advent of technology based initiatives and alternative modes of banking, we may face increased competition in this sector, which may in turn impact our revenues and profitability. We also face competition from specialized fintech companies who could disrupt our origination, sales and distribution process. Our inability to compete effectively may adversely affect our business, results of operations financial condition and cash flows.

Due to competitive pressures, we may be unable to successfully execute our growth strategy and offer products and services at reasonable returns and this may adversely impact our business, future financial performance and the trading price of the Equity Shares. See *"Risk Factors – The Indian banking industry is very competitive and our growth strategy depends on our ability to compete effectively."* on page 39.

Transition to Ind AS and impact on preparation and presentation of our future financial statements

The Ministry of Corporate Affairs, in its press release dated January 18, 2016, issued a roadmap for implementation of Ind AS for scheduled commercial banks, insurance companies and NBFCs, which are also applicable to our Bank. Such roadmap provided that these institutions were required to prepare Ind AS financial statements for accounting periods commencing April 1, 2018 (including comparative financial information for the corresponding periods in the previous year). The RBI, by its circular dated February 11, 2016, required all scheduled commercial banks (except regional rural banks) to comply with Ind AS for accounting periods beginning from April 1, 2018 onwards, with comparatives for periods ending March 31, 2018 or thereafter, and also required such entities to be in preparedness to submit proforma Ind AS financial statements to the RBI from the six months ended September 30, 2016. Further, the RBI on October 13, 2017 advised SFBs to be prepared for implementation of the Ind AS accounting standards and instructed SFBs to submit proforma financial statements under Ind AS on a quarterly basis from the quarter ended June 30, 2017, in the format prescribed by them. In compliance of such regulatory requirements, we commenced submitting proforma Ind AS financial statements for the quarter ended June 30, 2017. However, the RBI, through its notification dated March 22, 2019, decided to defer the implementation of Ind AS until further notice for all scheduled commercial banks (except regional rural banks). Under applicable regulations, scheduled commercial banks, including our Bank, are not permitted to undertake early adoption of Ind AS. Accordingly, we continue to prepare and present our financial statements under Indian GAAP.

Ind AS differs in many respects from Indian GAAP, and our Restated Financial Statements prepared under Indian GAAP will therefore not be comparable to our financial statements prepared under Ind AS for such respective periods. The key areas of difference between Indian GAAP and Ind AS as it applies to our Bank include the methodology for estimating allowances for probable loan losses and for classifying and valuing our investment portfolio and revenue recognition policy. For estimation of probable loan losses, the new accounting standards may require us to calculate the present value of the expected future cash flows realizable from our loans, including the possible liquidation of collateral (discounted at the loan's effective interest rate). This may result in us recognizing allowances for probable loan losses in the future which may be higher or lower than under current Indian GAAP. In addition, given the relatively recent introduction of Ind AS in India, and in particular since under applicable regulations, Ind AS is still not applicable to scheduled commercial banks, there is limited established practice available for drawing informed judgments regarding the implementation and application of Ind AS to the financial statements of scheduled commercial banks, and consequently our Bank. The Ind AS financial information that we may be required to prepare when applicable to us in the future will therefore not be comparable to the Restated Financial Statements included in this Prospectus.

Therefore, there can be no assurance that our financial condition, results of operations, cash flows or changes in shareholders' equity will not appear materially worse under Ind AS than under Indian GAAP. In our transition to Ind AS reporting, when applicable, we may encounter difficulties in the ongoing process of implementing and enhancing management information systems. Further, there is no significant body of established practice on which to draw in forming judgments regarding the new system's implementation and application. There can be no assurance that our adoption of Ind AS will not adversely affect our reported results of operations or financial condition and any failure to successfully adopt Ind AS could adversely affect our business and the trading price of the Equity Shares.

SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The financial statements have been prepared and presented under the historical cost convention and accrual basis of accounting, unless otherwise stated and are in accordance with Generally Accepted Accounting Principles in India ('GAAP'), statutory requirements prescribed under the Banking Regulation Act, 1949, circulars and guidelines issued by the RBI from time to time, Accounting Standards ('AS') specified under Section 133 of the Companies Act, 2013 to the extent applicable, in so far as they apply to banks and current practices prevailing within the banking industry in India.

Significant Accounting Policies

Investments

Classification: In accordance with the RBI guidelines on investment classification and valuation, investments are classified on the date of purchase into "Held for Trading" ('HFT'), "Available for Sale" ('AFS') and "Held to Maturity" ('HTM' or "Banking book") categories (hereinafter called "categories"). Subsequent shifting amongst the categories is done in accordance with the RBI guidelines.

Under each of these categories, investments are further classified under six groups (hereinafter called "groups") – Government Securities, Other Approved Securities, Shares, Debentures and Bonds, Investments in Subsidiaries / Joint Ventures and Other Investments. We follow trade date accounting for purchase and sale of investments except for central and state government securities where settlement date method of accounting is followed in accordance with RBI Guidelines.

Basis of classification: Investments that are held principally for resale within 90 days from the date of purchase are classified under HFT category. Investments which we intend to hold till maturity are classified as HTM securities. Investments which are not classified in either of the above categories are classified under AFS category.

Acquisition Cost and Broken Period Interest: Brokerage, commission and broken period interest on debts instruments are recognised in Profit and Loss Account and are not included in the cost of acquisition.

Disposal of Investments: Profit/ loss on sale of investments under the aforesaid three categories is recognised in the Profit and Loss Account. Cost of investments is based on the weighted average cost method. The profit from sale of investment under HTM category, net of taxes and transfer to statutory reserve is appropriated from Profit and Loss Account to "Capital Reserve" in accordance with the RBI Guidelines.

Short Sale: We undertake short sale transactions in dated central government securities in accordance with the RBI guidelines. The short positions are categorised under HFT category and netted off from investments in the Balance Sheet. These positions are marked-to-market along with the other securities under HFT portfolio. The mark-to-market loss is charged to profit and loss account and gain, if any, is ignored as per RBI guidelines.

Valuation: Investments classified under AFS and HFT categories are marked to market as per the RBI guidelines.

Traded investments are valued based on the trades / quotes on the recognised stock exchanges, price list of RBI or prices declared by Primary Dealers Association of India ('PDAI') jointly with Fixed Income Money Market and Derivatives Association ('FIMMDA')/ Financial Benchmark India Private Limited (FBIL), periodically.

The market value of unquoted government securities which qualify for determining the Statutory Liquidity Ratio ('SLR'), included in the AFS and HFT categories, is computed as per the Yield-to-Maturity ('YTM') rates published by FIMMDA/FBIL.

The valuation of other unquoted fixed income securities (State Government securities, other approved securities, bonds and debentures) and preference shares, is done with a mark-up (reflecting associated credit and liquidity risk) over the YTM rates for government securities published by FIMMDA/FBIL.

Units of mutual funds are valued at the latest repurchase price/ net asset value declared by the mutual fund. Treasury bills, commercial papers and certificate of deposits being discounted instruments, are valued at carrying cost.

Net depreciation in the value, if any, compared to the acquisition cost, in any of the groups, is charged to the Profit and Loss Account. The net appreciation, if any, in any of the groups is not recognised except to the extent of depreciation already provided.

Investments classified under HTM category are carried at their acquisition cost and not marked to market. Any premium on acquisition is amortised over the remaining maturity period of the security on a constant yield-to-maturity basis. Such amortisation of premium is adjusted against interest income under the head "Income from investments" as per the RBI guidelines.

Non-performing investments are identified, and depreciation/ provision are made thereon based on the RBI guidelines. The depreciation / provision on such non-performing investments are not set off against the appreciation in respect of other performing securities. Interest on non-performing investments is not recognised in the Profit and Loss Account until received.

As per relevant RBI circulars, to build up adequate reserves to protect against increase in yields in future, we have created an Investment Fluctuation Reserve (IFR) to the extent of the lower of following: (a) net profit on sale of investments during the year; (b) net profit for the year less mandatory appropriations. As per the RBI circular, this reserve will be created until the amount of IFR is at least 2 percent of the HFT and AFS portfolio, on a continuing basis and where feasible this should be achieved within a period of three years.

Investment Reserve Account: In accordance with the RBI Master Circular on Prudential Norms for Classification, Valuation and Operation of Investment Portfolio by Banks, in case the provision on account of depreciation in the HFT and AFS categories is found to be in excess of the required amount, the excess is credited to the Profit and Loss Account and an equivalent amount net of taxes, if any, and adjusted for transfer to Statutory Reserve as applicable to such excess provision is appropriated to the Investment Reserve Account.

Repo and Reverse Repo Transactions: In accordance with the RBI guidelines, repurchase and reverse repurchase transactions in government securities including those conducted under the Liquidity Adjustment Facility ('LAF') and Marginal Standing Facility ('MSF') with RBI are accounted as borrowing and lending transactions respectively. Borrowing cost on repo transactions is accounted for as interest expense and revenue on reverse repo transactions is accounted for as interest income.

Advances

Advances are classified as performing and non-performing advances ('NPAs') as per the RBI guidelines on Income Recognition and Asset Classification and are stated net of specific provisions made towards NPAs and inter-bank participation with risk. Further, NPAs are classified into sub-standard, doubtful and loss assets based on the criteria stipulated by the RBI. Provisions for NPAs are made for sub-standard and doubtful assets at rates as prescribed by the RBI. NPAs are identified by periodic appraisals of the loan portfolio by management.

NPA accounts are written off in accordance with RBI guidelines and Bank's Policy post approval from Board of Directors (BOD). Amounts recovered against debts written-off are recognised in the Profit and Loss account. For restructured/ rescheduled assets, provision is made in accordance with guidelines issued by RBI. The restructured accounts are classified in accordance with RBI guidelines. We maintain a general provision on standard advances at the rates prescribed by RBI. Provision made against standard assets is included in "Other liabilities & provisions".

Provisions made in excess of our policy for specific loan provisions for non-performing assets and regulatory general provisions are categorised as floating provisions. Creation of floating provisions is considered up to a level approved by the Board. In accordance with the RBI guidelines, floating provisions are used up to a level approved by the Board and RBI only for contingencies under extraordinary circumstances and for making specific provisions for impaired accounts as per these guidelines or any other regulatory guidelines as applicable. The floating provision is netted-off from advances.

We recognise the provision for unhedged foreign currency exposure of its borrowers as per regulatory guidelines stipulated by the RBI from time to time and as per methodology prescribed. The provisions are included in provision for standard assets and reported under other liabilities.

Priority Sector Lending Certificates

We enter into transactions for the sale or purchase of Priority Sector Lending Certificates (PSLCs). In the case of a sale transaction, we sell the fulfilment of priority sector obligation and in the case of a purchase transaction, we buy the fulfilment of priority sector obligation through the RBI trading platform. There is no transfer of risks or loan assets. The fee received for the sale of PSLCs is recorded as 'Miscellaneous Income' and the fee paid for purchase of the PSLCs is recorded as 'Other Expenditure' in Profit and Loss account. We amortise the income over the residual quarters.

Revenue Recognition

Interest income is recognised in the Profit and Loss Account on an accrual basis, except in the case of non-performing assets is recognised upon realisation as per income recognition and asset classification norms of RBI. Income on non-coupon bearing discounted instruments is recognised over the tenor of the instrument on a constant effective yield basis. Loan processing fees is accounted for upfront when it becomes due. Interest income on deposits with banks and financial institutions is recognized on a time proportion basis taking into accounts the amount outstanding and the implicit rate of interest. Dividend is recognised as income when the right to receive the dividend is established. Profit or loss on sale of mutual fund units is recognised on trade date. All other fees are accounted for as and when they become due.

Fixed Assets and Depreciation

Tangible Assets: Fixed assets are stated at cost less accumulated depreciation/ amortization and impairment loss, if any. The cost comprises purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Any trade discounts and rebates are deducted in arriving at the purchase price.

Depreciation is charged over the estimated useful life of the fixed asset on written down value basis from the date asset is put to use considering residual value of 5% of the cost. Assets individually costing ₹ 5,000 or less are fully depreciated in the year of purchase. Assets purchased/ sold during the year are depreciated on a pro-rata basis for the actual number of days the assets have been put to use. Depreciation rate used by our Bank are in line with those specified under Schedule II of the Companies Act, 2013.

The details of useful life are as under:

Class of Assets	Estimated useful life
Computers & Accessories	3 years
Office equipment	5 years
Premises	30 years
Furniture and fittings	10 years
Vehicle	8 years

Leasehold Improvements: Improvements to leasehold premises are amortised over the primary period of lease or estimated useful life, whichever is lower.

Intangible Assets: Intangible Assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets such as software are amortized over a period of 36 months or license period whichever is lower on a straight-line basis with zero residual value.

Leases

Operating Lease: Leases, where the lessor effectively retains substantially all the risks and benefits of ownership for the leased term are classified as operating leases in accordance with Accounting Standard 19, Leases. The office premises are generally rented on cancellable terms or renewable at the option of both the parties. Computers and tablets are rented on operating lease.

Impairment

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

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

Taxation

Tax expense comprises current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961 enacted in India. Deferred taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where we have unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. We write-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised.

Earnings Per Share

Basic and diluted earnings per share are computed in accordance with Accounting Standard 20 – Earnings per share. Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

Diluted earnings per equity share reflect the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted to equity during the year. Diluted earnings per equity share are computed using the weighted average number of equity shares and potential dilutive equity shares outstanding during the period except where the results are anti-dilutive.

Provisions, contingent liabilities and contingent assets

In accordance with AS 29, Provision, Contingent liabilities and Contingent Assets, the provision is recognised when we have a present obligation as a result of past event, where it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

A disclosure of contingent liability is made when there is: (i) a possible obligation arising from a past event, the existence of which will be confirmed by occurrence or non-occurrence of one or more uncertain future events not within our control; or (ii) a present obligation arising from a past event which is not recognised as it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, balances with RBI, balances with other banks and money at call and short notice.

Borrowing cost

Borrowing cost includes arranger fees, processing fees, stamp duty on issuance of debenture certificates and other associated transaction cost related to borrowing from banks and other financial institutions. In accordance with Accounting Standard 16, borrowing costs are recognised upfront.

Retirement and other employee benefits

Defined Contribution Plans: Retirement benefits in the form of provident fund and employee state insurance schemes are defined contribution schemes and the contributions are charged to the Profit and Loss Account for the year when the contributions to the respective funds are due. There are no other obligations other than the contribution payable to the respective funds.

Defined Benefit Plan: We operate a defined benefit scheme, i.e., a gratuity scheme for our employees. The costs of providing benefits under this plan is determined on the basis of actuarial valuation at each year-end. Separate actuarial valuation is carried out for each plan using the projected unit credit method. In accordance with the gratuity fund's rules, actuarial valuation of gratuity liabilities is calculated based on certain assumptions regarding rate of interest, salary growth, mortality and staff alteration as per projected unit credit method.

Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial year. Actuarial gains/losses are immediately taken to profit and loss account and are not deferred.

Provision for Leave availment is made in accordance with Accounting Standard 15 “Employee benefits”.

Employee Stock Compensation Cost

Employees (including senior executives) receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions).

In accordance with the Guidance Note on Accounting for Employee Share-based Payments, issued by the ICAI, the cost of equity-settled transaction is measured using the fair value method and recognized, together with a corresponding increase in the “Employees Stock options outstanding account” in reserves. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and our best estimate of the number of equity instruments that will ultimately vest. The expense or credit recognized in the Profit and Loss Account for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and is recognized in employee benefits expense.

CHANGES IN ACCOUNTING POLICIES

Other than as stated below, there have been no changes in our accounting policies during Fiscal 2018, 2019 and 2020 and in the nine months ended December 31, 2020, except for the changes as necessitated by applicable laws.

Borrowing Cost

With effect from Fiscal 2020, our Bank is charging borrowing cost upfront in the statement of profit and loss account as compared to amortisation over the tenure of the borrowings. Borrowing cost includes arranger fees, processing fees, stamp duty on issuance of debenture certificates and other associated transactions costs related to borrowing from banks and other financial institutions. In Fiscal 2019, in accordance with AS 16, borrowing costs were recognized over the tenure of the borrowings. In Fiscal 2020, in accordance with AS 16, borrowing costs are recognized upfront.

Fee on sale of Priority Sector Lending Certificates

We enter into transactions for the sale or purchase of Priority Sector Lending Certificates (PSLCs). In Fiscal 2019, the fee received from sale of PSLCs was recorded as 'miscellaneous income' and the fee paid for purchase of PSLCs was recorded as 'other expenditure' in the profit and loss account. In Fiscal 2020, we commenced amortizing the income over the residual quarters of the fiscal year.

For further information, see "*Financial Information*" beginning on page 241.

PRINCIPAL COMPONENTS OF INCOME AND EXPENDITURE

Income

Interest Earned

Interest earned consists of interest/ discount on advances/ bills, income on investments, interest on balances with Reserve Bank of India and other inter-bank funds, and other interest.

Other Income

Other income consists principally of (i) commission, exchange and brokerage, (ii) profit on the sale of investments (net), (iii) profit/ (loss) on sale of fixed assets (net), and (iv) miscellaneous income, which includes income from priority sector lending certificates ("**PSLC**"), recoveries from assets written off, locker rent, etc.

Expenditure

Interest Expended

Interest expended include interest on deposits, interest on Reserve Bank of India/ inter-bank borrowings, and other interest such as interest on borrowings from refinance agencies, interest on debentures and subordinated debt.

Operating Expenses

Our operating expenses includes (i) payments to and provision for employees, (ii) rent, taxes and lighting, (iii) printing and stationery, (iv) advertisement and publicity, (v) depreciation on the Bank's property, (vi) directors' fees/ remuneration, allowances and expenses, (vii) auditors' fee and expenses, (viii) legal fees, (ix) postage, telegrams, telephones, etc., (x) repairs and maintenance, (xi) insurance, and (xii) other expenditure, including professional fees.

Provisions and Contingencies

Our provisions and contingencies consist of (i) provision for non-performing assets (including write off), (ii) provision for standard assets, (iii) provision for taxes, (iv) deferred tax charge, (v) provision for (write back of provision)/ depreciation on investments, (vi) write-off advances, and (vii) other provisions and contingencies, including floating provision and contingent provision for COVID-19.

RESULTS OF OPERATIONS

NINE MONTHS ENDED DECEMBER 31, 2020 COMPARED TO NINE MONTHS ENDED DECEMBER 31, 2019

The following table sets forth certain information with respect to our results of operations for the nine months ended December 31, 2019 and 2020:

Particulars	Nine Months Ended December 31, 2019		Nine Months Ended December 31, 2020	
	(₹ million)	Percentage of total income	(₹ million)	Percentage of total income
Income				
Interest earned	5,632.15	89.92%	6,243.49	90.58%

Particulars	Nine Months Ended December 31, 2019		Nine Months Ended December 31, 2020	
	(₹ million)	Percentage of total income	(₹ million)	Percentage of total income
Other income	631.43	10.08%	649.24	9.42%
Total	6,263.58	**100.00%**	6,892.73	**100.00%**
Expenditure				
Interest expended	2,020.83	32.26%	2,710.72	39.33%
Operating expenses	1,883.72	30.07%	2,316.35	33.61%
Provisions and contingencies	1,092.25	17.44%	1,317.00	19.11%
Total	4,996.80	**79.78%**	6,344.07	**92.04%**
Profit				
Net profit for the year	1,266.78	**20.22%**	548.66	**7.96%**

Income

Total income increased by 10.04% from ₹ 6,263.58 million in the nine months ended December 31, 2019 to ₹ 6,892.73 million in the nine months ended December 31, 2020 primarily due to an increase in interest earned due to the reasons discussed below.

Interest Earned

Interest earned increased by 10.85% from ₹ 5,632.15 million in the nine months ended December 31, 2019 to ₹ 6,243.49 million in nine months ended December 31, 2020, primarily due to an increase in interest/ discount on advances/ bills by 5.56% from ₹ 5,155.48 million in nine months ended December 31, 2019 to ₹ 5,442.14 million in nine months ended December 31, 2020 on account of an increase in advances. Gross Loan Portfolio increased by 8.57% from ₹ 35,998.54 million in the nine months ended December 31, 2019 to ₹ 39,082.29 million in the nine months ended December 31, 2020 primarily on account of an increase in inclusive finance loans portfolio by 0.85% from ₹ 27,263.47 million in the nine months ended December 31, 2019 to ₹ 27,495.76 million in the nine months ended December 31, 2020, affordable housing loans by 56.48% from ₹ 1,572.25 million in the nine months ended December 31, 2019 to ₹ 2,460.30 million in the nine months ended December 31, 2020 and increase in the number of Banking Outlets. Income on investments also increased by 54.11% from ₹ 388.25 million in the nine months ended December 31, 2019 to ₹ 598.34 million in the nine months ended December 31, 2020, as a result of higher surplus liquidity maintained in SLR and non-SLR securities as part of prudent risk management strategy. Interest on balances with RBI and other inter-bank funds increased from ₹ 86.79 million in the nine months ended December 31, 2019 to ₹ 199.53 million in the nine months ended December 31, 2020, due to increase in lending in inter-bank money market instruments, such as, call/ notice/ term money and reverse repo.

Other Income

Other income increased by 2.82% from ₹ 631.43 million in the nine months ended December 31, 2019 to ₹ 649.24 million in the nine months ended December 31, 2020, primarily due to increase in profit on sale of investments (net) and miscellaneous income.

Commission, exchange and brokerage decreased by 52.36% from ₹ 363.32 million in the nine months ended December 31, 2019 to ₹ 173.08 million in the nine months ended December 31, 2020 on account of relatively lower processing fee income as a result of lower disbursements in the nine months ended December 31, 2020 as compared to nine months ended December 31, 2019. Further, profit on sale of investments (net) increased by 341.94% from ₹ 55.06 million in the nine months ended December 31, 2019 to ₹ 243.33 million in the nine months ended December 31, 2020 due to relatively higher trading activities on account of declining Government security yields compared to in the nine months ended December 31, 2019. Miscellaneous income, primarily comprising of income from sale of PSLC and recovery from written-off accounts, increased by 9.35% from ₹ 212.93 million in the nine months ended December 31, 2019 to ₹ 232.83 million in the nine months ended December 31, 2020. Income from sale of PSLC increased by 10.15% from ₹ 192.76 million in the nine months ended December 31, 2019 to ₹ 212.33 million in the nine months ended December 31, 2020.

The components of other income for the nine months ended December 31, 2019 and the nine months ended December 31, 2020 are as follows:

Particulars	Nine Months ended December 31,	
	2019	2020
	(₹ million)	
Commission, exchange and brokerage	363.32	173.08
Profit on sale of investments (net)	55.06	243.33
Profit/(Loss) on sale of fixed assets (net)	0.12	-
Miscellaneous income	212.93	232.83
Total	631.43	649.24

Recurring income includes (i) commission, exchange and brokerage; (ii) profit on sale of investments (net); (iii) profit/ (loss) on sale of fixed assets (net); and (iv) miscellaneous income.

Expenditure

Total expenditure increased by 26.96% from ₹ 4,996.80 million in the nine months ended December 31, 2019 to ₹ 6,344.07 million in the nine months ended December 31, 2020 on account of an increase in interest expenses, operating expenses and higher provisions and contingencies.

Interest Expended

Interest expended increased by 34.14% from ₹ 2,020.83 million in the nine months ended December 31, 2019 to ₹ 2,710.72 million in the nine months ended December 31, 2020, primarily due to an increase in interest on deposits from ₹ 1,290.73 million in the nine months ended December 31, 2019 to ₹ 1,775.65 million in the nine months ended December 31, 2020 on account of increase in deposits. Deposits increased by 34.22% from ₹ 24,913.57 million in the nine months ended December 31, 2019 to ₹ 33,438.40 million in the nine months ended December 31, 2020 on account of increase in Banking Outlets and addition of new customers. This was further aided by an increase in interest on RBI/ inter-bank borrowings which increased by 105.33% from ₹ 43.54 million in the nine months ended December 31, 2019 to ₹ 89.40 million on account of increase in borrowings from Other institutions and agencies and increase in Unsecured redeemable debentures and term loans. Other interest also increased by 23.17% from ₹ 686.56 million in the nine months ended December 31, 2019 to ₹ 845.67 million in the nine months ended December 31, 2020 due to due to increase in refinance borrowings and subordinated debt.

Operating Expenses

Operating expenses increased by 22.97 % from ₹ 1,883.72 million in the nine months ended December 31, 2019 to ₹ 2,316.35 million in the nine months ended December 31, 2020 primarily due to an increase in payments to and provisions for employees from ₹ 1,211.48 million in the nine months ended December 31, 2019 to ₹ 1,335.67 million in the nine months ended December 31, 2020 on account of increase in number of employees from 4,423 employees as of December 31, 2019 to 4,770 employees as of December 31, 2020. Rent, taxes and lighting increased by 28.90% from ₹ 158.33 million in the nine months ended December 31, 2019 to ₹ 204.09 million in the nine months ended December 31, 2020 primarily due to increase in the number of Banking Outlets from 439 as of December 31, 2019 to 554 as December 31, 2020. Depreciation on the Bank's property increased by 97.12% from ₹ 50.00 million in the nine months ended December 31, 2019 to ₹ 98.56 million in the nine months ended December 31, 2020. Repairs and maintenance expenses also increased by 115.40% from ₹ 163.18 million in the nine months ended December 31, 2019 to ₹ 351.49 million in the nine months ended December 31, 2020 due to increase in expenditure towards our core banking solutions and upgradation of information technology. In addition, other expenditure, primarily comprising professional fees, increased by 27.30% from ₹ 171.33 million in the nine months ended December 31, 2019 to ₹ 218.10 million in the nine months ended December 31, 2020, on account of increase in payment to outsourced vendors, including, payments for increased volume, increase in payment to credit bureaus, fees for white label ATMs and commission to business correspondents.

Provisions and Contingencies

Provisions and contingencies increased by 20.58% from ₹ 1,092.25 million in the nine months ended December 31, 2019 to ₹ 1,317.00 million in the nine months ended December 31, 2020, primarily due to an increase in other provisions from ₹ 73.45 million in the nine months ended December 31, 2019 to ₹ 755.86 million in the nine months ended December 31, 2020. Other provisions primarily increased on account of contingency provision created due to the uncertain and volatile market environment as a result of COVID-19 and additional provisions created in accordance with the minimum provision required by the RBI guidelines relating to COVID-19 Regulatory Package dated March 27, 2020 and April 17, 2020. For further information, see "*Financial Statements – Annexure 22 – Note 15*" on page 284. Provision for non-performing assets/ write-offs (net) decreased by 16.64% from ₹ 461.85 million in the nine months ended December 31, 2019 to ₹ 384.98 million in the nine months ended December 31, 2020, on account of an interim order of the Supreme Court of India dated September 3, 2020, directing banks that accounts which were not declared as NPAs till August 31, 2020 shall not be declared as NPAs till further orders. Pending finality, we have not classified any account which was not a NPA as of August 31, 2020 as per the RBI Prudential Norms on Income Recognition, Asset Classification, Provisioning and Other Related Matters as NPA after August 31, 2020. Further, in light of the interim order by the Supreme Court, even accounts that would have otherwise been classified as NPAs post August 31, 2020 have not been and will not be, classified as NPAs till such time that the Supreme Court finally determines matter. Further, there was a decrease in income tax by 36.93% from ₹ 510.20 million in the nine months ended December 31, 2019 to ₹ 321.79 million in the nine months ended December 31, 2020 as a result of lower profits for the nine months ended December 31, 2020.

Profit

For the reasons discussed above, net profit for the period was ₹ 548.66 million in the nine months ended December 31, 2020 as compared ₹ 1,266.78 million in the nine months ended December 31, 2019.

FISCAL 2020 COMPARED TO FISCAL 2019

The following table sets forth certain information with respect to our results of operations for Fiscal 2019 and 2020:

Particulars	Fiscal 2019		Fiscal 2020	
	(₹ million)	Percentage of total income	(₹ million)	Percentage of total income
Income				
Interest earned	5,301.07	88.79%	7,666.85	89.76%
Other income	669.22	11.21%	874.53	10.24%
Total	**5,970.29**	**100.00%**	**8,541.38**	**100.00%**
Expenditure				
Interest expended	1,897.33	31.78%	2,757.80	32.29%
Operating expenses	1,907.43	31.95%	2,721.21	31.86%
Provisions and contingencies	1,261.55	21.13%	1,950.39	22.83%
Total	**5,066.31**	**84.86%**	**7,429.40**	**86.98%**
Profit				
Net profit for the year	**903.98**	**15.14%**	**1,111.98**	**13.02%**

Income

Total income increased by 43.06% from ₹ 5,970.29 million in Fiscal 2019 to ₹ 8,541.38 million in Fiscal 2020 primarily due to an increase in interest earned due to the reasons discussed below.

Interest Earned

Interest earned increased by 44.63% from ₹ 5,301.07 million in Fiscal 2019 to ₹ 7,666.85 million in Fiscal 2020, primarily due to an increase in interest/ discount on advances/ bills by 42.37% from ₹ 4,932.89 million in Fiscal 2019 to ₹ 7,022.74 million in Fiscal 2020 on account of an increase in advances. Gross Loan Portfolio increased by 24.93% from ₹ 29,704.42 million in Fiscal 2019 to ₹ 37,108.42 million in Fiscal 2020 primarily on account of an increase in inclusive finance (JLGs) portfolio by 16.36% from ₹ 24,191.24 million in Fiscal 2019 to ₹ 28,147.75 million in Fiscal 2020, other loan products from ₹ 131.60 million in Fiscal 2019 to ₹ 572.77 million in Fiscal 2020 and increase in the number of Banking Outlets. Income on investments also increased by 56.72% from ₹ 337.23 million in Fiscal 2019 to ₹ 528.51 million in Fiscal 2020, as a result of increase in investment to meet SLR requirements and surplus liquidity maintained in SLR and non-SLR securities as part of prudent risk management strategy. Interest on balances with RBI and other inter-bank funds increased significantly from ₹ 29.26 million in Fiscal 2019 to ₹ 113.26 million in Fiscal 2020, due to increase in lending in inter-bank money market instruments, such as, call/ notice/ term money and reverse repo, including under LAF.

Other Income

Other income increased by 30.68% from ₹ 669.22 million in Fiscal 2019 to ₹ 874.53 million in Fiscal 2020, primarily due to increase in commission, exchange and brokerage income, profit on sale of investments (net) and miscellaneous income.

Commission, exchange and brokerage increased by 9.85% from ₹ 448.13 million in Fiscal 2019 to ₹ 492.28 million in Fiscal 2020 on account of relatively higher processing fee income due to higher disbursements in the Fiscal 2020 compared to Fiscal 2019. Further, profit on sale of investments (net) increased by 78.58% from ₹ 39.78 million in Fiscal 2019 to ₹ 71.04 million in Fiscal 2020 due to relatively higher trading activities on account of declining Government security yields and higher investment in liquid mutual funds compared to Fiscal 2019. Miscellaneous income, primarily comprising of income from sale of PSLC and recovery from written-off accounts, increased by 71.62% from ₹ 181.23 million in Fiscal 2019 to ₹ 311.02 million in Fiscal 2020. Income from sale of PSLC increased by 65.48% from ₹ 168.96 million in Fiscal 2019 to ₹ 279.60 million in Fiscal 2020 due to increased sale of PSL certificates, as a result of higher PSL achievement in Fiscal 2020, and recovery from written off accounts increased from ₹ 10.66 million in Fiscal 2019 to ₹ 28.98 million in Fiscal 2020.

The components of other income for Fiscal 2019 and Fiscal 2020 are as follows:

Particulars	Fiscal	
	2019	2020
	(₹ million)	
Commission, exchange and brokerage	448.13	492.28
Profit on sale of investments (net)	39.78	71.04
Profit/(Loss) on sale of fixed assets (net)	0.08	0.19
Miscellaneous income	181.23	311.02
Total	**669.22**	**874.53**

Recurring income includes (i) commission, exchange and brokerage; (ii) profit on sale of investments (net); (iii) profit/ (loss) on sale of fixed assets (net); and (iv) miscellaneous income.

Expenditure

Total expenditure increased by 46.64% from ₹ 5,066.31 million in Fiscal 2019 to ₹ 7,429.40 million in Fiscal 2020 on account of an increase in interest expensed, operating expenses and provisions and contingencies.

Interest Expended

Interest expended increased by 45.35% from ₹ 1,897.33 million in Fiscal 2019 to ₹ 2,757.80 million in Fiscal 2020, primarily due to a significant increase in interest on deposits from ₹ 829.14 million in Fiscal 2019 to ₹ 1,818.30 million in Fiscal 2020 on account of increase in deposits. Deposits increased by 78.78% from ₹ 15,934.25 million in Fiscal 2019 to ₹ 28,487.15 million in Fiscal 2020 on account of increase in Banking Outlets and addition of new customers. This was partially offset by a decrease in interest on RBI/ inter-bank borrowings which decreased by 65.94% from ₹ 163.16 million in Fiscal 2019 to ₹ 55.57 million on account of decrease in inter bank borrowings and borrowings from RBI. Other interest also marginally decreased by 2.33% from ₹ 905.03 million in Fiscal 2019 to ₹ 883.93 million in Fiscal 2020 due to repayment of certain grandfathered borrowings, which refer to the borrowings undertaken prior to conversion as an SFB.

Operating Expenses

Operating expenses increased by 42.66% from ₹ 1,907.43 million in Fiscal 2019 to ₹ 2,721.21 million in Fiscal 2020 primarily due to an increase in payments to and provisions for employees from ₹ 1,266.73 million in Fiscal 2019 to ₹ 1,713.65 million in Fiscal 2020 on account of increase in number of employees from 3,931 employees as of March 31, 2019 to 4,695 employees as of March 31, 2020. Rent, taxes and lighting increased by 78.79% from ₹ 124.30 million in Fiscal 2019 to ₹ 222.23 million in Fiscal 2020 primarily due to increase in the number of Banking Outlets from 382 as of March 31, 2019 to 477 as March 31, 2020. There was also an increase in advertisement and publicity expenses by 91.00% from ₹ 24.00 million in Fiscal 2019 to ₹ 45.84 million in Fiscal 2020 primarily due to increase in brand awareness campaigns. Depreciation on the Bank's property increased by 74.90% from ₹ 55.94 million in Fiscal 2019 to ₹ 97.84 million in Fiscal 2020. Repairs and maintenance expenses also increased by 32.89% from ₹ 170.49 million in Fiscal 2019 to ₹ 226.56 million in Fiscal 2020 due to increase in expenditure towards our core banking solutions, and upgradation of information technology. In addition, other expenditure, primarily comprising professional fees, increased significantly by 69.25% from ₹ 167.03 million in Fiscal 2019 to ₹ 282.70 million in Fiscal 2020, on account of increase in payment to outsourced vendors, including, payments for increased volume, increase in payment to credit bureaus, fees for white label ATMs and commission to business correspondents.

Provisions and Contingencies

Provisions and contingencies increased by 54.60% from ₹ 1,261.55 million in Fiscal 2019 to ₹ 1,950.39 million in Fiscal 2020, primarily due to a significant increase in other provisions from ₹ 292.16 million in Fiscal 2019 to ₹ 872.62 million in Fiscal 2020. Other provisions primarily increased on account of contingency provision created due to the uncertain and volatile market environment as a result of COVID-19 and additional provisions created in accordance with the minimum provision required by the RBI guidelines relating to COVID-19 Regulatory Package dated March 27, 2020 and April 17, 2020. For further information, see "*Financial Statements – Annexure 22 – Note 15*" on page 284. Provision for non-performing assets/ write-offs (net) also increased by 63.50% from ₹ 76.46 million in Fiscal 2019 to ₹ 125.01 million in Fiscal 2020 as a result of increase in slippages in our inclusive finance (JLG) portfolio on account of increase in natural calamities and increase in slippages in the commercial vehicle portfolio and unsecured SME/MSME portfolio due to increase in market delinquency and deteriorating economic environment. Subsequently, our Bank has also reduced focus on unsecured MSME portfolio in Fiscal 2020. In addition, write-off on advances increased by 42.68% from ₹ 335.62 million in Fiscal 2019 to ₹ 478.87 million in Fiscal 2020 predominantly in the unsecured SME/MSME portfolio and inclusive finance (JLG) portfolio. Further, these increases were partially offset by a decrease in income tax by 17.48% from ₹ 523.26 million in Fiscal 2019 to ₹ 431.78 million in Fiscal 2020 as a result of lower tax rate as per the Taxation Laws (Amendment) Ordinance, 2019, issued by the Ministry of Finance on September 20, 2019.

Profit

For the reasons discussed above, net profit for the year was ₹ 1,111.98 million in Fiscal 2020 as compared ₹ 903.98 million in Fiscal 2019.

FISCAL 2019 COMPARED TO FISCAL 2018

The following table sets forth certain information with respect to our results of operations for Fiscal 2018 and 2019:

Particulars	Fiscal 2018		Fiscal 2019	
	(₹million)	Percentage of total income	(₹million)	Percentage of total income
Income				
Interest earned	2,868.82	88.29%	5,301.07	88.79%
Other income	380.44	11.71%	669.22	11.21%
Total	**3,249.26**	**100.00%**	**5,970.29**	**100.00%**
Expenditure				
Interest expended	1,210.52	37.26%	1,897.33	31.78%
Operating expenses	1,313.77	40.43%	1,907.43	31.95%
Provisions and contingencies	610.05	18.78%	1,261.55	21.13%
Total	**3,134.34**	**96.46%**	**5,066.31**	**84.86%**
Profit				
Net profit for the year	**114.92**	**3.54%**	**903.98**	**15.14%**

Income

Total income increased by 83.74% from ₹ 3,249.26 million in Fiscal 2018 to ₹ 5,970.29 million in Fiscal 2019 primarily due to an increase in interest earned due to the reasons discussed below.

Interest Earned

Interest earned increased by 84.78% from ₹ 2,868.82 million in Fiscal 2018 to ₹ 5,301.07 million in Fiscal 2019, primarily due to an increase in interest/ discount on advances/ bills by 91.17% from ₹ 2,580.43 million in Fiscal 2018 to ₹ 4,932.89 million in Fiscal 2019 on account of increase in advances. Gross Loan Portfolio increased by 72.92% from ₹ 17,177.83 million in Fiscal 2018 to ₹ 29,704.42 million in Fiscal 2019 primarily on account of an increase in inclusive finance (JLGs) portfolio by 56.67% from ₹ 15,441.32 million in Fiscal 2018 to ₹ 24,191.24 million in Fiscal 2019 and increase in the number of branches. Income on investments also increased by 50.68% from ₹ 223.80 million in Fiscal 2018 to ₹ 337.23 million in Fiscal 2019, as a result of increase in investment to meet SLR requirements and surplus liquidity maintained in SLR and non-SLR securities as part of prudent risk management strategy. This was partially offset by a decrease in interest on balances with RBI and other inter-bank funds, which decreased by 53.15% from ₹ 62.45 million in Fiscal 2018 to ₹ 29.26 million in Fiscal 2019, primarily due to maturity of the fixed deposits placed with banks, including security deposits for grandfathered borrowings, which refer to the borrowings undertaken prior to conversion to an SFB.

Other Income

Other income increased by 75.91% from ₹ 380.44 million in Fiscal 2018 to ₹ 669.22 million in Fiscal 2019, primarily due to increase in commission, exchange and brokerage income, profit on sale of investments (net) and miscellaneous income. Commission, exchange and brokerage increased by 71.95% from ₹ 260.61 million in Fiscal 2018 to ₹ 448.13 million in Fiscal 2019 on account of increase in processing fees due to higher disbursements. Further, profit on sale of investments (net) increased by 59.12% from ₹ 25.00 million in Fiscal 2018 to ₹ 39.78 million in Fiscal 2019 due to favourable yield movement in Government securities during the last quarter of Fiscal 2019. Miscellaneous income increased by 91.53% from ₹ 94.62 million in Fiscal 2018 to ₹ 181.23 million in Fiscal 2019 due to increase in income from sale of PSLC, which increased by 80.01% from ₹ 93.86 million in Fiscal 2018 to ₹ 168.96 million in Fiscal 2019 on account of increase in sale of PSL certificates, as a result of higher PSL achievement in Fiscal 2019.

The components of other income for Fiscal 2018 and Fiscal 2019, are as follows:

Particulars	Fiscal	
	2018	2019
	(₹ million)	
Commission, exchange and brokerage	260.61	448.13
Profit on sale of investments (net)	25.00	39.78
Profit/(Loss) on sale of fixed assets (net)	0.21	0.08
Miscellaneous income	94.62	181.23
Total	**380.44**	**669.22**

Recurring income includes (i) commission, exchange and brokerage; (ii) profit on sale of investments (net); (iii) profit/ (loss) on sale of fixed assets (net); and (iv) miscellaneous income.

Expenditure

Total expenditure increased by 61.64% from ₹3,134.34 million in Fiscal 2018 to ₹ 5,066.31 million in Fiscal 2019 on account of an increase in interest expensed, operating expenses and provisions and contingencies.

Interest Expended

Interest expended increased by 56.74% from ₹ 1,210.52 million in Fiscal 2018 to ₹ 1,897.33 million in Fiscal 2019, primarily due to an increase in interest on deposits from ₹ 244.27 million in Fiscal 2018 to ₹ 829.14 million in Fiscal 2019 on account of increase in deposits. Deposits increased from ₹ 7,495.22 million in Fiscal 2018 to ₹ 15,934.25 million in Fiscal 2019 on account of increase in Banking Outlets and addition of new customers. Other interest expense also increased by 35.84% from ₹ 666.26 million in Fiscal 2018 to ₹ 905.03 million in Fiscal 2019 on account of increase in refinance borrowings obtained from development financial institutions. This was partially offset by a decrease in interest on RBI/ inter-bank borrowings by 45.61% from ₹ 299.99 million in Fiscal 2018 to ₹ 163.16 million in Fiscal 2019 due to decrease in inter-bank borrowings primarily due to repayment of grandfathered borrowings during Fiscal 2019.

Operating Expenses

Operating expenses increased by 45.19% from ₹ 1,313.77 million in Fiscal 2018 to ₹ 1,907.43 million in Fiscal 2019 primarily due to an increase in payments to and provisions for employees from ₹ 872.24 million in Fiscal 2018 to ₹ 1,266.73 million in Fiscal 2019 on account of increase in employees from 2,883 employees as of March 31, 2018 to 3,931 employees as of March 31, 2019. Rent, taxes and lighting increased by 67.34% from ₹ 74.28 million in Fiscal 2018 to ₹ 124.30 million in Fiscal 2019 primarily due to increase in Banking Outlets from 240 as of March 31, 2018 to 382 as of March 31, 2019. There was also an increase in advertisement and publicity expenses by 976.23% from ₹ 2.23 million in Fiscal 2018 to ₹24.00 million in Fiscal 2019, primarily to due to increase in brand awareness campaigns. Repairs and maintenance expenses increased by 38.88% from ₹ 122.76 million in Fiscal 2018 to ₹ 170.49 million in Fiscal 2019, on account of increase in expenditure towards our core banking solutions, and upgradation of information technology. In addition, other expenditure, primarily comprising of professional fees, increased by 25.26% from ₹ 133.35 million in Fiscal 2018 to ₹167.03 million in Fiscal 2019, on account of increase in payment to outsourced vendors including payments for increased volume, increase in payment to credit bureaus, payment to consultants and commission to business correspondents.

Provisions and Contingencies

Provisions and contingencies increased by 106.79% from ₹ 610.05 million in Fiscal 2018 to ₹ 1,261.55 million in Fiscal 2019, primarily due to a significant increase in provision for current taxes from ₹ 107.23 million in Fiscal 2018 to ₹ 623.35 million in Fiscal 2019 on account of higher profit before tax. In addition, other provisions significantly increased from ₹ 27.59 million in Fiscal 2018 to ₹ 292.16 million in Fiscal 2019 due to the creation of a floating provision in Fiscal 2019, i.e. a provision of 1.5% on outstanding standard inclusive finance (JLG) portfolio. This increase was partially offset by deferred tax credit which increased from ₹ 43.79 million in Fiscal 2018 to ₹ 100.09 million in Fiscal 2019. Write-off of advances also decreased by 21.57% from ₹ 427.93 million in Fiscal 2018 to ₹ 335.62 million in Fiscal 2019, primarily due to higher write-offs in Fiscal 2018 on account of demonetisation.

Profit

For the reasons discussed above, net profit for the year was ₹ 114.92 million in Fiscal 2018 compared to ₹ 903.98 million in Fiscal 2019.

FINANCIAL CONDITION

Assets

The table below sets out the principal components of our assets as of the dates indicated:

	As of March 31,			**As of December 31,**	
	2018	**2019**	**2020**	**2019**	**2020**
	(₹million)				
Cash and balances with the Reserve Bank of India	308.22	483.04	605.27	741.65	889.02
Balance with banks and money at call and short notice	1,763.40	2,280.58	7,770.71	1083.18	7442.57
Investments	3,113.43	6,643.93	8,081.98	8928.26	15114.41
Advances	15,686.78	26,795.84	35,319.44	33609.03	37822.63
Fixed assets	135.41	189.77	387.30	307.36	433.58
Other assets	552.40	1,218.87	1,480.52	1222.09	1801.88
Total	**21,559.64**	**37,612.03**	**53,645.22**	**45,891.57**	**63,504.09**

Total assets increased by 38.38% from ₹ 45,891.57 million as of December 31, 2019 to ₹ 63,504.09 million as of December 31, 2020. This increase was primarily due to an increase in balances with banks and money at call and short notice by 587.15% from ₹ 1,083.18 million as of December 31, 2019 to ₹ 7,442.57 million as of December 31, 2020 and investments by 69.29% from ₹8,928.26 million as of December 31, 2019 to ₹15,114.41 million as of December 31, 2020.

Total assets increased by 42.63% from ₹ 37,612.03 million as of March 31, 2019 to ₹ 53,645.22 million as of March 31, 2020. This increase was primarily due to an increase in advances by 31.81% from ₹ 26,795.84 million as of March 31, 2019 to ₹ 35,319.44 million as of March 31, 2020.

Total assets increased by 74.46% from ₹ 21,559.64 million as of March 31, 2018 to ₹ 37,612.03 million as of March 31, 2019. This increase was primarily due to an increase in advances by 70.82% from ₹ 15,686.78 million as of March 31, 2018 to ₹ 26,795.84 million as of March 31, 2019.

Advances

The following table sets forth a breakdown of total advances as of the dates indicated:

	As of March 31,			As of December 31,	
	2018	**2019**	**2020**	**2019**	**2020**
	(₹million)				
Bills, purchased and discounted	-	-	-	-	-
Cash credits, overdrafts and loans repayable on demand	87.18	119.89	559.68	884.16	1,361.71
Term loans	15,599.60	26,675.95	34,759.76	32,724.87	36,460.92
Total	15,686.78	26,795.84	35,319.44	**33,609.03**	**37,822.63**
Secured by tangible assets	813.50	4,201.34	7,949.37	7,662.16	9,610.15
Covered by bank/ government guarantees	-	-	-	-	-
Unsecured	14,873.28	22,594.50	27,370.07	25,946.87	28,212.48
Total	**15,686.78**	**26,795.84**	**35,319.44**	**33,609.03**	**37,822.63**
Advances in India					
Priority sector	2,161.70	3,736.16	6,857.11	7,501.81	11,095.31
Public sector	-	-	-	-	-
Banks	-	-	113.50	115.61	5.00
Others	13,525.08	23,059.68	28,348.83	25,991.61	26,722.32
Total	**15,686.78**	**26,795.84**	**35,319.44**	**33,609.03**	**37,822.63**

Advances comprise inclusive finance (JLG) loans, home loans, commercial vehicle loans, secured and unsecured business loans and financial intermediary group loans.

Total advances increased by 12.54% from ₹ 33,609.03 million as of December 31, 2019 to ₹ 37,822.63 million as of December 31, 2020. This increase was primarily due to increase in disbursement of home loans, secured business loans and financial intermediary group loans.

Total advances increased by 31.81% from ₹ 26,795.84 million as of March 31, 2019 to ₹ 35,319.44 million as of March 31, 2020 and by 70.82% from ₹ 15,686.78 million as of March 31, 2018 to ₹ 26,795.84 million as of March 31, 2019, primarily due to increase in disbursements on account of improved productivity, opening of new Banking Outlets and increase in focus on new customer acquisition.

Investments

Our investments primarily represent investments in government securities.

Investments increased by 69.29% from ₹ 8,928.26 million as of December 31, 2019 to ₹ 15,114.41 million as of December 31, 2020, primarily due to an increase in investment in government securities to meet SLR requirements and surplus liquidity maintained in SLR securities as part of risk management. Investment in Government securities increased by 89.57% from ₹ 7,939.77 million as of December 31, 2019 to ₹ 15,051.36 million as of December 31, 2020.

Investments increased by 21.64% from ₹ 6,643.93 million as of March 31, 2019 to ₹ 8,081.98 million as of March 31, 2020, primarily due to an increase in investment in government securities to meet SLR requirements and maintain surplus liquidity maintained in SLR and non-SLR securities as part of risk management. Investment in Government securities increased by 47.05% from ₹ 4,659.50 million as of March 31, 2019 to ₹ 6,851.99 million as of March 31, 2020.

Investments increased by 113.40% from ₹ 3,113.43 million as of March 31, 2018 to ₹ 6,643.93 million as of March 31, 2019, primarily due to an increase in investment in government securities to meet SLR requirements and maintain surplus liquidity maintained in SLR and non-SLR securities as part of risk management. Investment in Government securities increased by 62.46% from ₹2,868.14 million as of March 31, 2018 to ₹ 4,659.50 million as of March 31, 2019.

Balances with Banks and Money at Call and Short Notice

Balances with banks and money at call and short notice increased by 587.10% from ₹1,083.18 million as of December 31, 2019 to ₹ 7,442.57 million as of December 31, 2020. The increase as of December 31, 2020 was primarily driven by an increase in money at call and short notice with banks which increased from ₹ 630.00 million as of December 31, 2019 to ₹7,180.00 million as of December 31, 2020 primarily due to surplus liquidity deployed in inter-bank money market instruments, such as, call/ notice/ term money and reverse repo, including under LAF.

Balances with banks and money at call and short notice increased by 240.73% from ₹ 2,280.58 million as of March 31, 2019 to ₹7,770.71 million as of March 31, 2020. The increase as of March 31, 2020 was primarily driven by an increase in money at call and short notice with banks which increased from ₹ 2,029.92 million as of March 31, 2019 to ₹7,590.00 million as of March 31, 2020 primarily due to surplus liquidity deployed in inter-bank money market instruments, such as, call/ notice/ term money and reverse repo, including under LAF.

Balances with banks and money at call and short notice increased by 29.33% from ₹ 1,763.40 million as of March 31, 2018 to ₹2,280.58 million as of March 31, 2019. The increase as of March 31, 2019 was primarily driven by increase in money at call and short notice with banks which increased by 69.19% from ₹ 1,199.82 million as of March 31, 2018 to ₹2,029.92 million as of March 31, 2019 primarily due to surplus liquidity deployed in inter-bank money market instruments, such as, call/ notice/ term money.

Other Assets

Other assets primarily include interest accrued, tax paid in advance/ tax deducted at source (net of provision for tax), deferred tax asset (net), and others.

Other assets increased by 47.44% from ₹ 1,222.09 million as of December 31, 2019 to ₹ 1,801.88 million as of December 31, 2020. The increase was primarily driven by an increase in deferred tax assets (net) by 157.28% from ₹ 231.95 million as of December 31, 2019 to ₹ 596.77 million as of December 31, 2020. Others also increased by 61.18% from ₹ 414.72 million as of December 31, 2019 to ₹ 668.45 million as of December 31, 2020.

Other assets increased by 21.47% from ₹ 1,218.87 million as of March 31, 2019 to ₹ 1,480.52 million as of March 31, 2020. The increase as of March 31, 2020 was primarily driven by an increase in interest accrued by 33.49% from ₹ 424.70 million as of March 31, 2019 to ₹ 566.95 million as of March 31, 2020 on account of increase in Gross Loan Portfolio. Deferred tax assets (net) also increased by 78.91% from ₹ 238.60 million as of March 31, 2019 to ₹ 426.89 million as of March 31, 2020.

Other assets increased by 120.65% from ₹ 552.40 million as of March 31, 2018 to ₹ 1,218.87 million as of March 31, 2019. The increase as of March 31, 2019 was primarily driven by an increase interest accrued by 57.10% from ₹ 270.34 million as of March 31, 2018 to ₹ 424.70 million as of March 31, 2019 on account of increase in Gross Loan Portfolio. Other assets also increased from ₹ 136.46 million as of March 31, 2018 to ₹ 514.69 million as of March 31, 2019 primarily on account of increase in input tax credits, security deposits of premises and securitization receivables.

Capital and Liabilities

The table below sets out the principal components of our shareholders' funds and liabilities as of the dates indicated:

	As of March 31,			As of December 31	
	2018	2019	2020	2019	2020
	(₹million)				
Capital	674.97	815.82	865.94	863.12	891.85
Reserves and surplus	4,709.88	7,987.85	9,796.35	9,890.01	11,017.77
Deposits	7,495.22	15,934.25	28,487.15	24,913.57	33,438.40
Borrowings	7,178.32	11,242.28	12,646.15	8,869.30	14,870.79
Other liabilities and provisions	1,501.25	1,631.83	1,849.63	1,355.57	3,285.28
Total	**21,559.64**	**37,612.03**	**53,645.22**	**45,891.57**	**63,504.09**

Total capital and liabilities increased by 38.38% from ₹ 45.891.57 million as of December 31, 2019 to ₹ 63,504.09 million as of December 31, 2020, primarily due to increase in deposits, borrowings and net worth (comprising capital, reserves and surplus).

Total capital and liabilities increased by 42.63% from ₹ 37,612.03 million as of March 31, 2019 to ₹ 53,645.22 million as of March 31, 2020, and by 74.46% from ₹ 21,559.64 million as of March 31, 2018 to ₹ 37,612.03 million as of March 31, 2019, primarily due to increase in deposits and net worth (comprising capital, reserves and surplus).

Deposits

The following table sets forth a breakdown of our Bank's deposits, as well as the percentage of total deposits that each item contributes, as of the dates indicated:

	As of March 31,						As of December 31,			
	2018		2019		2020		2019		2020	
	Amount (₹million)	Percentage of total deposits (%)	Amount (₹million)	Percentage of total deposits (%)	Amount (₹million)	Percentage of total deposits (%)	Amount (₹million)	Percentage of total deposits (%)	Amount (₹million)	Percentage of total deposits (%)
Demand Deposits										
(i) from banks	3.10	0.04%	116.17	0.73%	267.28	0.94%	119.14	0.48%	221.07	0.66%
(ii) from others	143.06	1.91%	344.46	2.16%	318.71	1.12%	190.6	0.77%	275.61	0.82%
Saving Bank Deposits	680.53	9.08%	1,331.82	8.36%	2,674.54	9.39%	2,663.53	10.69%	3,957.23	11.83%
Term Deposits										
(i) from banks	4,016.00	53.58%	6,136.94	38.51%	12,254.52	43.01%	10,984.06	44.09%	9,938.68	29.72%
(ii) from others	2,652.53	35.39%	8,004.86	50.24%	12,972.10	45.54%	10,956.24	43.98%	19,045.81	56.96%
Total	**7495.22**	**100.00%**	**15,934.25**	**100.00%**	**28,487.15**	**100.00%**	**24,913.57**	**100.00%**	**33,438.40**	**100.00%**

Deposits mainly comprise term deposits, savings bank deposits and demand deposits.

Deposits increased by 34.22% from ₹ 24,913.57 million as of December 31, 2019 to ₹ 33,438.40 million as of December 31, 2020, mainly due to increase in our network of Banking Outlets, comprising owned and business correspondents Banking Outlets.

Deposits increased by 78.78% from ₹ 15,934.25 million as of March 31, 2019 to ₹ 28,487.15 million as of March 31, 2020, mainly due to increase in our network of Banking Outlets, comprising owned and business correspondents Banking Outlets. Deposits increased significantly from ₹ 7,495.22 million as of March 31, 2018 to ₹ 15,934.25 million as of March 31, 2019 due to increase in our network of Banking Outlets.

Borrowings

Borrowings primarily comprise borrowings from the RBI, other banks, other institutions and agencies, tier 2 capital in the form of unsecured redeemable debentures and term loans, and non-convertible debentures.

Our borrowings increased by 67.67% from ₹ 8,869.30 million as of December 31, 2019 to ₹ 14,870.79 million as of December 31, 2020, primarily attributable to an increase in borrowings from refinancing institutions from ₹ 7,244.50 million as of December 31, 2019 to ₹ 11,226.00 million as of December 31, 2020.

Our borrowings increased by 12.49% from ₹ 11,242.28 million as of March 31, 2019 to ₹ 12,646.15 million as of March 31, 2020, primarily attributable to an increase in borrowings from refinancing institutions from ₹ 10,003.50 million as of March 31, 2019 to ₹ 10,690.50 million as of March 31, 2020.

Our borrowings increased by 56.61% from ₹ 7,178.32 million as of March 31, 2018 to ₹11,242.28 million as of March 31, 2019, primarily attributable to an increase in borrowings from refinancing institutions from ₹ 1,921.97 million as of March 31, 2018 to ₹ 10,003.50 million as of March 31, 2019. This increase was partially offset by decrease in borrowings from other banks by 97.40% from ₹ 1,298.94 million as of March 31, 2018 to ₹ 33.78 million as of March 31, 2019 and decrease in borrowings outside India from ₹ 1,515.00 million as of March 31, 2018 to ₹350.00 million as of March 31, 2019, primarily driven by maturity of certain grandfathered borrowings, which refer to the borrowings undertaken prior to conversion as an SFB.

Other Liabilities and Provisions

Other liabilities and provisions represent bills payable, interest accrued, others (including provisions) and comprising contingent provisions against standard assets, and other liabilities.

Other liabilities and provisions increased by 142.35% from ₹ 1,355.57 million as of December 31, 2019 to ₹ 3,285.28 million as of December 31, 2020, primarily due to an increase in (i) other liabilities (including provisions) by 185.66% from ₹ 996.69 million as of December 31, 2019 to ₹ 2,847.14 million as of December 31, 2020 as a result of increase in contingent provisions and Bills payable by 139.61% from ₹ 51.10 million as of December 31, 2019 to ₹ 122.44 million as of December 31, 2020. This was partially offset by a decrease in interest accrued by 15.89% from ₹ 207.99 million as of December 31, 2019 to ₹ 174.94 million as of December 31, 2020.

Other liabilities and provisions increased by 13.35% from ₹ 1,631.83 million as of March 31, 2019 to ₹ 1,849.63 million as of March 31, 2020, primarily due to an increase in (i) other liabilities (including provisions) by 21.33% from ₹ 1,206.13 million as of March 31, 2019 to ₹ 1,463.39 million as of March 31, 2020; and (ii) contingent provisions against standard assets by 57.10% from ₹ 73.75 million as of March 31, 2019 to ₹115.86 million as of March 31, 2020. This was partially offset by a decrease in interest accrued by 32.95% from ₹ 328.51 million as of March 31, 2019 to ₹220.28 million as of March 31, 2020.

Other liabilities and provisions increased by 8.70% from ₹ 1,501.25 million as of March 31, 2018 to ₹1,631.83 million as of March 31, 2019, primarily due to an increase in interest accrued from ₹ 142.28 million as of March 31, 2018 to ₹ 328.51 million as of March 31, 2019 as result of increase in Gross Loan Portfolio. This was offset by a decrease in other liabilities (including provisions) from ₹ 1,318.80 million as of March 31, 2018 to ₹ 1,206.13 million as of March 31, 2019.

LIQUIDITY AND CAPITAL RESOURCES

The purpose of the liquidity management function is to ensure that we have funds available to extend loans to our customers across our various products, to repay principal and interest on our borrowings and deposits and to fund our working capital requirements. As of March 31, 2018, 2019 and 2020 and as of December 31, 2019 and 2020, we had cash and cash equivalents available for use in our operations of ₹ 1,688.67 million, ₹ 2,654.28 million, ₹ 8,345.48 million, ₹ 1,531.61 million and ₹8,327.09 million, respectively.

We manage our liquidity position by raising funds periodically. We regularly monitor our funding levels to ensure we are able to satisfy the requirements for loan disbursements and maturity of our liabilities. Further, some of the financing arrangements entered into by us include conditions that require our Bank to obtain respective lenders' consent prior to carrying out certain activities and entering into certain transactions. See "*Risk Factors - We are required to comply with certain restrictive covenants under our financing agreements. Any non-compliance may lead to, amongst others, accelerated repayment schedule and enforcement of security, which may adversely affect our business, results of operations, financial condition and cash flows*" on page 40.

CASH FLOWS

The following table sets forth certain information relating to our cash flows in the periods indicated:

Particulars	Fiscal			Nine Months ended December 31,	
	2018	2019	2020	2019	2020
	(₹million)				
Net cash generated from/ (used in) operating activities	4,575.47	(5,451.90)	5,258.21	2,291.87	(1,525.81)
Net cash generated from/ (used in) investing activities	(843.36)	(135.71)	(1,667.61)	(1,700.06)	(1,365.88)
Net cash generated from/ (used in) financing activities	(2,852.56)	6,553.22	2,100.60	(1,714.48)	2,873.30
Net increase/ (decrease) in cash and cash equivalents	879.55	965.61	5,691.20	(1,122.67)	(18.39)
Cash and cash equivalents as at the beginning of the	809.12	1,688.67	2,654.28	2,654.28	8,345.48

Particulars	Fiscal			Nine Months ended December 31,	
	2018	2019	2020	2019	2020
	(₹million)				
period/ year					
Cash and cash equivalents at the end of the period/ year	1,688.67	2,654.28	8,345.48	1,531.61	8,327.09

Operating Activities

Nine Months ended December 31, 2020

In the nine months ended December 31, 2020, net cash flow from operating activities was ₹ (1,525.81) million. Profit before taxes was ₹ 700.57 million in the nine months ended December 31, 2020 and adjustments to reconcile profit before taxes to operating profit before working capital changes primarily consisted of depreciation of fixed assets of ₹ 98.56 million, provision for non performing assets (net of write off) of ₹ 384.98 million, contingent provision related to COVID-19 of ₹ 747.20 million and provision for standard assets of ₹ 24.10 million. Operating profit before working capital changes was ₹ 2,030.20 million in the nine months ended December 31, 2020. Working capital adjustments in the nine months ended December 31, 2020, included increase in advances of ₹ 2,893.72 million. This was significantly offset by an increase in deposits of ₹ 4,951.25 million. In the nine months ended December 31, 2020, cash generated from operations was ₹ (1,525.81) million and direct taxes paid amounted to ₹ (105.43) million.

Nine Months ended December 31, 2019

In the nine months ended December 31, 2019, net cash flow from operating activities was ₹ 2,291.87 million. Profit before taxes was ₹ 1,783.63 million in the nine months ended December 31, 2019 and adjustments to reconcile profit before taxes to operating profit before working capital changes primarily consisted of depreciation of fixed assets of ₹ 50.00 million, Provision for non-performing assets (net of write off) of ₹ 461.85 million and provision for standard assets of ₹ 24.74 million. Operating profit before working capital changes was ₹ 2,448.88 million in the nine months ended December 31, 2019. The main working capital adjustments in the nine months ended December 31, 2019, included increase in advances of ₹ (7,327.94) million. This was significantly offset by an increase in deposits of ₹ 8,979.32 million. In the nine months ended December 31, 2019, cash generated from operations was ₹ 2,291.87 million and direct taxes paid amounted to ₹ 503.86 million.

Fiscal 2020

In Fiscal 2020, net cash flow from operating activities was ₹ 5,258.21 million. Profit before taxes was ₹ 1,543.76 million in Fiscal 2020 and adjustments to reconcile profit before taxes to operating profit before working capital changes primarily consisted of depreciation of fixed assets of ₹ 97.84 million, bad debts written-off of ₹478.87 million, provision for non-performing assets of ₹ 125.01 million, provision for COVID-19 of ₹ 659.91 million and provision for standard assets of ₹ 42.11 million. Operating profit before working capital changes was ₹ 3,231.57 million in Fiscal 2020. The main working capital adjustments in Fiscal 2020, included increase in advances of ₹ 9,336.50 million. This was significantly offset by an increase in deposits of ₹ 12,552.90 million. In Fiscal 2020, cash generated from operations was ₹ 2,709.71 million and direct taxes paid amounted to ₹ 683.07 million.

Fiscal 2019

In Fiscal 2019, net cash flow used in operating activities was ₹ 5,451.90 million. Net profit before taxation was ₹ 1,427.24 million in Fiscal 2019 and adjustments to reconcile net profit before taxation operating profit before working capital changes primarily consisted of bad debts written-off of ₹ 335.62 million, provision for standard assets of ₹ 34.05 million and depreciation on fixed assets of ₹ 55.94 million. Operating profit before working capital changes was ₹ 2,264.31 million in Fiscal 2019. The main working capital adjustments in Fiscal 2019, included increase in advances of ₹ 11,781.71 million and increase in investments of ₹3,248.74 million. This was significantly offset by an increase in deposits of ₹ 8439.03 million. In Fiscal 2019, cash used in operating activities was ₹ 7,059.23 million and direct taxes paid amounted to ₹ 656.98 million.

Fiscal 2018

In Fiscal 2018, net cash flow from operating activities was ₹ 4,575.47 million. Net profit before taxation was ₹178.36 million in Fiscal 2018 and adjustments to reconcile net profit before taxation to operating profit before working capital changes primarily consisted of interest expenses on borrowings of ₹70.72 million, bad debts written off of ₹427.93 million, depreciation on fixed assets of ₹ 46.64million and provision for non-performing assets of ₹72.33 million. Operating profit before working capital changes was ₹ 894.34 million in Fiscal 2018. The main working capital adjustments in Fiscal 2018, included increase in advances of ₹ 8,053.08 million, decrease in investments of ₹ 3,696.26 million. In Fiscal 2018, cash generated from operations was ₹ 4,575.47 million and direct taxes paid amounted to ₹ 78.58 million.

Investing Activities

Nine Months ended December 31, 2020

Net cash used in investing activities was ₹ (1,365.88) million in the nine months ended December 31, 2020, primarily on account of net increase of banking book investment of ₹ 1,247.04 million and purchase of fixed assets of ₹ 90.67 million, partially offset by decrease in fixed deposit before considering cash and cash equivalents, amounting to ₹ 26.00 million.

Nine Months ended December 31, 2019

Net cash used in investing activities was ₹ 1,700.06 million in the nine months ended December 31, 2019, primarily on account of net increase of banking book investment of ₹ 1,348.71 million, increase of ₹ 183.88 million of fixed deposits and purchase of fixed assets of ₹ 24.98 million.

Fiscal 2020

Net cash used in investing activities was ₹ 1,667.61 million in Fiscal 2020, primarily on account of purchase of fixed assets of ₹ 227.20 million and net increase of banking book investment of ₹ 1,451.27 million, partially offset by decrease in fixed deposit before considering cash and cash equivalents, amounting to ₹ 78.84 million.

Fiscal 2019

Net cash used in investing activities was ₹ 135.71 million in Fiscal 2019, primarily on account of purchase of fixed assets of ₹104.75 million and net increase of banking book investment of ₹ 299.10 million, partially offset by decrease in fixed deposit not considered under cash and cash equivalents, amounting to ₹ 273.61 million.

Fiscal 2018

Net cash used in investing activities was ₹ 843.36 million in Fiscal 2018 on account of purchase of fixed assets of ₹ 116.37 million, and net increase of banking book of ₹ 886.46 million on account of increase in investment to meet SLR requirements.

Financing Activities

Nine months ended December 31, 2020

Net cash flow from financing activities was ₹ 2,873.30 million in the nine months ended December 31, 2020 on account of increase in borrowings (net) of ₹ 2224.64 million.

Nine months ended December 31, 2019

Net cash flow from financing activities was ₹ 1,714.48 million in the nine months ended December 31, 2019 on account of decrease in borrowings (net) of ₹ 2,372.98 million.

Fiscal 2020

Net cash flow from financing activities was ₹ 2,100.60 million in Fiscal 2020 on account of increase in borrowings (net) of ₹ 1,403.88 million.

Fiscal 2019

Net cash flow from financing activities was ₹ 6,553.22 million in Fiscal 2019 on account of increase in borrowings (net) of ₹ 4,063.96 million and proceed from issue of equity shares of ₹ 2,498.26 million.

Fiscal 2018

Net cash used in financing activities was ₹ 2,852.56 million in Fiscal 2018 on account of decrease in borrowings (net) of ₹ 3,108.15 million, partially offset by proceeds from issue of equity shares of ₹ 255.59 million.

CAPITAL ADEQUACY

Our Bank is subject to the CRAR requirements prescribed by the RBI. As of December 31, 2020, we were required to maintain a minimum CRAR of 15.00%, based on the total capital to risk-weighted assets. The following table sets forth certain information relating to the CRAR of our Bank as of the periods indicated:

	As of and for the year ended March 31,			As of and for the nine months ended December 31,	
	2018	2019	2020	2019	2020
	(₹ million, except percentages)				
Common Equity Tier I Capital	5,236.59	8,519.38	10,104.45	10,442.62	11,176.55
Tier I Capital	5,236.59	8,519.38	10,104.45	10,442.62	11,176.55
Tier II Capital	410.25	343.71	336.86	268.44	1,280.96
Total Capital	**5,646.83**	**8,863.09**	**10,441.31**	**10,711.06**	**12,457.51**
Total Risk Weighted Assets	**13,012.21**	**22,035.82**	**29,461.55**	**26,363.53**	**30,256.56**
Capital Adequacy Ratio					
Common Equity Tier I Capital Ratio (as a percentage of Risk Weighted Assets)	40.25%	38.66%	34.30%	39.61%	36.94%
Tier I Capital Ratio (as a percentage of Risk Weighted Assets)	40.25%	38.66%	34.30%	39.61%	36.94%
Tier II Capital Ratio (as a percentage of Risk Weighted Assets)	3.15%	1.56%	1.14%	1.02%	4.23%
Total Capital to Risk Weighted Asset Ratio (CRAR) (as a percentage of Credit Risk Weighted Assets)	43.40%	40.22%	35.44%	40.63%	41.17%

CREDIT RATING

The following table sets forth our credit ratings:

Particulars/ Instrument	Amount (₹million)	Rating	Rating Agency
Secured non-convertible debentures	50.00	A(Stable)	ICRA
Subordinate debt	500.00	A(Stable)	ICRA
Certificate of deposit	1,300.00	A1+	ICRA and CRISIL

INDEBTEDNESS

As of December 31, 2020, our total borrowings were ₹ 14,870.79 million (with long-term borrowings (including current maturity) of ₹ 12,626.00 million and short-term borrowings of ₹ 2,244.79 million) representing a Debt Equity Ratio (calculated as deposits plus borrowings divided by net worth) of 4.06. As of January 31, 2020, our total borrowings were ₹ 18,048.84 million. For further information regarding our indebtedness, see "*Financial Information*" and "*Financial Indebtedness*" beginning on pages 241 and 303, respectively.

The following table sets forth certain information relating to our outstanding indebtedness as of December 31, 2020, and our repayment obligations in the periods indicated:

Particulars	As of December 31, 2020 Payment due by period (₹ million)				
	Total	Not later than 1 year	1-3 years	3 -5 years	More than 5 years
Long Term Borrowings					
Term Loan (unsecured)	0.00	0.00	0.00	0.00	0.00
Term Loan (secured)	0.00	0.00	0.00	0.00	0.00
NCD (secured)	0.00	0.00	0.00	0.00	0.00
Refinance (Secured)	0.00	0.00	0.00	0.00	0.00
Refinance (Unsecured)	11,226.00	5,312.60	4,286.15	1,627.25	0.00
Subordinate Debt (unsecured)	1,400.00	150.00	250.00	0.00	1,000.00
Total long-term borrowings	**12,626.00**	**5,462.60**	**4,536.15**	**1,627.25**	**1,000.00**
Short Term Borrowings					
Term Money (unsecured)	**0.00**	0.00	0.00	0.00	0.00
Repo	**2,244.79**	2,244.79	0.00	0.00	0.00
Total Short-Term Borrowings	**2,244.79**	**2,244.79**	**0.00**	**0.00**	**0.00**
Borrowings	**14,870.79**	**7,707.39**	**4,536.15**	**1,627.25**	**1,000.00**

Some of the financing arrangements entered into by us include conditions that require our Bank to obtain respective lenders' consent prior to carrying out certain activities and entering into certain transactions. Some of the corporate actions that require prior consents from certain lenders include, amongst others, altering our capital structure; changing our current ownership/ control, formulating a scheme of amalgamation, compromise or reconstruction, material change in management, implementing a scheme of expansion, declaration of dividend in case of default, and amending constitutional documents. For further information, see "*Risk Factors - We are required to comply with certain restrictive covenants under our financing agreements. Any non-compliance may lead to, amongst others, accelerated repayment schedule and enforcement of security, which may adversely affect our business, results of operations, financial condition and cash flows.*" on page 40.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The following table sets forth certain information relating to future payments due under known contractual commitments as of December 31, 2020, aggregated by type of contractual obligation:

Particulars	As of December 31, 2020				
	Payment due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
	(₹million)				
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of capital advance)	-	-	-	-	-
Lease Hold Improvement	35.59	35.59	-	-	-
IT related	110.56	109.09	1.47	-	-
Total Contractual Obligations	**146.15**	**144.68**	**1.47**	-	-

The following table set forth information relating to the future minimum lease payments under the operating leases for our offices and Banking Outlets:

Particulars	As of December 31, 2020			
	Payment due by period			
	Total	Less than 1 year	Later than 1 year but not later than 5 years	More than 5 years
	(₹million)			
Non-cancellable operating lease obligations	103.04	57.64	44.50	0.90
Total	103.04	57.64	44.50	0.90

SECURITISATION AND ASSIGNMENT ARRANGEMENTS –

The following table sets forth information regarding our securitization deals outstanding as of March 31, 2018, 2019 and 2020 and as of December 31, 2019 and 2020:

Particulars (Securitisation)	As of March 31, 2018	As of March 31, 2019	As of March 31, 2020	As of December 31, 2019	As of December 31, 2020
	(₹million)				
(i) No. of accounts sold during the year	-	68,201	-	-	-
(ii) Aggregate value of accounts sold during the year	-	1,035.63	-	-	-
(iii) Aggregate Consideration received during the year	-	921.67	-	-	-
(iv) Additional Consideration realised in respect of account transferred in earlier years	-	-	-	-	-
(v) Aggregate gain over net book value during the year	-	106.81	-	-	-
(vi) MRR	-	113.96	-	-	-
(vii) First Loss	-	165.96	-	-	-
(viii) Others	-	-	-	-	-
(ix) Outstanding Balance	-	528.35	-	-	-
(x) No. of SPV transaction for securitisation transaction	-	2	-	-	-

Particulars (Direct Assignment Transactions)	As of March 31, 2018	As of March 31, 2019	As of March 31, 2020	As of December 31, 2019	As of December 31, 2020
	(₹million)				
(i) No. of accounts	-	1,26,182	-	-	-

Particulars (Direct Assignment Transactions)	As of March 31, 2018	As of March 31, 2019	As of March 31, 2020	As of December 31, 2019	As of December 31, 2020
	(₹million)				
(ii) Aggregate value of accounts sold to SC	-	1,237.32	-	-	-
(iii) Aggregate Consideration	-	1,113.59	-	-	-
(iv) Aggregate gain over net book value	-	65.11	-	-	-

For further information, see *"Financial Information"* beginning on page 241.

CONTINGENT LIABILITIES AND OTHER OFF-BALANCE SHEET ARRANGEMENTS

The following table sets forth certain information relating to our contingent liabilities which have not been disclosed, as of December 31, 2020:

Particulars	As of December 31, 2020
	(₹ million)
Claims against the bank not acknowledged as debts – taxation	38.65
Claims against the bank not acknowledged as debts – others	0.34
Liability on account of outstanding forward exchange contracts	-
Liability on account of outstanding derivative contracts	-
Guarantees given on behalf of constituents:	-
- In India	-
- Outside India	-
Acceptances, endorsements and other obligations	-
Other items for which the Bank is contingently liable	9.77
Total	48.76

Except as disclosed in this Prospectus, there are no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that we believe are material to investors.

CAPITAL EXPENDITURE/ ADDITIONS TO FIXED ASSETS

Our capital expenditure consists principally of expenditure relating to Banking Outlets and investment in technology infrastructure. In Fiscal 2018, Fiscal 2019 and in Fiscal 2020 and in the nine months ended December 31, 2019 and 2020, we incurred ₹ 116.37 million, ₹ 104.75 million, ₹ 227.20 million, ₹ 24.98 million and ₹ 90.67 million, respectively, as capital expenditure. In Fiscal 2018, Fiscal 2019 and Fiscal 2020 and in the nine months ended December 31, 2019 and 2020, additions made to software amounted to ₹ 6.77 million, ₹ 16.32 million, ₹ 103.30 million, ₹ 0.12 million and ₹ 42.78 million, respectively.

AUDITOR'S OBSERVATIONS

Other than as disclosed below, there have been no reservations/ qualifications/ adverse remarks/ matters of emphasis highlighted by our statutory auditors in their auditor's reports on the audited financial statements as of and for the years ended March 31, 2018, 2019 and 2020 and for the nine months ended December 31, 2019 and 2020.

The auditor's report on the financial statements as of and for the year ended March 31, 2020 and period ended December 31, 2020, included a matter of emphasis regarding Schedule 18(15) to the financial statements, which describes that the extent to which the COVID-19 pandemic will impact the Bank's financial statements will depend on future developments, which are highly uncertain. For further information, see "*Restated Financial Statements*" beginning on page 241.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to various types of market risks during the normal course of business such as credit risk, liquidity risk, operational and cash management risk, market and interest rate risk, information security and cyber risk, and reputational risk.

Credit Risk

Credit risk is the possibility of losses associated with diminution in the credit quality of borrowers or counterparties. We record losses in our portfolio from defaults that arise due to inability or unwillingness of a borrower or counterparty to meet commitments in relation to lending, trading, settlement and other financial transactions. The credit risk governance framework ensures that there is segregation of duties across the three lines of defence, i.e. (a) business units, which are responsible for implementing corrective actions to address process and control deficiencies as they retain accountability for managing the credit risks, (b) credit risk function that independently manages the risk, provides policy guidance, recommendations, risk reporting and analysis and (c) internal audit unit, which independently assesses the design and operational effectiveness of the entire credit risk management framework.

The credit risk function, with support from business units, is responsible for implementing processes for credit risk identification, assessment, measurement, monitoring and control. The key roles and responsibilities of the credit risk function include (i) stringent monitoring and management of specifically assigned problem accounts; (ii) monitor portfolio performance on a quarterly basis and identify associated risks; (iii) study the impact of various stress scenarios on different portfolios to complement the regular risk measurement methods; and (iv) implementation of internal audit recommendations specific to credit risk function.

Liquidity Risk

Liquidity risk could be due to funding risk and market liquidity risk. Funding liquidity risk is the risk of not being able to meet the expected and unexpected current and future cash flows and collateral needs without affecting its daily operations or its financial condition, due to reasons such as heavy withdrawal on account of alternative investment opportunities in market, change in market interest rates or strong loan growth. Market liquidity risk is the risk that we cannot easily offset or eliminate a position at prevailing market prices because of inadequate market depth or market disruption. We typically maintain adequate liquidity with a buffer to mitigate the risk of unanticipated large premature closure of deposits or to meet any other large unanticipated outflows. As of December 31, 2020, we maintained excess liquidity of ₹ 13,836.43 million in addition to mandatory SLR and CRR requirement and deployed primarily in SLR securities. We undertake periodic stress testing with various scenarios to determine the liquidity requirements under such conditions. Investments that are not categorized as HTM are in maintained as AFS. The securities held in excess of the mandatory SLR requirements are mostly sovereign securities which are to a large extent liquid or semi-liquid. These can be liquidated at short notice if required while also being eligible for repo operations as a source of funds at short notice. The extent and form of liquidity is periodically set out by the ALCO. Any requirements for enhancing or altering the liquidity profile in relation to institutional/ wholesale liabilities/ transactions is carried out by the Investment Committee.

Operational and Cash Management Risk

Operational risk is defined as the risk of losses resulting from inadequate or failed internal processes, people and systems or from external events. The RMCB reviews risk related to people, process and systems and monitors key risk through analysis of causative factors for operational loss events. All operational loss events/ incidents are reported to the Risk Management Department by the divisions where they originate, immediately when they occur. Each loss event/ incident is leveraged to modify existing controls or define new controls. We periodically and at least annually review our product and process notes to set-up corresponding control in line with evolving business environments. These are then reviewed by the Product Approval Committee, which comprises heads of all business and functional divisions before they are introduced. The new regulatory guidelines issued by RBI, including with respect to highlighting the weaknesses observed in the process and system at an industry level, are analyzed to revisit internal processes and address the gaps, if any. For each Banking Outlet, cash retention limits are defined based on the requirement of cash and customer profile of the outlet. We also subscribe to insurance cover to mitigate risks arising out of handling of cash. We also set limits for withdrawals for various banking channels (internet banking, mobile banking, ATMs) for risk mitigation.

The primary means to mitigate operational risk include internal controls and internal audit. We have also set up operational risk limits for various processes, based on the measures of operational risk. The contingent processing capabilities are also used as a means to limit the adverse impacts of operational risk. We also have knowledge-building exercises for personnel at all levels focused on risk education to reduce operational risk. The internal control process is aimed at reducing instances of fraud, misappropriation and errors. The internal control process is focused on proper segregation of duties and ensuring non-allocation of conflicting responsibilities, availability of information systems, defining control activities at every business level accompanied by top level reviews, effective channel of communication for the staff and availability of BCP and DRP.

Market and Interest Rate Risk

Market risk is the risk that earnings or capital will be adversely affected by adverse changes in market factors such as interest rates, volatilities, credit spreads, and equity prices. We are exposed mainly to interest rate risk and liquidity risk. While we do not have any exposure to equity or equity related instruments, any significant impact on the global capital markets can affect us through other markets. Interest rate risk is the exposure of our financial conditions to adverse movements in interest rates. Interest rate risk can pose a significant threat to earnings and capital base. Interest rate risk arises from mismatches in re-pricing of interest rate sensitive assets, rate sensitive liabilities and rate sensitive off-balance sheet items. The interest rate risk is managed on a balance sheet level.

In order to manage interest rate risk, most of the interest rates on advances as well as liabilities are fixed in nature and not subject to market-related resets, to contain any adverse effects. In addition, majority of our advances are for medium-term tenures with monthly repayments in order to limit the period of impact, if any. A significant portion of our investments are in SLR securities/ sovereign backed securities and are therefore exposed to limited credit risk.

The Asset Liability Management Committee (ALCO), which comprises heads of all business and functional divisions, meet regularly and at least every month, to review the extent of exposure to movement in interest rates to the capital values as well as possible impact on our net interest income. The ALCO also reviews a range of parameters including compliance with various regulatory limits on treasury portfolio, interest rates offered on deposits, and movements in assets and liabilities. The Investment Committee and the ALCO function together to manage interest rate risk and maintain the investment portfolio.

Information Security and Cyber Risk

Cyber risk refers to any risk of financial loss, disruption or damage to the reputation of an organization resulting from the failure of its information technology systems. Cyber risk could materialize in several ways, including deliberate and unauthorized breaches of security to gain access to information systems; unintentional or accidental breaches of security; operational IT risks due to factors such as poor system integrity; and intentional or unintentional actions by employees/ personnel or third-party vendors.

The measures we have adopted to ensure the security and integrity of our data and IT systems include constant monitoring through our 'Security Operations Centre', protection from malware attacks, data loss prevention, disaster recovery, firewalls, data encryption, multi-factor authentication, secured emailing systems, secured networks, usage of virtual private networks, change management processes, regular information security audits, application security testing, vulnerability assessments, penetration testing, information security awareness training for employees and vendors. The Management Information Security Steering Committee ("**MISC**"), which meets at regular intervals, reviews our preparedness to handle information security and cyber security and reports to IT Strategy Committee of the Board. The MISC comprises senior management and is responsible for approving and monitoring major information security projects and establishing information security priorities. It also approves standards and procedures, reviews positions of security incidents and status of information security awareness programs.

Reputational Risk

Reputation risk is the risk of the loss arising from the adverse perception of the image of our Bank by our customers, counterparties, investors or regulators. This is particularly relevant as our business involves ensuring customers that we are credible and can offer basic, secure services expected by the customers. This risk typically follows once other risks materialize. It compounds the effect of other risks, such as strategy, fraud and regulatory risks. Our ongoing risk review process takes into account reputational risk.

Reputational risks, if materialized, will affect our ability to establish new relationships or services or continue servicing existing relationships. This risk may expose us to litigation, financial loss, or a decline in our customer base. Reputational risk exposure is present throughout our Bank and includes the responsibility to exercise abundant caution in dealing with our customers and the community. We monitor reputational risk on an ongoing basis, by reviewing various relevant parameters including market perception, stakeholder satisfaction, business service disruption, process failure, employee satisfaction and financial performance.

TOTAL TURNOVER OF EACH MAJOR INDUSTRY SEGMENT IN WHICH THE BANK OPERATED

We are primarily engaged in the banking business. For further information, see "*Industry Overview*" beginning on page 112, and for information on segment reporting for Fiscal 2018, 2019 and 2020 and in the nine months ended December 31, 2019 and 2020, see "*Financial Information – Segment Reporting"* beginning on page 290.

UNUSUAL OR INFREQUENT EVENTS OR TRANSACTIONS

Except as described in this Prospectus, to our knowledge, there have been no unusual or infrequent events or transactions that have in the past or may in the future affect our business operations or future financial performance.

KNOWN TRENDS OR UNCERTAINTIES

Our business has been subject, and we expect it to continue to be subject, to significant economic changes arising from the trends identified above in "– *Factors affecting our Results of Operations and Financial Condition*" and the uncertainties described in "*Risk Factors*" beginning on pages 308 and 22, respectively. To our knowledge, except as discussed in this Prospectus, there are no known trends or uncertainties that have or had or are expected to have a material adverse impact on our revenues or income.

SIGNIFICANT ECONOMIC CHANGES THAT MATERIALLY AFFECT OR ARE LIKELY TO AFFECT INCOME FROM CONTINUING OPERATION

Our business has been subject, and we expect it to continue to be subject, to significant economic changes that materially affect or are likely to affect income from continuing operations identified above in "– *Factors affecting our Results of Operations and Financial Condition*" and the uncertainties described in "*Risk Factors*" beginning on pages 308 and 22, respectively.

NEW PRODUCTS OR BUSINESS SEGMENTS

Except as described in this Prospectus, we have not publicly announced any new products or business segments nor have there been any material increases in our revenues due to increased disbursements and introduction of new products.

FUTURE RELATIONSHIP BETWEEN COST AND INCOME

Other than as described elsewhere in the sections "*Risk Factors*", "*Our Business*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" beginning on pages 22, 141 and 306, respectively, to our knowledge, there are no known factors that will have a material adverse impact on our operations and financial condition.

SIGNIFICANT DEPENDENCE ON A SINGLE OR FEW CUSTOMERS OR SUPPLIERS

Given the nature of our business operations, we do not believe our business is dependent on any single or a few customers.

COMPETITIVE CONDITIONS

We operate in a competitive environment. See sections, "*Our Business*", "*Industry Overview*", "*Risk Factors - The Indian banking industry is very competitive and our growth strategy depends on our ability to compete effectively.*" and "*– Factors affecting our Results of Operations and Financial Condition – Competition*" beginning on pages 141, 112, 39 and 308, respectively.

SEASONALITY/ CYCLICALITY OF BUSINESS

Our business operations are not seasonal in nature.

SIGNIFICANT DEVELOPMENTS AFTER DECEMBER 31, 2020 THAT MAY AFFECT OUR FUTURE RESULTS OF OPERATIONS

Other than as disclosed above and elsewhere in this Prospectus including disclosure with respect to the impact of COVID-19 on our operations, to our knowledge no circumstances have arisen since December 31, 2020, that could materially and adversely affect or are likely to affect, our operations or profitability, or the value of our assets or our ability to pay our material liabilities within the next 12 months.

SECTION VI: LEGAL AND OTHER INFORMATION

OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS

*Except as disclosed in this section, there is no outstanding (i) criminal proceeding; (ii) action taken by regulatory or statutory authorities; (iii) claim related to direct and indirect taxes; and (iv) other litigation as determined to be material, in each case involving our Bank, our Promoters and our Directors (the "**Relevant Parties**"). Further, except as disclosed in this section, there are no disciplinary actions including penalty imposed against any of our Promoters during the immediately preceding five years, including any outstanding action.*

In relation to (iv) above, our Board in its meeting held on September 17, 2020, has considered and adopted a policy of materiality for identification of material litigation. In terms of the materiality policy adopted by our Board, any outstanding litigation:

a) *involving our Bank, in which the monetary amount of claim by or against our Bank exceeds an amount which is lesser of (i) one percent of the profit after tax or (ii) one percent of total income, as per the Restated Financial Statements for the Fiscal 2020, would be considered material. Our profit after tax as per the Restated Financial Statements for the Fiscal 2020 is ₹ 1,111.98 million. Accordingly, all outstanding litigation involving our Bank in which the amount involved exceeds ₹ 11.12 million (being one percent of the profit after tax and less than one percent of the total income, as per the Restated Financial Statements for the Fiscal 2020) have been identified as material and disclosures have been included (i) where the aggregate amount involved in an individual litigation exceeds ₹ 11.12 million; (ii) where the decision in one case is likely to affect the decision in similar cases, even though the amount involved in an individual litigation may not exceed ₹ 11.12 million; and (iii) all other outstanding litigation which may not meet the specific threshold and parameters as set out in (i) or (ii) above, but where an adverse outcome would materially and adversely affect the business, operations, prospects, financial position or reputation of our Bank, has been considered to be material; and*

b) *involving our Promoters and Directors, the outcome of which would materially and adversely affect the business, operations, financial position or reputation of our Bank, irrespective of the amount involved, has been considered as material.*

*Our Board, in its meeting held on September 17, 2020, has approved that, a creditor of our Bank, shall be considered to be material for the purpose of disclosure in the offer documents, if amounts due to such creditor exceeds 5% of the total trade payables of our Bank as per the latest annual restated financial statements of our Bank for the latest period disclosed in the offer documents. Accordingly, we have disclosed information of outstanding dues owed to any creditors of our Bank (excluding lenders and depositors of our Bank), separately giving details of number of cases and amount for all dues where each of the dues exceed ₹ 2.40 million (being approximately 5% of total trade payables of our Bank as per the as at and for nine months ended December 31, 2020) ("**Material Creditors**"). Further, our Board approved that for outstanding dues to any party which is a micro, small or a medium enterprise, the disclosure will be based on information available with our Bank regarding status of the creditor as defined under the Micro, Small and Medium Enterprises Development Act, 2006, as amended, as has been relied upon by the Statutory Auditor.*

It is clarified that for the purposes of the above, pre-litigation notices received by the Relevant Parties from third parties (excluding those notices issued by statutory/regulatory/tax authorities or notices threatening criminal action) shall, unless otherwise decided by our Board, not be considered as material until such time that the Relevant Parties, as applicable, is impleaded as defendant in litigation proceedings before any judicial forum.

We have disclosed matters relating to direct and indirect taxes involving the Relevant Parties in a consolidated manner giving details of number of cases and total amount involved in such claims, except for taxation matters which involve an amount exceeding ₹ 11.12 million.

I. Litigation involving our Bank

Litigation against our Bank

Matters involving an amount above ₹ 11.12 million

As on the date of this Prospectus, there is no material outstanding litigation against our Bank which involves a monetary liability of ₹ 11.12 million or more, nor any outstanding litigation wherein monetary liability is not quantifiable, whose outcome has a material bearing on the business, operations, performance, prospects, financial position or reputation of our Bank. Other matters below such threshold include public interest litigation against various MFIs and SFBs including our Bank, suits for injunction for recovery of loans and complaints for claiming insured amount deducted by our Bank from the loan amount. These matters are currently pending.

Tax Litigations

Except as disclosed below, there are no claims related to direct and indirect taxes, involving our Bank:

Nature of case	Number of cases	Amount involved (₹ in million)
Direct Tax	2	28.67#
Indirect Tax	1	4.87

Refund amount of ₹ 10.82 million determined for assessment year 2015-2016 has been adjusted against the disputed demand for assessment year 2014-2015. Further, Bank has paid ₹ 7.50 million in compliance of the order passed by the Principal Commissioner of Income Tax on stay application filed by our Bank. The abovementioned amount is prior to the adjustment of refund amount of ₹ 10.82 million and payment of ₹ 7.50 million in compliance of the order.

Direct tax matters

As on date of this Prospectus, following direct tax matter against our Bank individually involves an amount exceeding ₹ 11.12 million.

An assessment order ("**Assessment Order**") was passed against our Bank by the Deputy Commissioner of Income Tax, Mumbai ("**Deputy CIT**") under the Income Tax Act after issuing notices of demand to our Bank, in relation to the returns filed by our Bank for the assessment year 2014-2015, alleging non-compliance with certain provisions of the Income Tax Act, including *inter alia* in relation to income accrued from issue of shares taxable as income from other sources, delayed payment towards provident fund and employee state insurance corporation, certain amounts debited as expenditure on corporate social responsibility. Our Bank filed an appeal against the Assessment Order before the Commissioner of Income Tax (Appeals), Mumbai ("**CIT (A)**"). Our Bank also filed an application before the Principal Commissioner of Income Tax, Mumbai, requesting a stay on the recovery of outstanding demand and was granted a stay on the recovery of outstanding demand, subject to the payment of ₹ 7.50 million ("**Stay Order**"). The appeal against the Assessment Order was dismissed by the CIT (A) ("**CIT Order**"). Our Bank filed an appeal before the Income Tax Appellate Tribunal, Mumbai ("**Tribunal**") against the CIT Order ("**Appeal**") and an application requesting a stay on recovery of outstanding demand. The Tribunal granted a stay on recovery of outstanding demand for a period of 180 days or till the date of the order passed by the Tribunal, whichever is earlier ("**Stay Order II**"). The Appeal was allowed by the Tribunal. Further, in relation to one of the alleged non-compliances with respect to income accrued from issue of shares taxable as income from other source, the Tribunal set aside the issue to the file of the assessing officer to be decided afresh and as per law. The amount involved in the matter is ₹ 24.44 million. The matter is currently pending.

Litigation by our Bank

Matters involving an amount above ₹ 11.12 million

As on the date of this Prospectus, there are no material outstanding litigation filed by our Bank which involve a monetary liability of ₹ 11.12 million or more, nor any outstanding litigation wherein monetary liability is not quantifiable, whose outcome has a material bearing on the business, operations, performance, financial position or reputation of our Bank. Other matters below such threshold include suits for recovery of debt and arbitration proceedings in relation to repayment of loan amounts by our borrowers.

Criminal Litigation

As on the date of this Prospectus, following are the outstanding criminal litigation filed by Bank.

1. A criminal complaint has been filed by our Bank against Pradip Gundappa Kalshetty at the police station at Kothrud, Pune, alleging *inter alia,* for wrongful loss caused to our Bank, criminal breach of trust and cheating. The complaint has been filed alleging failure of repayment of the vehicle loan availed from our Bank and selling crucial parts of the vehicles, hypothecated in favour of our Bank. The total amount involved in the matter is ₹ 3.60 million. The matter is currently pending.

2. A criminal complaint has been filed by our Bank against Haresh Shailesh Panchmatia, Daksha Haresh Panchmatia and M/s. Aadhar Developers and Creative Group through its proprietor, Amol Chandrakant Jadhav at the police station at Titwala, Kalyan Taluka, Thane, alleging *inter alia* for wrongful loss caused to our Bank, criminal breach of trust, cheating and conspiracy. The complaint has been filed alleging failure in completion of house for which housing loan availed from our Bank as per stipulated agreement. The amount involved in the matter is ₹ 2.59 million. The matter is currently pending.

3. A criminal complaint has been filed by our Bank against Vishwanath B. Pawar, Poonam Vishwanath Pawar and M/S. S.M. Londhe Developers through its proprietor, Shashikesh Manik Londhe at the police station at Bharti Vidyapeeth, Pune, alleging *inter alia* for wrongful loss caused to our Bank, criminal breach of trust, cheating and conspiracy. The complaint has been filed alleging failure in completion of house for which

housing loan availed from our Bank as per stipulated agreement. The amount involved in the matter is ₹ 0.60 million. The matter is currently pending.

4. A criminal complaint has been filed by our Bank against Machindra Pandit Borse, Jayshree Machindra Borse and M/S. Swami Creations through its partner, Anant Bhimrao Chavan at the police station, Sinhgadh, Pune, alleging *inter alia* for wrongful loss caused to our Bank, criminal breach of trust, cheating and conspiracy. The complaint has been filed alleging failure in completion of house for which housing loan availed from our Bank as per stipulated agreement. The amount involved in the matter is ₹ 1 million. The matter is currently pending.

As of the date of this Prospectus, there are 1,118 cases filed by our Bank under the Negotiable Instruments Act, 1881 in relation to dishonour of cheques. The total amount involved in all these matters is of ₹ 287.94 million. These matters are currently pending.

II. Litigation involving our Directors

Ranjit Shah

The liquidator in proceedings under the Insolvency and Bankruptcy Code, 2016, as amended ("**IBC**") initiated against Carnation Auto India Private Limited ("**Carnation**") by its creditor, Punjab National Bank, filed a company application (No. 324/2019) ("**Company Application**") before the National Company Law Tribunal, New Delhi Bench – VI ("**NCLT, Delhi**"). The Company Application alleged that Carnation engaged in, among other things, preferential, undervalued and extortionate transactions, writing off of bad debts and advancement of loans to related parties, with the intention to defraud the creditors of Carnation or for other fraudulent purposes. The liquidator sought directions from the NCLT, Delhi requiring the directors of Carnation and persons related to them to make good the losses allegedly suffered by Punjab National Bank due to the alleged default of Carnation under its loan agreement with Punjab National Bank and also sought directions for the respondents to make contributions to the assets of Carnation for an amount of approximately ₹ 43,770.16 million, inter alia, in relation to writing off bad debts, non-recovery of loans given to related parties, etc by Carnation. Ranjit Shah, in his capacity as an erstwhile nominee director and a non-executive director (on behalf of GPE (India) Limited, Gaja Trustee Company Private Limited as trustee of Gaja Capital India Fund-I, and GPE JV2 Limited) on the board of directors of Carnation, was included as one of the respondents. Nominee directors appointed by other investors and other individuals are also arrayed as respondents. Ranjit Shah filed a preliminary reply to the Company Application, and separately filed a miscellaneous application before the NCLT, Delhi, seeking dismissal of the Company Application and/or the deletion of his name as a party to the Company Application, and further, stay of such proceedings pending the hearing and disposal of the miscellaneous application. Thereafter, the NCLT, Delhi dismissed the Company Application. Subsequently, the liquidator has filed an appeal (Company Appeal (AT) (Insolvency) (No. 743/2020) before the National Company Law Appellate Tribunal challenging the order of the NCLT, Delhi. Certain Respondents, including Ranjit Shah, have filed their respective affidavits in reply to the appeal. The matters are currently pending.

Aleem Remtula

An original suit, i.e. CS No 143 of 2012 ("**Suit**") has been filed under Order VII Rule 1 read with Section 92 of the Code of Civil Procedure, 1908 before the Hon'ble Madras High Court ("**Court**") alleging diversion of funds from the Maha Semam Trust ("**Trust**") to S.M.I.L.E. Microfinance Limited ("**SMILE**"). Aleem Remtula ("**Defendant**") is a director on the board of directors of SMILE nominated by M/s DWM Investments (Cyprus) Limited and has consequently been made party to the Suit. There are no express allegations against the Defendant in the Suit and no relief is claimed against him in his individual and, or personal capacity. Subsequent to the Suit being filed, the Defendant filed an application being Application Number 2928 of 2012 for striking out his name as defendant in the Suit. The Court through an order ("**Order**") allowed the said application and held that as there was no cause of action against the Defendant and he was neither necessary nor proper party to the Suit. However, an appeal, OSA No 96 of 2014, has been preferred against the Order passed in respect of the above application and it has been prayed that the aforesaid Order should be set aside. The said appeal is pending final disposal and no orders have been passed in the said appeal.

Outstanding dues to Creditors

Our Bank, in its ordinary course of business, has trade payables which are due towards micro, small and medium enterprises and creditors (other than micro, small and medium enterprises). As of December 31, 2020, the total number of creditors of our Bank is 679 and the total outstanding dues to these creditors by our Bank is ₹ 48 million. There are no outstanding dues payable to micro, small and medium enterprises. Details of outstanding dues owed by our Bank as on December 31, 2020 are set out below.

Particulars	Number of creditors	Amount (₹ in million)
Micro, small and medium enterprises	-	Nil

Particulars	Number of creditors	Amount (₹ in million)
Material Creditors	2	18.94
Other creditors	677	29.06
Total	679	48.00

The complete details pertaining to outstanding over-dues towards our material creditors, along with their names and amount involved for each such material creditor, are available on the website of our Bank at https://www.suryodaybank.com/pdf/Material_Creditors.pdf. It is clarified that such details available on our website do not form a part of this Prospectus and investors should not make any investment decision based on information available on the website of our Bank. Anyone placing reliance on any other source of information, including our Bank's website, would be doing so at their own risk.

Material Developments

Other than as stated in "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" beginning on page 306, there have not arisen, since the date of the last financial information disclosed in this Prospectus, any circumstances which materially and adversely affect, or are likely to affect, our trading, our profitability or the value of our assets or our ability to pay our liabilities within the next 12 months.

GOVERNMENT AND OTHER APPROVALS

*We have set out below a list of material approvals, consents, licences and permissions from various governmental and regulatory authorities obtained by our Bank which are considered material and necessary for the purpose of undertaking our business activities and operations (“**Material Approvals**”). In view of these Material Approvals, our Bank can undertake this Issue. In addition, certain of our Material Approvals may have lapsed or may lapse in their normal course and our Bank has either already made applications to the appropriate authorities for renewal of such Material Approvals or is in the process of making such renewal applications. Unless otherwise stated, Material Approvals as set out below, are valid as on date of this Prospectus.*

We have also disclosed below (i) the Material Approvals applied for, including renewal applications made, but not received; (ii) the Material Approvals which have expired and renewal yet to be applied for; and (iii) the Material Approvals which are required but not obtained or applied for, to the extent applicable.

For further details in connection with the regulatory and legal framework within which we operate, see “Key Regulations and Policies” beginning on page 172.

I. Approvals in relation to the Issue

1. For details regarding the approvals and authorizations obtained by our Bank in relation to the Issue, see “*Other Regulatory and Statutory Disclosures - Authority for the Issue*” on page 344.

II. Material Approvals in relation to the business operations as an SFB

A. RBI approvals for carrying on business activities of our Bank

2. Approval from RBI for the opening of subsidiary general ledger account.
3. Approval from RBI for commencing and operating mobile banking services.
4. Approval from RBI for allotment of primary IFSC SURY0000001.
5. Approval from RBI granting MICR code to 501 branches of our Bank.
6. Approval from RBI for allotment of 2148 as DEAF Code.
7. Approval from RBI for the opening of principal current account.
8. Approval from RBI for the opening and maintenance of NRE and NRO accounts.
9. Approval from RBI for issuing a 3-digit Basic Statistical Return – BSR Code 204.
10. Licence from RBI for authorization as Authorized Dealer – Category II.
11. No-objection certificate from RBI in relation to undertaking the activity of distribution of insurance products on a non-risk sharing basis without any commitment of own funds.
12. No-objection certificate from RBI in relation to undertaking the distribution of mutual fund units and pension products under the Atal Pension Yojana and National Pension Scheme on a non-risk sharing basis without any commitment of own funds.
13. No-objection certificate from RBI in relation to referral arrangement for providing mutual fund distribution services.

B. RBI approvals granting membership to our Bank

1. Approval from RBI for membership of NDS-Call and NDS-OM system.
2. Approval from RBI for INFINET membership.
3. Approval from RBI for membership of RTGS system in the ‘Type A’ category and a RTGS settlement account in the name of our Bank has been opened at the banking department, Mumbai.

C. *RBI approvals for opening of administrative offices, branches and banking outlets of our Bank*

1. Approval from RBI for setting up of 11 administrative offices at various locations.
2. Approval from RBI for setting up of 10 administrative offices and 10 back offices at various locations.

3. Approval from RBI for opening of 501 banking outlets at various locations.

4. Approval from RBI for opening of 26 branches at various locations.

5. Approval from RBI for opening of 31 banking outlets at various locations.

6. Approval from RBI for opening of 51 banking outlets at various locations.

7. Approval from RBI for opening of 128 branches at various locations.

8. Approval from RBI for opening of 108 banking outlets at various locations.

9. Approval from RBI for opening of 66 branches at various locations.

10. Approval from RBI for opening of 38 banking outlets at various locations.

11. Approval from RBI for opening of 37 banking outlets at various locations.

12. Approval from RBI for opening of 25 banking outlets at various locations.

13. Approval from RBI for opening of 34 banking outlets at various locations.

14. Approval from RBI for opening of two branches at various locations.

D. *Other regulatory approvals for carrying on business activities of our Bank*

1. Approval from CERSAI for registration with the Central KYC Registry.

2. Approval from UIDAI for classification as a global AUA.

3. Approval from DICGC for registration as an insured bank under the Deposit Insurance and Credit Guarantee Corporation Act, 1961.

4. Approval from IRDAI for registration as a Corporate Agent (Composite) under the Insurance Act, 1938.

5. Approval from the IRS for registration under the Foreign Account Tax Compliance Act, 2010.

6. Approval from PFRDA for registration as a point of presence under the National Pension Scheme and PFRDA (Point of Presence) Regulations, 2018.

7. Approval from Financial Intelligence Unit for registration as a reporting entity.

E. Other regulatory approvals granting membership to our Bank

1. Approval from CCIL for membership to CBLO segment.

2. Approval from CCIL for membership to securities segment.

3. Approval from CCIL for CROMS membership.

4. Approval from NPCI for membership in relation to services under the AePS.

5. Approval from NPCI for access to the NACH platform.

6. Approval from NPCI for membership of RuPay card scheme.

7. Approval from Indian Bank's Association for membership as an ordinary member.

8. Approval from FIMMDA for membership in the FIMMDA.

III. Certain other Material Approvals

1. Certificates of incorporation issued by the RoC. For details of certificates of incorporation, see "*History and Certain Corporate Matters*" beginning on page 182.

2. Incorporation related approvals issued by the RBI, such as in-principle and final approvals issued under the Banking Regulation Act in respect of setting up of our Bank as SFB. Our Bank became a scheduled commercial bank and was

included in the second schedule to the RBI Act. For details of various approvals issued by RBI, see "*History and Certain Corporate Matters*" beginning on page 182.

3. PAN, TAN, GST registrations issued by respective tax authorities under relevant tax statutes.

IV. Other approvals

In addition to the above, our Bank has also obtained registrations under various employee and shops and establishments related laws, including Employees' Provident Fund and Miscellaneous Provisions Act, 1952 and Employee State Insurance Act, 1948.

V. Material Approvals obtained for the branches of our Bank

Our Bank has obtained registrations in the normal course of business for its branches across various states in India including registration under shops and establishments related laws and RBI approvals for opening of branches and allotment of MICR Codes. Our Bank has obtained GST registrations with the relevant authorities for its branches. Certain approvals may lapse in their normal course and our Bank has either made an application to the appropriate authorities for renewal of such registration or is in the process of making such applications.

VI. Other approvals applied for, including renewal applications made, but not received

1. Application for shops and establishments registration for branch located at Saheed Nagar, Bhubaneswar, Khordha, filed with Department of Labour and ESI, Government of Odisha.

2. Application for shops and establishments registration for branch located at Phursungi, Hadspsar, Haveli, filed with Shop Inspector Office, Pune.

3. Application for shops and establishments registration for branch located at Pandharpur filed with Shop Inspector Office, Solapur.

4. Application for shops and establishments registration for branch located at Jagdalpur filed with Municipal Corporation of Jagdalpur.

5. Application for shops and establishments registration for branch located at Chandigarh filed with Labour Inspector, Chandigarh.

6. Applications for shops and establishments registration for branches located at Thane filed with Office of the Deputy Commissioner of Labour, Thane.

7. Applications for shops and establishments registration for branches located at Sangli filed with Office of the Additional Commissioner of Labour, Sangli.

VII. Material Approvals for which no application has been made

In addition to the above mentioned pending applications for shops and establishment registrations, certain renewal applications for shops and establishments registrations in relation to few of our branches are yet to be made.

OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Issue

Our Board has approved the Issue pursuant to the resolution passed at its meeting held on July 3, 2020 and our Shareholders have approved the Fresh Issue pursuant to a special resolution passed on July 27, 2020. Our Board has approved the Red Herring Prospectus pursuant to its resolution dated March 9, 2021. Our Board has approved this Prospectus pursuant to its resolution dated March 20, 2021.

Each of the Selling Shareholders has, severally and not jointly, authorized and confirmed inclusion of its portion of the Offered Shares as part of the Offer for Sale, as set out below:

S. No.	Name of the Selling Shareholder	Up to Offered Shares	Date of Selling Shareholders' Consent Letter	Date of board resolution/ investment committee resolution
1.	IFC	4,387,888 Equity Shares aggregating to ₹ 1,334.86 million	September 5, 2020	-
2.	Gaja Capital Fund II Limited	2,021,952 Equity Shares aggregating to ₹ 615.11 million	March 2, 2021[1]	March 2, 2021[1]
3.	DWM (International) Mauritius Ltd	1,889,845 Equity Shares aggregating to ₹ 574.92 million	March 2, 2021[2]	February 26, 2021[2]
4.	HDFC Holdings Limited	750,000 Equity Shares aggregating to ₹ 228.16 million	September 29, 2020	May 3, 2019
5.	IDFC FIRST Bank Limited	1,500,000 Equity Shares aggregating to ₹ 456.32 million	February 25, 2021[3]	February 18, 2021[3]
6.	Americorp Ventures Limited	100,000 Equity Shares aggregating to ₹ 30.42 million	March 1, 2021[4]	March 1, 2021[4]
7.	Kotak Mahindra Life Insurance Company Limited	186,966 Equity Shares aggregating to ₹ 56.88 million	September 4, 2020	Investment committee resolution dated September 4, 2020 Board resolution dated April 26, 2019
8.	Gaja Capital India AIF Trust (represented by its trustee Gaja Trustee Company Private Limited)	106,419 Equity Shares aggregating to ₹ 32.37 million	March 2, 2021[5]	March 2, 2021[5]

1. *Consent Letter dated March 2, 2021, pursuant to the board resolution dated March 2, 2021 replaced and superseded the consent letter dated September 4, 2020 issued by Gaja Capital Fund II Limited*
2. *Consent Letter dated March 2, 2021, pursuant to the board resolution dated February 26, 2021 replaced and superseded the consent letter dated September 8, 2020 issued by DWM (International) Mauritius Ltd*
3. *Consent Letter dated February 25, 2021, pursuant to the board resolution dated February 18, 2021 replaced and superseded the consent letter dated September 29, 2020 issued by IDFC FIRST Bank Limited*
4. *Consent Letter dated March 1, 2021, pursuant to the board resolution dated March 1, 2021replaced and superseded the consent letter dated August 31, 2020 issued by Americorp Ventures Limited*
5. *Consent Letter dated March 2, 2021, pursuant to the board resolution dated March 2, 2021 replaced and superseded the consent letter dated September 3, 2020 issued by Gaja Capital India AIF Trust (represented by its trustee Gaja Trustee Company Private Limited)*

Our Bank has received in-principle approvals from the BSE and the NSE for the listing of the Equity Shares pursuant to letters dated November 13, 2020 and December 10, 2020, respectively.

Pursuant to RBI In Principle Approval and RBI Final Approval, the Equity Shares of our Bank are mandatorily required to be listed within a period of three years from reaching a net worth of ₹ 5,000 million. Pursuant to e-mail dated July 6, 2020 from the RBI, the Equity Shares of our Bank were required to be listed by November 29, 2020. Further, our Bank, pursuant to letter dated July 9, 2020 ("**Letter**"), had requested the RBI to grant an extension of the listing timeline for a period of six months from November 29, 2020 i.e., up to May 2021. Further, our Bank also filed letter dated November 23, 2020 in furtherance of the Letter. Subsequently, RBI by way of a letter dated December 8, 2020 informed our Bank that it has not acceded to the request of the Bank, to extend the timeline for listing of the Equity Shares and advised the Bank to complete the listing process at the earliest.

Prohibition by SEBI or other Governmental Authorities

Our Bank, Promoters, members of the Promoter Group, Directors and each of the Selling Shareholders, are not prohibited from accessing the capital market or debarred from buying, selling or dealing in securities under any order or direction passed by SEBI or any securities market regulator in any other jurisdiction or any other authority/court.

Our Directors and Promoters are not directors or promoters of any other company which is debarred from accessing the capital markets by SEBI.

Our Bank, Promoters or Directors have not been declared as Wilful Defaulters.

Our Promoters or Directors have not been declared as Fugitive Economic Offenders.

Directors associated with the Securities Market

Our Director, Jyotin Kantilal Mehta, is also a director on the board of directors of ASK Property Investment Advisors Private Limited and ASK Investment Managers Limited, which are SEBI registered entities and accordingly he is associated with the securities market. There are no outstanding actions initiated by SEBI against such entities.

Confirmation under Companies (Significant Beneficial Owners) Rules, 2018

Our Bank, Promoters and members of the Promoter Group are in compliance with the Companies (Significant Beneficial Owners) Rules, 2018, as amended, to the extent applicable, as on the date of this Prospectus.

Each of the Selling Shareholders, severally and not jointly, has confirmed that they are in compliance with the Companies (Significant Beneficial Owners) Rules, 2018, as amended, to the extent applicable to them, as on the date of this Prospectus.

Eligibility for the Issue

Our Bank confirms that it is not ineligible to make the Issue in terms of Regulation 5 of the SEBI ICDR Regulations, to the extent applicable. Except for Equity Shares that may be allotted pursuant to the conversion of vested employee stock options, if any granted under the ESOP 2016 and ESOP 2019, there are no outstanding warrants, options or rights to convert debentures, loans or other instruments convertible into, or which would entitle any person any option to receive Equity Shares, as on the date of this Prospectus.

Our Bank confirms that it is also in compliance with the conditions specified in Regulation 7(1) of the SEBI ICDR Regulations, to the extent applicable, and has ensured compliance with the conditions specified in Regulation 7(2) of the SEBI ICDR Regulations, to the extent applicable.

Each Selling Shareholder, severally and not jointly, has confirmed that it has held its respective portion of the Offered Shares for a continuous period of at least one year prior to the date of the Draft Red Herring Prospectus and accordingly it is in compliance with Regulation 8 of the SEBI ICDR Regulations. Therefore, the Equity Shares that will be offered by it in the Offer for Sale are eligible to be offered for sale in the Issue.

Our Bank is eligible for the Issue in accordance with Regulation 6(1) of the SEBI ICDR Regulations as set out under the eligibility criteria calculated in accordance with the Restated Financial Statements:

(a) Our Bank has had net tangible assets of at least ₹ 30 million, calculated on a restated basis, in each of the preceding three full years (of 12 months each), of which not more than 50% are held in monetary assets;

(b) Our Bank has an average operating profit of at least ₹ 150 million, calculated on a restated basis, during the preceding three years (of 12 months each), with operating profit in each of these preceding three years;

(c) Our Bank has a net worth of at least ₹ 10 million in each of the preceding three full years (of 12 months each), calculated on a restated basis; and

(d) Our Bank has not changed its name in the last one year.

Our Bank's net tangible assets, monetary assets, monetary assets as a percentage of the net tangible assets, operating profits and net worth, derived from the Restated Financial Statements included in this Prospectus as at, and for the last three Fiscals, are set forth below:

(*₹ in million, unless otherwise stated*)

	Fiscal 2020	Fiscal 2019	Fiscal 2018
Net tangible assets, as restated[(1)] (A)	53,117.67	37,353.45	21,406.78
Monetary assets, as restated[(2)] (B)	8,375.98	2,763.62	2,071.62

	Fiscal 2020	Fiscal 2019	Fiscal 2018
Monetary assets[(2)], as a percentage of net tangible assets[(1)], as restated (B/A)*100	15.77%	7.40%	9.68%
Operating profit, as restated[(3)]	3,062.37	2,165.53	724.97
Net worth, as restated[(4)]	10,662.29	8,803.65	5,384.85

(1) Net tangible assets comprises of all net assets of our Bank, excluding deferred tax assets/liability (net) and intangible assets;

(2) Monetary assets of our Bank comprises of cash and balances with the RBI and balances with banks and money at call and short notice;

(3) Operating profits has been computed by deducting total expenses (excluding tax expense) from revenue from operations. The average operating profit of our Bank for the preceding three fiscals i.e., 2020, 2019 and 2018 is ₹ 1,984.29 million; and

(4) Net worth has been computed as the sum of paid-up equity share capital, share premium and all reserves and surplus excluding revaluation reserve, as appearing in the Restated Financial Statements for the respective years.

We are eligible to undertake the Issue as per Rule 19(2)(b) of the SCRR read with Regulations 6(1) of the SEBI ICDR Regulations. Accordingly, in accordance with Regulation 32(1) of the SEBI ICDR Regulations we are required to allocate not more than 50% of the Net Issue to QIBs. Further, not less than 15% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Net Issue shall be available for allocation to RIBs in accordance with the SEBI ICDR Regulations, subject to valid Bids having been received at or above the Issue Price. In the event we fail to do so, the full application money shall be refunded to the Bidders.

Further, in accordance with the SEBI ICDR Regulations, our Bank shall ensure that the number of Allottees shall not be less than 1,000.

DISCLAIMER CLAUSE OF SEBI

IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE DRAFT RED HERRING PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE DRAFT RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGERS, BEING AXIS CAPITAL LIMITED, ICICI SECURITIES LIMITED, IIFL SECURITIES LIMITED AND SBI CAPITAL MARKETS LIMITED, HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH THE SEBI ICDR REGULATIONS. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED ISSUE.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE OUR BANK IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT RED HERRING PROSPECTUS AND THE SELLING SHAREHOLDERS WILL BE RESPONSIBLE ONLY FOR THE STATEMENTS SPECIFICALLY CONFIRMED OR UNDERTAKEN BY EACH OF THEM IN THE DRAFT RED HERRING PROSPECTUS IN RELATION TO THEMSELVES AS SELLING SHAREHOLDERS AND / OR THEIR RESPECTIVE PORTIONS OF THE OFFERED SHARES, THE BOOK RUNNING LEAD MANAGERS ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT OUR BANK AND THE SELLING SHAREHOLDERS DISCHARGE THEIR RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNING LEAD MANAGERS HAVE FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED SEPTEMBER 30, 2020 IN THE FORMAT PRESCRIBED UNDER SCHEDULE V(A) OF THE SEBI ICDR REGULATIONS.

THE FILING OF THIS PROSPECTUS DOES NOT, HOWEVER, ABSOLVE OUR BANK FROM ANY LIABILITIES UNDER THE COMPANIES ACT, 2013, OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY OR OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE ISSUE. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP AT ANY POINT OF TIME, WITH THE BOOK RUNNING LEAD MANAGERS, ANY IRREGULARITIES OR LAPSES IN THIS PROSPECTUS.

Disclaimer clause of RBI

A license authorizing our Bank to carry on small finance bank business has been obtained from the Reserve Bank of India in terms of Section 22 of the Banking Regulation Act, 1949. It must be distinctly understood, however, that in issuing the license, the Reserve Bank of India does not undertake any responsibility for the financial soundness of our Bank or for the correctness of any of the statements made or opinion expressed in this connection.

Disclaimer from our Bank, our Directors, the Selling Shareholders and Book Running Lead Managers

Our Bank, our Directors, each of the Selling Shareholders and the Book Running Lead Managers accept no responsibility for statements made otherwise than in this Prospectus or in the advertisements or any other material issued by or at our instance and anyone placing reliance on any other source of information, including our Bank's website https://www.suryodaybank.com, or the respective websites of the members of the Promoter Group and affiliates, or any of the Selling Shareholders, would be doing so at his or her own risk. It is clarified that none of the Selling Shareholders, accept and/or undertake any responsibility for any statements made or undertakings provided other than those specifically made or undertaken by such Selling Shareholder in this Prospectus in relation to itself as a Selling Shareholder and/or the Equity Shares offered by it through the Offer for Sale.

The Book Running Lead Managers accept no responsibility, save to the limited extent as provided in the Issue Agreement and the Underwriting Agreement to be entered into between the Underwriters, Selling Shareholders and our Bank.

All information shall be made available by our Bank and the Book Running Lead Managers to the Bidders and the public at large and no selective or additional information would be made available for a section of the investors in any manner whatsoever, including at road show presentations, in research or sales reports, at the Bidding Centres or elsewhere.

None among our Bank, the Selling Shareholders or any member of the Syndicate shall be liable for any failure in (i) uploading the Bids due to faults in any software/ hardware system or otherwise or (ii) the blocking of Bid Amount in the ASBA Account on receipt of instructions from the Sponsor Bank on account of any errors, omissions or non-compliance by various parties involved in, or any other fault, malfunctioning or breakdown in, or otherwise, in the UPI Mechanism.

Bidders were required to confirm and have deemed to have represented to our Bank, the Selling Shareholders, the Underwriters and their respective directors, partners, designated partners, officers, agents, affiliates, and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire the Equity Shares and will not issue, sell, pledge, or transfer the Equity Shares to any person who is not eligible under any applicable laws, rules, regulations, guidelines and approvals to acquire the Equity Shares. Our Bank, the Selling Shareholders, the Underwriters and their respective directors, partners, designated partners, officers, agents, affiliates, and representatives accept no responsibility or liability for advising any investor on whether such investor is eligible to acquire the Equity Shares.

The Book Running Lead Managers and their respective associates and affiliates in their capacity as principals or agents may engage in transactions with, and perform services for, our Bank, the Selling Shareholders, their respective group companies, affiliates or associates or third parties in the ordinary course of business and have engaged, or may in the future engage, in commercial banking and investment banking transactions with our Bank, the Selling Shareholders, and their respective group companies, affiliates or associates or third parties, for which they have received, and may in the future receive, compensation.

Disclaimer in respect of Jurisdiction

Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in Mumbai only.

Bidders eligible under Indian law to participate in the Issue

This Issue was made in India to persons resident in India (who are competent to contract under the Indian Contract Act, 1872, including Indian nationals resident in India, HUFs, companies, other corporate bodies and societies registered under the applicable laws in India and authorised to invest in shares, domestic Mutual Funds registered with the SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), or trusts under applicable trust law and who are authorised under their constitution to hold and invest in equity shares, state industrial development corporations, insurance companies registered with IRDAI, provident funds (subject to applicable law) and pension funds, National Investment Fund, insurance funds set up and managed by army, navy or air force of Union of India, insurance funds set up and managed by the Department of Posts, GoI, systemically important NBFCs registered with the RBI) and permitted Non-Residents including FPIs and Eligible NRIs, AIFs and other eligible foreign investors, if any, provided that they are eligible under all applicable laws and regulations to purchase the Equity Shares.

The Red Herring Prospectus and this Prospectus do not, however constitute an invitation to subscribe to shares offered hereby in any jurisdiction, other than India to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession the Red Herring Prospectus and this Prospectus comes was required to inform himself or herself about, and to observe, any such restrictions. Invitations to subscribe to or purchase the Equity Shares in the Issue was made only pursuant to the Red Herring Prospectus if the recipient is in India or the preliminary offering memorandum for the Issue, which comprises the Red Herring Prospectus and the preliminary international wrap for the Issue, if the recipient was outside India. **No person outside India is eligible to Bid for Equity Shares in the Issue unless that person has received the preliminary offering memorandum for the Issue, which contains the selling restrictions for the Issue outside India.**

Eligibility and transfer restrictions

The Equity Shares have not been and will not be registered under the U.S. Securities Act or any other applicable law of the United States and, unless so registered, may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws. Accordingly, the Equity Shares have been offered and sold (i) within the United States only to persons reasonably believed to be "qualified institutional buyers" (as defined in Rule 144A under the U.S. Securities Act

and referred to in this Prospectus as "U.S. QIBs") in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act, and (ii) outside the United States in offshore transactions in compliance with Regulation S under the U.S. Securities Act and the applicable laws of the jurisdiction where those offers and sales are made. For the avoidance of doubt, the term "U.S. QIBs" does not refer to a category of institutional investors defined under applicable Indian regulations and referred to in this Prospectus as "QIBs".

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and were not offered or sold, and Bids were not made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

Until the expiry of 40 days after the commencement of this Issue, an offer or sale of Equity Shares within the United States by a dealer (whether or not it is participating in this Issue) may violate the registration requirements of the U.S. Securities Act if such an offer for sale is made otherwise than in compliance with Section 4(a)(2) or Rule 144A or another available exemption from registration under the U.S. Securities Act.

Equity Shares Offered and Sold within the United States

Each purchaser that is acquiring the Equity Shares offered pursuant to this Issue within the United States, by its acceptance of this Prospectus and of the Equity Shares, will be deemed to have acknowledged, represented to and agreed with the Bank, the Selling Shareholders and the Underwriters that it has received a copy of this Prospectus and such other information as it deems necessary to make an informed investment decision and that:

1. the purchaser is authorized to consummate the purchase of the Equity Shares offered pursuant to this Issue in compliance with all applicable laws and regulations;

2. the purchaser acknowledges that the Equity Shares offered pursuant to this Issue have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state of the United States and accordingly may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act;

3. the purchaser (i) is a U.S. QIB, (ii) is aware that the sale to it is being made in a transaction exempt from or not subject to the registration requirements of the U.S. Securities Act, and (iii) is acquiring such Equity Shares for its own account or for the account of a U.S. QIB with respect to which it exercises sole investment discretion;

4. the purchaser is not an affiliate of the Bank or a person acting on behalf of an affiliate;

5. if, in the future, the purchaser decides to offer, resell, pledge or otherwise transfer such Equity Shares, or any economic interest therein, such Equity Shares or any economic interest therein may be offered, sold, pledged or otherwise transferred only (A) (i) to a person whom the beneficial owner and/or any person acting on its behalf reasonably believes is a U.S. QIB in a transaction meeting the requirements of Rule 144A under the U.S. Securities Act or (ii) in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S under the U.S. Securities Act and (B) in accordance with all applicable laws, including the securities laws of the states of the United States. The purchaser understands that the transfer restrictions will remain in effect until the Bank determines, in its sole discretion, to remove them;

6. the Equity Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act and no representation is made as to the availability of the exemption provided by Rule 144 for resales of any such Equity Shares;

7. the purchaser will not deposit or cause to be deposited such Equity Shares into any depositary receipt facility established or maintained by a depositary bank other than a Rule 144A restricted depositary receipt facility, so long as such Equity Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act;

8. the purchaser agrees that neither the purchaser, nor any of its affiliates, nor any person acting on behalf of the purchaser or any of its affiliates, will make any "directed selling efforts" as defined in Regulation S under the U.S. Securities Act in the United States with respect to the Equity Shares;

9. the purchaser understands that such Equity Shares (to the extent they are in certificated form), unless the Bank determines otherwise in accordance with applicable law, will bear a legend substantially to the following effect:

   THE EQUITY SHARES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) TO A PERSON WHOM THE SELLER OR ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE U.S.

SECURITIES ACT IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE U.S. SECURITIES ACT, OR (2) IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES.

10. the Bank will not recognize any offer, sale, pledge or other transfer of such Equity Shares made other than in compliance with the above-stated restrictions; and

11. the purchaser acknowledges that the Bank, the Selling Shareholders, the Underwriters, their respective affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of such acknowledgements, representations and agreements deemed to have been made by virtue of its purchase of such Equity Shares are no longer accurate, it will promptly notify the Bank, and if it is acquiring any of such Equity Shares as a fiduciary or agent for one or more accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of such account.

All Other Equity Shares Offered and Sold in this Issue

Each purchaser that is acquiring the Equity Shares offered pursuant to this Issue outside the United States, by its acceptance of this Prospectus and of the Equity Shares offered pursuant to this Issue, will be deemed to have acknowledged, represented to and agreed with the Bank, the Selling Shareholders and the Underwriters that it has received a copy of the Red Herring Prospectus and this Prospectus and such other information as it deems necessary to make an informed investment decision and that:

1. the purchaser is authorized to consummate the purchase of the Equity Shares offered pursuant to this Issue in compliance with all applicable laws and regulations;

2. the purchaser acknowledges that the Equity Shares offered pursuant to this Issue have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state of the United States and accordingly may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act;

3. the purchaser is purchasing the Equity Shares offered pursuant to this Issue in an offshore transaction meeting the requirements of Rule 903 of Regulation S under the U.S. Securities Act;

4. the purchaser and the person, if any, for whose account or benefit the purchaser is acquiring the Equity Shares offered pursuant to this Issue, was located outside the United States at the time (i) the offer for such Equity Shares was made to it and (ii) when the buy order for such Equity Shares was originated and continues to be located outside the United States and has not purchased such Equity Shares for the account or benefit of any person in the United States or entered into any arrangement for the transfer of such Equity Shares or any economic interest therein to any person in the United States;

5. the purchaser is not an affiliate of the Bank or a person acting on behalf of an affiliate;

6. if, in the future, the purchaser decides to offer, resell, pledge or otherwise transfer such Equity Shares, or any economic interest therein, such Equity Shares or any economic interest therein may be offered, sold, pledged or otherwise transferred only (A) (i) to a person whom the beneficial owner and/or any person acting on its behalf reasonably believes is a U.S. QIB in a transaction meeting the requirements of Rule 144A or (ii) in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S under the U.S. Securities Act and (B) in accordance with all applicable laws, including the securities laws of the States of the United States. The purchaser understands that the transfer restrictions will remain in effect until the Bank determines, in its sole discretion, to remove them;

7. the purchaser agrees that neither the purchaser, nor any of its affiliates, nor any person acting on behalf of the purchaser or any of its affiliates, will make any "directed selling efforts" as defined in Regulation S under the U.S. Securities Act in the United States with respect to the Equity Shares;

8. the purchaser understands that such Equity Shares (to the extent they are in certificated form), unless the Bank determine otherwise in accordance with applicable law, will bear a legend substantially to the following effect:

   THE EQUITY SHARES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) TO A PERSON WHOM THE SELLER OR ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE U.S.

SECURITIES ACT IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT, OR (2) IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES.

9. the Bank will not recognize any offer, sale, pledge or other transfer of such Equity Shares made other than in compliance with the above-stated restrictions; and

10. the purchaser acknowledges that the Bank, the Selling Shareholders, the BRLMs, their respective affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of such acknowledgements, representations and agreements deemed to have been made by virtue of its purchase of such Equity Shares are no longer accurate, it will promptly notify the Bank, and if it is acquiring any of such Equity Shares as a fiduciary or agent for one or more accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of such account.

In relation to each European Economic Area State that has implemented the Prospectus Directive (Directive 2003/71/EC) and amendments thereto, including Directive 2010/73/EU and to the extent applicable, Prospectus Regulation (EU) 2017/1129 (each, a "**Relevant Member State**"), an offer to the public of any Equity Shares may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

a. to any legal entity which is a qualified investor as defined under the Prospectus Directive;

b. to fewer than 100 or, if the Relevant Member State has implemented the relevant provisions of the 2010 PD Amending Directive, 150 natural or legal persons (other than qualified investors), subject to obtaining the prior consent of the BRLMs; or

c. in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Equity Shares shall result in a requirement for the Bank, the Selling Shareholders or any BRLM to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive and each person who receives any communication in respect of, or who acquires any Equity Shares under, the offers contemplated in the Red Herring Prospectus will be deemed to have represented, warranted and agreed to with the BRLMs and the Bank and the Selling Shareholders that it is a qualified investor within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive.

For the purposes of this provision, the expression an "offer to the public" in relation to any of the Equity Shares in any Relevant Member States means the communication in any form and by any means of sufficient information on the terms of the offer and the Equity Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Equity Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State.

In the case of any Equity Shares acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, each such financial intermediary will be deemed to have represented, acknowledged and agreed that the Equity Shares acquired by it in the offering have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any Equity Shares to the public in a Relevant Member State prior to the publication of a prospectus in relation to the Equity Shares which has been approved by the competent authority in that relevant member state or, where appropriate, approved in another Relevant Member State and notified to the competent authority in the Relevant Member State, all in accordance with the Prospectus Directive, other than their offer or resale to qualified investors or in circumstances in which the prior consent of the BRLMs has been obtained to each such proposed offer or resale.

Our Bank, each of the Selling Shareholders, the Underwriters and their affiliates, and others will rely upon the truth and accuracy of the foregoing representation, acknowledgement and agreement.

The Red Herring Prospectus and this Prospectus is an advertisement and is not a prospectus for the purposes of EU Directive 2003/71/EC (and amendments thereto, including Directive 2010/73/EU and to the extent applicable, Prospectus Regulation (EU) 2017/1129).

Further, each Bidder where required must agree in the Allotment Advice that such Bidder will not sell or transfer any Equity Shares or any economic interest therein, including any off-shore derivative instruments, such as participatory notes, issued against the Equity Shares or any similar security, other than pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act.

Bidders were advised to ensure that any Bid from them does not exceed investment limits or the maximum number of Equity Shares that can be held by them under applicable law.

Disclaimer clause of BSE

BSE Limited ("the Exchange") has given vide its letter dated November 13, 2020 permission to this Bank to use the Exchange's name in this offer document as one of the stock exchanges on which this company's securities are proposed to be listed. The Exchange has scrutinized this offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company. The Exchange does not in any manner: -

a) warrant, certify or endorse the correctness or completeness of any of the contents of this offer document; or

b) warrant that this Company's securities will be listed or will continue to be listed on the Exchange; or

c) take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company;

and it should not for any reason be deemed or construed that this offer document has been cleared or approved by the Exchange. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

Disclaimer clause of NSE

As required, a copy of this Offer Document has been submitted to National Stock Exchange of India Limited (hereinafter referred to as NSE). NSE has given vide its letter Ref.: NSE/LIST/826 dated December 10, 2020 permission to the Issuer to use the Exchange's name in this Offer Document as one of the Stock Exchanges on which this Issuer's securities are proposed to be listed. The Exchange has scrutinized this draft offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Issuer. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed that the offer document has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this offer document; nor does it warrant that this Issuer's securities will be listed or will continue to be listed on the Exchange; nor does it take any responsibility for the financial or other soundness of this Issuer, its promoters, its management or any scheme or project of this Issuer.

Every person who desires to apply for or otherwise acquire any securities of this Issuer may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription /acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

Listing

Applications have been made to the Stock Exchanges for permission to deal in and for listing and trading of the Equity Shares. NSE will be the Designated Stock Exchange with which the Basis of Allotment will be finalised.

If the permissions to deal in, and for an official quotation of, the Equity Shares are not granted by any of the Stock Exchanges mentioned above, our Bank will forthwith repay, without interest, all monies received from the applicants in pursuance of the Red Herring Prospectus. If such money is not repaid within the prescribed time, then our Bank and every officer in default shall be liable to repay the money, with interest, as prescribed under applicable law. For the avoidance of doubt, subject to applicable law, the Selling Shareholders shall not be responsible to pay interest or refund for any delay, except to the extent that such delay has been caused by any act or omission solely attributable to such Selling Shareholder and to the extent of the Offered Shares and in the manner agreed under the Issue Agreement.

Our Bank shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at the Stock Exchanges are taken within six Working Days from the Bid/Issue Closing Date.

If our Bank does not Allot Equity Shares pursuant to the Issue within six Working Days from the Bid/Issue Closing Date or within such timeline as prescribed by SEBI, it shall repay, without interest, all monies received from Bidders, failing which interest shall be due to be paid to the Bidders at the rate of 15% per annum for the delayed period.

Except for (i) listing fee; (ii) audit fee, not incurred for the purposes of the Issue; (iii) expenses in relation to Pre-IPO Placement; and (iv) any costs incurred in issuing corporate advertisements (i.e., any corporate advertisements consistent with past practices of our Bank and not including expenses relating to marketing and advertisements undertaken in connection with the Issue) which shall be solely borne by our Bank, all Issue expenses will be shared, upon successful completion of the Issue, between our Bank and the Selling Shareholders on a pro-rata basis, in proportion to the Equity Shares issued and allotted by our Bank in the Fresh Issue and the Offered Shares sold by the Selling Shareholders in the Offer for Sale. Any expenses paid by our Bank on behalf of Selling Shareholders in the first instance will be reimbursed to our Bank, directly from the Public Issue Account. However, in the event that the Issue is withdrawn by our Bank or not completed for any reason whatsoever, all the Issue expenses will be solely borne by our Bank.

Consents

Consents in writing of each of the Selling Shareholders, our Directors, our Company Secretary and Compliance Officer, Statutory Auditors, legal advisors, the Book Running Lead Managers, the Registrar to the Issue, CRISIL Research have been obtained; and consents in writing of the Syndicate Members, Escrow Collection Bank(s), Refund Bank(s) and Sponsor Bank to act in their respective capacities, have been obtained and filed along with a copy of the Red Herring Prospectus with the RoC and will be filed along with a copy of this Prospectus with the RoC as required under the Companies Act and such consents have not been withdrawn as on the date of this Prospectus.

Experts to the Issue

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

Our Bank has received written consent dated March 9, 2021 from our Statutory Auditors namely, MSKC & Associates, Chartered Accountants, holding a valid peer review certificate from ICAI, to include their name as required under Section 26 of the Companies Act in the Red Herring Prospectus and this Prospectus and as an "expert" as defined under Section 2(38) of the Companies Act, 2013, in respect of the examination report dated February 8, 2021 issued by it on our Restated Financial Statements, and the statement of special tax benefits dated March 3, 2021 included in this Prospectus and such consent has not been withdrawn as on the date of this Prospectus. However, the term "expert" shall not be construed to mean an "expert" as defined under the U.S. Securities Act.

Capital issue during the previous three years by our Bank

Except as disclosed in "*Capital Structure – Notes to the capital structure*" on pages 73 to 78, our Bank has not made any capital issues during the previous three years.

Particulars regarding public or rights issues during the last five years

Except as disclosed in "*Capital Structure – Notes to the capital structure*" on pages 73 to 78, our Bank has not made any rights issues during the last five years.

Price information of past issues handled by the Book Running Lead Managers (during the current Fiscal and two Fiscals preceding the current Fiscal)

A. Axis Capital Limited

1. Price information of past issues handled by Axis Capital Limited (during the current Fiscal and two Fiscals preceding the current financial year):

S. No.	Issue Name	Issue Size (₹ million)	Issue price (₹)	Listing Date	Opening Price on listing date (in ₹)	+/- % change in closing price, [+/- % change in closing benchmark]- 30th calendar days from listing	+/- % change in closing price, [+/- % change in closing benchmark]- 90th calendar days from listing	+/- % change in closing price, [+/- % change in closing benchmark]- 180th calendar days from listing
1.	Easy Trip Planners Limited	5,100.00	187.00	19-Mar-21	212.25	-	-	-
2.	Home First Finance Company India Limited	11,537.19	518.00	03-Feb-21	618.80	+4.98%, [+1.97%]	-	-
3.	UTI Asset Management Company Limited	21,598.84	554.00	12-Oct-20	500.00	-10.43%, [+5.87%]	-0.60%, [+20.25%]	-
4.	Mazagon Dock Shipbuilders Limited	4,436.86	145.00	12-Oct-20	214.90	+18.90%, [+5.87%]	+52.90%, [+20.25%]	-
5.	Route Mobile Limited	6,000.00	350.00	21-Sep-20	717.00	+105.81%, [+5.74%]	+231.04%, [+22.31%]	+347.33%, [+31.05%]
6.	Rossari Biotech Limited	4,962.50	425.00	23-Jul-20	669.25	+87.25%, [+1.39%]	+86.59%, [+6.08%]	+100.79%, [+27.34%]
7.	SBI Cards and Payment Services Limited	103,407.88	755.00@	16-Mar-20	661.00	-33.05%, [-2.21%]	-21.79%, [+8.43%]	+12.50%, [+24.65%]
8.	CSB Bank Limited	4,096.77	195.00	04-Dec-19	275.00	+8.36%, [+1.98%]	-12.18%, [-7.56%]	-36.95%, [-20.45%]
9.	Sterling And Wilson Solar Limited	28,809.42	780.00	20-Aug-19	706.00	-21.88%, [-1.60%]	-48.63%, [+7.97%]	-64.78%, [+9.95%]
10.	Spandana Sphoorty Financial Limited	12,009.36	856.00	19-Aug-19	825.00	-0.56%, [-2.14%]	+52.76%, [+7.61%]	+17.32%, [+9.59%]

Source: www.nseindia.com
@ Offer Price was ₹ 680.00 per equity share to Eligible Employees
^Offer Price was ₹ 485.00 per equity share to Eligible Employees

Notes:
a. Issue Size derived from Prospectus/final post issue reports, as available.
b. The CNX NIFTY is considered as the Benchmark Index.
c. Price on NSE is considered for all of the above calculations.
d. In case 30th/90th/180th day is not a trading day, closing price on NSE of the previous trading day has been considered.
e. Since 30 calendar days, 90 calendar days and 180 calendar days, as applicable, from listing date has not elapsed for few of the above issues, data for same is not available.

2. **Summary statement of price information of past issues handled by Axis Capital Limited:**

Fiscal	Total no. of IPOs	Total amount of funds raised (₹ Mn.)	No. of IPOs trading at discount - 30th calendar days from listing			No. of IPOs trading at premium - 30th calendar days from listing			No. of IPOs trading at discount - 180th calendar days from listing			No. of IPOs trading at premium - 180th calendar days from listing		
			Over 50%	Between 25-50%	Less than 25%	Over 50%	Between 25-50%	Less than 25%	Over 50%	Between 25-50%	Less than 25%	Over 50%	Between 25-50%	Less than 25%
2020-2021*	6	53,635.39	-	-	1	2	-	2	-	-	-	1	-	-
2019-2020	5	161,776.03	-	1	2	-	-	2	1	1	-	-	-	3
2018-2019	4	54,206.94	-	1	-	1	-	2	-	-	2	-	-	2

* *The information is as on the date of the document.*
The information for each of the financial years is based on issues listed during such financial year.
Note: Since 30 calendar days and 180 calendar days, as applicable, from listing date have not elapsed for few of the above issues, data for same is not available.

Website for track record -

Axis *http://www.axiscapital.co.in*

B. ***ICICI Securities Limited***

1. Price information of past issues handled by ICICI Securities Limited (during the current Fiscal and two Fiscals preceding the current financial year):

S. No.	Issue Name	Issue Size (₹ million)	Issue price (₹)	Listing Date	Opening Price on listing date (in ₹)	+/- % change in closing price, [+/- % change in closing benchmark]- 30th calendar days from listing	+/- % change in closing price, [+/- % change in closing benchmark]- 90th calendar days from listing	+/- % change in closing price, [+/- % change in closing benchmark]- 180th calendar days from listing
1.	Happiest Minds Technologies Limited	7,020.20	166.00	17-Sep-20	350.00	+96.05%,[+2.14%]	+93.25%,[+17.82%]	+221.27%,[+29.64%]
2.	Route Mobile Limited	6,000.00	350.00	21-Sep-20	717.00	+105.81%,[+5.74%]	+231.04%,[+22.31%]	+347.33%,[+31.05%]
3.	Computer Age Management Services Limited	22,421.05	1,230.00(1)	01-Oct-20	1,518.00	+5.52%,[+1.97%]	+49.25%,[+22.03%]	NA*
4.	Angel Broking Limited	6,000.00	306.00	05-Oct-20	275.00	-2.32%,[+2.70%]	+10.02%,[+21.86%]	NA*
5.	UTI Asset Management Company Limited	21,598.84	554.00	12-Oct-20	500.00	-10.43%,[+5.87%]	-0.60%,[+20.25%]	NA*
6.	Mrs. Bectors Food Specialities Limited	5,405.40	288.00(2)	24-Dec-20	500.00	+37.69%,[+4.53%]	NA*	NA*
7.	Indian Railway Finance Corporation Limited	46,333.79	26.00	29-Jan-21	24.90	-5.19%,[+6.56%]	NA*	NA*
8.	Indigo Paints Limited	11,691.24	1,490.00(3)	02-Feb-21	2,607.50	75.72%,[+4.08%]	NA*	NA*
9.	Home First Finance Company India Limited	11,537.19	518.00	03-Feb-21	618.80	4.98%,[+1.97%]	NA*	NA*
10.	Railtel Corporation of India Limited	8,192.42	94.00	26-Feb-21	109.00	NA*	NA*	NA*

**Data not available*

(1) *Discount of Rs.122 per equity share offered to eligible employees All calculations are based on Issue Price of Rs. 1,230.00 per equity share.*
(2) *Discount of Rs.15 per equity share offered to eligible employees All calculations are based on Issue Price of Rs. 288.00 per equity share.*
(3) *Discount of Rs. 148 per equity share offered to eligible employees All calculations are based on Issue Price of Rs. 1,490.00 per equity share.*

Notes:

1. All data sourced from www.nseindia.com, except for Computer Age Management Services Limited for which the data is sourced from www.bseindia.com
2. Benchmark index considered is NIFTY
3. 30[th], 90[th], 180[th] calendar day from listed day have been taken as listing day plus 29, 89 and 179 calendar days, except wherever 30[th], 90[th], 180[th] calendar day is a holiday, in which case we have considered the closing data of the previous trading day

2. **Summary statement of price information of past issues handled by ICICI Securities Limited:**

Fiscal	Total no. of IPOs	Total amount of funds raised (₹ Mn.)	No. of IPOs trading at discount - 30th calendar days from listing			No. of IPOs trading at premium - 30th calendar days from listing			No. of IPOs trading at discount - 180th calendar days from listing			No. of IPOs trading at premium - 180th calendar days from listing		
			Over 50%	Between 25-50%	Less than 25%	Over 50%	Between 25-50%	Less than 25%	Over 50%	Between 25-50%	Less than 25%	Over 50%	Between 25-50%	Less than 25%
2020-21*	11	1,51,162.63	-	-	3	4	1	2	-	-	-	3	-	-
2019-20	4	49,850.66	-	-	2	-	1	1	1	-	-	2	-	1
2018-19	4	60,843.16	-	-	2	1	-	1	-	-	2	-	1	1

** This data covers issues up to YTD*

C. ***IIFL Securities Limited***

1. Price information of past issues handled by IIFL Securities Limited:

	Issue Name	Issue Size (in Rs. Mn)	Issue Price (Rs.)	Listing Date	Opening Price on Listing Date	+/- % change in closing price*, [+/- % change in closing benchmark]- 30th calendar days from listing	+/- % change in closing price*, [+/- % change in closing benchmark]- 90th calendar days from listing	+/- % change in closing price*, [+/- % change in closing benchmark]- 180th calendar days from listing
1.	Credit Access Grameen Limited	11,311.88	422.00	August 23, 2018	390.00	-21.16%,[-3.80%]	-14.91%,[-8.00%]	-5.71%,[-8.13%]
2.	Polycab India Limited	13,452.60	538.00	April 16, 2019	633.00	+15.36% [-5.35%]	+14.70% [-1.99%]	+23.76% [-4.09%]
3.	Spandana Sphoorty Financial Ltd	12,009.36	856.00	August 19, 2019	825.00	-0.56% [-2.14%]	+52.76% [+7.61%]	+17.32%[+9.59%]
4.	Sterling and Wilson Solar Ltd	28,809.42	780.00	August 20, 2019	706.00	-21.88%,[-1.60%]	-48.63%,[+7.97%]	-64.78%,[+9.95%]
5.	CSB Bank Ltd	4,096.77	195.00	December 4, 2019	275.00	+8.36%, [+1.98%]	-12.18%, [-7.56%]	-36.95%, [-20.45%]
6.	Ujjivan Small Finance Bank Limited	7,459.46	37.00	December 12, 2019	58.75	+41.08%, [+2.38%]	+10.27% ,[-12.70%]	-16.62%, [-15.07%]
7.	Equitas Small Finance Bank Ltd	5,176.00	33.00	November 2, 2020	31.10	+5.45%, [+12.34%]	+19.55%, [16.84%]	N.A.
8.	Mrs. Bectors Food Specialities Ltd	5,405.40	288.00	December 24, 2020	500.00	+37.69%, [+4.53%]	N.A.	N.A.
9.	Antony Waste Handling Cell Limited	2,999.85	315.00	January 1, 2021	436.10	-10.27%, [-2.74%]	N.A.	N.A.
10.	MTAR Technologies Limited	5964.14	575.00	March 15, 2021	1,050.00	N.A.	N.A.	N.A.

Source: www.nseindia.com

Note: Benchmark Index taken as CNX NIFTY. Price on NSE is considered for all of the above calculations. The 30th, 90th and 180th calendar day from listed day have been taken as listing day plus 29, 89 and 179 calendar days, except wherever 30th /90th / 180th calendar day from listing day is a holiday, the closing data of the previous trading day has been considered. % change taken against the Issue Price in case of the Issuer. The Nifty 50 index is considered as the benchmark index. NA means Not Applicable.

2. Summary statement of price information of past issues handled by IIFL Securities Limited:

Fiscal	Total no. of IPOs	Total amount of funds raised (₹ Mn.)	No. of IPOs trading at discount - 30th calendar days from listing			No. of IPOs trading at premium - 30th calendar days from listing			No. of IPOs trading at discount - 180th calendar days from listing			No. of IPOs trading at premium - 180th calendar days from listing		
			Over 50%	Between 25-50%	Less than 25%	Over 50%	Between 25-50%	Less than 25%	Over 50%	Between 25-50%	Less than 25%	Over 50%	Between 25-50%	Less than 25%
2018-19	4	94,013.29	-	1	1	1	-	1	-	1	2	-	-	1
2019–20	5	65,827.61	-	-	2	-	1	2	1	1	1	-	-	2
2020-21	4	19,545.39	-	-	1	-	1	1	-	-	-	-	-	-

Source: www.nseindia.com

Note: Data for number of IPOs trading at premium/discount taken at closing price on NSE on the respective date. In case any of the days falls on a non-trading day, the closing price on the previous trading day has been considered. NA means Not Applicable.

NA means Not Applicable.

D. ***SBI Capital Markets Limited***

1. Price information of past issues handled by SBI Capital Markets Limited (during the current Fiscal and two Fiscals preceding the current financial year):

Sr. No.	Issue Name	Issue Size (₹ Mn.)	Issue Price (₹)	Listing Date	Opening Price on Listing Date	+/- % change in closing price, [+/- % change in closing benchmark]- 30th calendar days from listing	+/- % change in closing price, [+/- % change in closing benchmark]- 90th calendar days from listing	+/- % change in closing price, [+/- % change in closing benchmark]- 180th calendar days from listing
1	Railtel Corporation of India Limited	8192.42	94.00	February 26, 2021	109.00	NA	NA	NA
2	Indian Railway Finance Corporation Ltd	46,333.79	26.00	January 29, 2021	24.90	-5.19% [+6.56%]	NA	NA
3	Mrs. Bectors Food Specialities Limited[1]	5,405.40	288.00	December 24,2020	500.00	37.69% [+4.53%]	NA	NA
4	UTI Asset Management Company Ltd	21,598.84	554.00	October 12, 2020	500.00	-10.43% [+5.87%]	-0.60% [+20.25%]	NA
5	Angel Broking Limited	6,000.00	306.00	October 05, 2020	275.00	-2.32% [+2.70%]	10.01% [+21.86%]	NA
6	SBI Cards & Payment Services Ltd.[2]	1,03,407.88	755.00	March 16, 2020	661.00	-33.05% [-2.21%]	-21.79% [+8.43%]	12.50% [+24.65]
7	Indian Railway Catering and Tourism Corporation Ltd [3]	6,379.60	320.00	October 14, 2019	626.00	191.53% [+5.05%]	186.64% [+8.07%]	291.84% [-19.66%]
8	Sterling and Wilson Solar Limited	28,496.38	780.00	August 20, 2019	706.00	-21.88% [-1.60%]	-48.63% [+7.97%]	-64.78% [+9.95%]
9	Ircon International Limited [4]	4,667.03	475.00	September 28, 2018	412.00	-27.04% [+8.24%]	-6.60% [-1.84%]	-15.71% [+5.06%]
10	RITES Limited [5]	4,604.40	185.00	July 02, 2018	190.00	34.97% [+6.56%]	33.03% [+2.56%]	49.70% [+1.90%]

Source: www.nseindia.com

Notes:

** The 30th, 90th and 180th calendar day computation includes the listing day. If either of the 30th, 90th or 180th calendar days is a trading holiday, the previous trading day is considered for the computation. We have taken the issue price to calculate the % change in closing price as on 30th, 90th and 180th day. We have taken the closing price of the applicable benchmark index as on the listing day to calculate the % change in closing price of the benchmark as on 30th, 90th and 180th day.*

** The Nifty 50 index is considered as the Benchmark Index*

1. *Price for eligible employees was Rs. 680.00 per equity share*
2. *Price for retail individual bidders bidding in the retail portion and to eligible employees was Rs. 310.00 per equity share*
3. *Price for retail individual bidders bidding in the retail portion and to eligible employees was Rs. 465.00 per equity share*
4. *Price for retail individual bidders bidding in the retail portion and to eligible employees was Rs. 179.00 per equity share*
5. *Price for retail individual bidders bidding in the retail portion and to eligible employees was Rs. 87.00 per equity share*

2. Summary statement of price information of past issues handled by SBI Capital Markets Limited:

Financial Year	Total no. of IPOs #	Total amount of funds raised (₹ Mn.)	No. of IPOs trading at discount - 30th calendar days from listing			No. of IPOs trading at premium - 30th calendar days from listing			No. of IPOs trading at discount - 180th calendar days from listing			No. of IPOs trading at premium - 180th calendar days from listing		
			Over 50%	Between 25-50%	Less than 25%	Over 50%	Between 25-50%	Less than 25%	Over 50%	Between 25-50%	Less than 25%	Over 50%	Between 25-50%	Less than 25%
2020-21*	5	87,530.45	-	-	3	-	1	-	-	-	-	-	-	-
2019-20	3	138,283.86	-	1	1	1	-	-	1	-	-	1	-	1
2018-19	4	48,748.88	-	1	1	1	1	-	-	1	-	-	2	1

** The information is as on the date of the document.*
 # Date of Listing for the issue is used to determine which financial year that particular issue falls into

Track record of past issues handled by the BRLM's
For details regarding the track record of the BRLMs, as specified under circular reference CIR/MIRSD/1/2012 dated January 10, 2012 issued by the SEBI, see the websites of the BRLM mentioned below.

BRLM	***Website***
SBI Capital Markets Limited	www.sbicaps.com/index.php/track-record-of-public-issue/

Track record of past issues handled by the Book Running Lead Managers

For details regarding the track record of the Book Running Lead Managers, as specified in circular (reference CIR/MIRSD/1/2012) dated January 10, 2012 issued by SEBI, please see the websites of the Book Running Lead Managers, as set forth in the table below:

S. No.	Name of the Book Running Lead Manager	Website
1.	Axis	www.axiscapital.co.in
2.	ICICI	www.icicisecurities.com
3.	IIFL	www.iiflcap.com
4.	SBICAP	www.sbicaps.com

Redressal of investor grievances

The Registrar Agreement provides for retention of records with the Registrar to the Issue for a period of at least eight years from the last date of despatch of the letters of allotment, demat credit and refund orders, to enable the investors to approach the Registrar to the Issue for redressal of their grievances.

All grievances in relation to the Bidding process may be addressed to the Registrar to the Issue with a copy to the relevant Designated Intermediary to whom the Bid cum Application Form was submitted. The Bidder should give full details such as name of the sole or first Bidder, Bid cum Application Form number, Bidder DP ID, Client ID, UPI ID, PAN, date of the submission of Bid cum Application Form, address of the Bidder, number of the Equity Shares applied for and the name and address of the Designated Intermediary where the Bid cum Application Form was submitted by the Bidder.

Further, the Bidder shall also enclose a copy of the Acknowledgment Slip duly received from the concerned Designated Intermediary in addition to the information mentioned hereinabove.

Anchor Investors are required to address all grievances in relation to the Issue to the Book Running Lead Managers.

The Registrar to the Issue shall obtain the required information from the SCSBs and Sponsor Bank for addressing any clarifications or grievances of ASBA Bidders. Our Bank, the Selling Shareholders, the Book Running Lead Managers and the Registrar to the Issue accept no responsibility for errors, omissions, commission or any acts of SCSBs including any defaults in complying with its obligations under applicable SEBI ICDR Regulations. Investors can contact our Company Secretary and Compliance Officer or the Registrar to the Issue in case of any pre-Issue or post-Issue related problems such as non-receipt of letters of Allotment, non-credit of allotted Equity Shares in the respective beneficiary account, non-receipt of refund intimations and non-receipt of funds by electronic mode.

Our Bank has obtained authentication on the SCORES and shall comply with the SEBI circular (CIR/OIAE/1/2014) dated December 18, 2014 in relation to redressal of investor grievances through SCORES.

Our Bank has also appointed Geeta Krishnan, Company Secretary of our Bank, as the Compliance Officer for the Issue. For details, see “*General Information*” beginning on page 64.

Our Bank has constituted a Stakeholders’ Relationship Committee to review and redress the shareholders and investor grievances such as transfer of Equity Shares, non-recovery of balance payments, declared dividends, approve subdivision, consolidation, transfer and issue of duplicate shares. For details, see “*Our Management*” beginning on page 188.

As on the date of the Draft Red Herring Prospectus, the Red Herring Prospectus and this Prospectus, there are no pending investor complaints. Our Bank had received one investor complaint during the quarter ended September 30, 2019, in the three years prior to the filing of this Prospectus.

Disposal of Investor Grievances by our Bank

Our Bank estimates that the average time required by our Bank or the Registrar to the Issue or the relevant Designated Intermediary, for the redressal of routine investor grievances shall be 10 Working Days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, our Bank will seek to redress these complaints as expeditiously as possible. Each of the Selling Shareholders have authorised our Compliance Officer and the Registrar to the Issue to redress any complaints received from Bidders in respect of their respective portions of the Offered Shares.

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following is a general description of certain material United States federal income tax consequences to U.S. Holders under present law of an investment in the Equity Shares. This summary applies only to investors that hold the Equity Shares as capital assets (generally, property held for investment). This discussion is based on the tax laws of the United States as in effect on the date of this Placement Document; U.S. Treasury regulations in effect or, in some cases, proposed, as of the date of this Placement Document; judicial and administrative interpretations thereof available on or before such date; and the Convention Between the Government of the United States of America and the Government of the Republic of India for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (the "US India Treaty"). All of the foregoing authorities are subject to change, which change could apply retroactively and could affect the tax consequences described below.

The following discussion does not address alternative minimum tax considerations or state, local, non-United States or other tax laws, or the tax consequences to any particular investor or to persons in special tax situations such as:

- banks;
- certain financial institutions;
- insurance companies;
- dealers in stocks, securities, currencies or notional principal contracts;
- U.S. expatriates and former long-term residents of the United States;
- regulated investment companies and real estate investment trusts;
- tax-exempt entities, including companies classified as foreign governments for U.S. federal income tax purposes;
- U.S. Holders that have a functional currency other than the U.S. dollar;
- persons holding an Equity Share as part of a straddle, hedging, conversion or integrated transaction;
- persons that actually or constructively own 10% or more of the Bank's voting stock;
- persons who acquired Equity Shares pursuant to the exercise of any employee share option or otherwise as consideration;
- persons holding Equity Shares who are not U.S. Holders (defined below); or
- persons holding Equity Shares through partnerships or other pass-through entities.

For purposes of this summary, a "**U.S. Holder**" is a beneficial owner of Equity Shares that is for United States federal income tax purposes,

- an individual who is a citizen or resident of the United States;
- a corporation organized under the laws of the United States, any state thereof or the District of Columbia;
- an estate whose income is subject to United States federal income taxation regardless of its source; or
- a trust that (1) is subject to the primary supervision of a court within the United States and the control of one or more U.S. persons for all substantial decisions of the trust, or (2) has a valid election in effect under the applicable U.S. Treasury regulations to be treated as a U.S. person.

If you are a partner in a partnership, or other entity taxable as a partnership for United States federal income tax purposes, that holds Equity Shares, your tax treatment generally will depend on your status and the activities of the partnership. Prospective purchasers of Equity Shares that are partnerships should consult their tax advisors.

PROSPECTIVE PURCHASERS ARE URGED TO CONSULT THEIR TAX ADVISORS REGARDING THE APPLICATION OF THE UNITED STATES FEDERAL TAX RULES TO THEIR PARTICULAR CIRCUMSTANCES AS WELL AS THE STATE AND LOCAL, FOREIGN AND OTHER TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF EQUITY SHARES.

Taxation of Distributions on the Equity Shares

Subject to the Passive Foreign Investment Company ("**PFIC**") rules discussed below, the gross amount of distributions to you with respect to the Equity Shares generally will be included in your gross income in the year received as foreign source ordinary dividend income, but only to the extent that the distribution is paid out of the Bank's current or accumulated earnings and profits (as determined under United States federal income tax principles). To the extent that the amount of the distribution exceeds the Bank's current and accumulated earnings and profits, it will be treated first as a tax-free return of your tax basis in your Equity Shares, and to the extent the amount of the distribution exceeds your tax basis, the excess will be taxed as capital gain. However, the Bank does not intend to calculate its earnings and profits under United States federal income tax principles. Therefore, a U.S. Holder should expect that a distribution will generally be treated as a dividend. The dividends will not be eligible for the dividends-received deduction allowed to corporations in respect of dividends received from other U.S. corporations.

Subject to applicable limitations, with respect to non-corporate U.S. Holders (including individual U.S. Holders), dividends may constitute "qualified dividend income" that is taxed at the lower applicable capital gains rate provided that (1) the Bank is not a PFIC (as discussed below) for either the taxable year in which the dividend is paid or the preceding taxable year, (2) such dividend is paid on the Equity Shares that have been held by you for at least 61 days during the 121-day period beginning 60 days before the ex-dividend date, and (3) the Bank is eligible for the benefits of the US India Treaty. The Bank expects to be eligible to for the benefits of the US India Treaty. The Bank does not believe it was a PFIC for the taxable year ending March 31, 2020 and does not expect to be a PFIC for the current year or any future years. Non-corporate U.S. Holders are strongly urged to consult their tax advisors regarding the availability of the lower rate for dividends paid with respect to the Equity Shares.

The amount of any distribution paid by the Bank in a currency other than U.S. dollars (a "**foreign currency**") will be equal to the U.S. dollar value of such foreign currency on the date such distribution is received by the U.S. Holder, regardless of whether the payment is in fact converted into U.S. dollars at that time. If the foreign currency so received is converted into U.S. dollars on the date of receipt, a U.S. Holder generally will not recognize foreign currency gain or loss on such conversion. If the foreign currency so received is not converted into U.S. dollars on the date of receipt, a U.S. Holder will have a basis in the foreign currency equal to its U.S. dollar value on the date of receipt. Gain or loss, if any, realized on the subsequent sale or other disposition of such foreign currency will generally be U.S. source ordinary income or loss. The amount of any distribution of property other than cash will be the fair market value of such property on the date of distribution.

For foreign tax credit purposes, dividends distributed with respect to the Equity Shares will generally constitute "passive category income". A U.S. Holder will not be able to claim a U.S. foreign tax credit for Indian taxes for which the Bank is liable and must pay with respect to distributions on the Equity Shares. The rules relating to the determination of the U.S. foreign tax credit are complex and U.S. Holders should consult their tax advisors to determine whether and to what extent a credit would be available in their particular circumstances.

Taxation of a Disposition of Equity Shares

Subject to the PFIC rules discussed below, you generally will recognize capital gain or loss on any sale or other taxable disposition of an Equity Share equal to the difference between the U.S. dollar value of the amount realized for the Equity Share and your tax basis (in U.S. dollars) in the Equity Share. If you are a non-corporate U.S. Holder (including an individual U.S. Holder) who has held the Equity Share for more than one year, capital gain on a disposition of an Equity Share generally will be eligible for reduced federal income tax rates. The deductibility of capital losses is subject to limitations. Any such gain or loss that you recognize generally will be treated as U.S. source income or loss for foreign tax credit limitation purposes.

Because gains on a disposition of an Equity Share generally will be treated as U.S. source, the use of foreign tax credits relating to any Indian income tax imposed upon gains in respect of the Equity Shares may be limited. U.S. Holders should consult their tax advisors regarding the application of Indian taxes to a disposition of an Equity Share and their ability to credit an Indian tax against their United States federal income tax liability.

A U.S. Holder that receives foreign currency from the sale or disposition of Equity Shares generally will realize an amount equal to the U.S. dollar value of such foreign currency on the date of sale or disposition or, if such U.S. Holder is a cash basis or electing accrual basis taxpayer and the Equity Shares are treated as being traded on an "established securities market" for this purpose, the settlement date. If the Equity Shares are so treated and the foreign currency received is converted into U.S. dollars on the settlement date, a cash basis or electing accrual basis U.S. Holder will not recognize foreign currency gain or loss on the conversion. If the foreign currency received is not converted into U.S. dollars on the settlement date, the U.S. Holder will have a basis in the foreign currency equal to its U.S. dollar value on the settlement date. Gain or loss, if any, realized on the subsequent conversion or other disposition of such foreign currency will generally be U.S. source ordinary income or loss.

Medicare Tax

Certain U.S. Holders who are individuals, estates, or trusts are required to pay a 3.8% Medicare surtax on all or part of that holder's "net investment income" or "undistributed net investment income" in the case of an estate or trust, which includes, among other items, dividends on, and capital gains from the sale or other taxable disposition of, the Equity Shares, subject to certain limitations and exceptions. The 3.8% Medicare surtax is determined in a different manner than the regular U.S. income tax. Prospective investors should consult their own tax advisors regarding the effect, if any, of this surtax on their ownership and disposition of the Equity Shares.

Information with Respect to Foreign Financial Assets

Individuals and certain entities who are U.S. Holders that own "specified foreign financial assets", including stock of a non-U.S. corporation not held through a financial institution, with an aggregate value in excess of certain dollar thresholds may be required to file an information report with respect to such assets on IRS Form 8938 with their United States federal income tax returns. Penalties apply for failure to properly complete and file IRS Form 8938. U.S. Holders are encouraged to consult their tax advisors regarding the application of this reporting requirement to their ownership of the Equity Shares.

Passive Foreign Investment Company

Certain U.S. federal income tax rules generally apply to a U.S. person that owns or disposes of stock in a non-U.S. corporation that is treated as a PFIC. A non-U.S. corporation is considered to be a PFIC, for any taxable year if either:

- at least 75% of its gross income is passive income, or
- at least 50% of its assets (based on an average of the quarterly values of the assets during a taxable year) is attributable to assets that produce or are held for the production of passive income.

Passive income for these purposes generally includes dividends, interest, royalties, rents and gains from commodities and securities transactions. The Bank will be treated as owning its proportionate share of the assets and earning its proportionate share of the income of any other corporation in which it owns, directly or indirectly, 25% or more (by value) of the stock.

Although not free from doubt, the Bank does not believe it was a PFIC for its taxable year ending March 31, 2018, and does not expect to be a PFIC for the current year or any future years. However, the determination of whether the Bank is a PFIC is a factual determination made annually after the end of each taxable year, and there can be no assurance that the Bank will not be considered a PFIC in the current taxable year or any future taxable year because, among other reasons, (i) the composition of the Bank's income and assets will vary over time, (ii) there can be no assurance that the proposed treasury regulations applicable to foreign banks will be finalized in their current form, (iii) there can be no assurance that Notice 89-81 (also applicable to foreign banks) will remain effective, and (iv) the manner of the application of Notice 89-81 is uncertain in several respects, as are the proposed treasury regulations addressing income derived in the active conduct of a banking business and other relevant rules. Furthermore, the Bank's PFIC status may depend on the market price of its Equity Shares, which may fluctuate considerably.

PROSPECTIVE PURCHASERS ARE URGED TO CONSULT YOUR TAX ADVISORS REGARDING THE BANK'S POSSIBLE STATUS AS A PFIC.

If the Bank is a PFIC for any taxable year during which you are a U.S. Holder of Equity Shares, you will be subject to special tax rules with respect to any "excess distribution" that you receive and any gain you realize from a sale or other disposition (including a pledge) of the Equity Shares, unless you make a "mark-to-market" election as discussed below. Distributions you receive in a taxable year that are greater than 125% of the average annual distributions you received during the shorter of the three preceding taxable years or your holding period for the Equity Shares will be treated as an excess distribution. Under these special tax rules:

- the excess distribution or gain will be allocated ratably over your holding period for the Equity Shares,
- the amount allocated to the current taxable year, and any taxable year prior to the first taxable year in which the Bank became a PFIC, will be treated as ordinary income, and
- the amount allocated to each other year will be subject to the highest tax rate in effect for that year and the interest charge generally applicable to underpayments of tax will be imposed on the resulting tax attributable to each such year.

The tax liability for amounts allocated to years prior to the year of disposition or "excess distribution" cannot be offset by any net operating losses for such years, and gains (but not losses) realized on the sale of the Equity Shares cannot be treated as capital, even if you hold the Equity Shares as capital assets.

If the Bank is a PFIC for any year during which you are a U.S. Holder of Equity Shares, the Bank generally will continue to be treated as a PFIC with respect to you for all succeeding years during which you hold Equity Shares, regardless of whether the Bank continues to meet the income or asset test described above.

In addition, if the Bank is treated as a PFIC, to the extent any of its direct or indirect subsidiaries (if any) are also PFICs, you may be deemed to own shares in such subsidiaries (if any) and you may be subject to the adverse PFIC tax consequences with respect to the shares of such subsidiaries (if any) that you would be deemed to own.

Qualified electing fund election

To mitigate the application of the PFIC rules discussed above, a U.S. Holder may make an election to treat the Bank as a qualified electing fund ("**QEF**") for U.S. federal income tax purposes. To make a QEF election, the Bank must provide U.S. Holders with information compiled according to U.S. federal income tax principles. The Bank does not currently intend to prepare or provide the information that would enable you to make a QEF election.

Mark-to-market election

A U.S. Holder of "marketable stock" (as defined below) in a PFIC may make a mark-to-market election with respect to such stock to elect out of the tax treatment discussed above, although it is possible the mark-to-market election may not apply or be available with respect to the shares in the Bank's subsidiaries (if any) to the extent they are PFICs that you may be deemed to own if the Bank is treated as a PFIC, as discussed above. If you make a valid mark-to-market election for the Equity Shares, you will include in income each year an amount equal to the excess, if any, of the fair market value of the Equity Shares as of the close of your taxable year over your adjusted basis in such Equity Shares. You are allowed a deduction for the excess, if any, of the adjusted basis of the Equity Shares over their fair market value as of the close of the taxable year. However, deductions are allowable only to the extent of any net mark-to-market gains on the Equity Shares included in your income for prior taxable years. Amounts included in your income under a mark-to-market election, as well as gain on the actual sale or other disposition of the Equity Shares, are treated as ordinary income. Ordinary loss treatment also applies to the deductible portion of any mark-to market loss on the Equity Shares, as well as to any loss realized on the actual sale or disposition of the Equity Shares, to the extent that the amount of such loss does not exceed the net mark-to-market gains previously included for such Equity Shares. Your basis in the Equity Shares will be adjusted to reflect any such income or loss amounts. If you make such an election, the tax rules that apply to distributions by corporations that are not PFICs generally would apply to distributions by the Bank, except that the lower applicable capital gains rate with respect to qualified dividend income (discussed above) would not apply.

The mark-to-market election is available only for "marketable stock", which is stock that is traded in other than de minimis quantities on at least 15 days during each calendar quarter on a qualified exchange or other market, as defined in the applicable U.S. Treasury regulations. Under applicable U.S. Treasury regulations, a "qualified exchange" includes a foreign exchange that is regulated by a governmental authority in the jurisdiction in which the exchange is located and in respect of which certain other requirements are met. If a US Holder makes a mark-to-market election, it will be effective for the taxable year for which the election is made and all subsequent taxable years unless the Equity Shares are no longer regularly traded on a qualified exchange or the IRS consents to the revocation of the election. U.S. Holders of Equity Shares should consult their own tax advisors as to whether the Equity Shares would qualify for the mark-to-market election.

PROSPECTIVE PURCHASERS ARE URGED TO CONSULT THEIR TAX ADVISOR REGARDING THE APPLICATION OF THE PFIC RULES TO THEIR INVESTMENT IN EQUITY SHARES, AND THE AVAILABILITY AND ADVISABILITY OF ANY ELECTIONS.

Information Reporting and Backup Withholding

Dividend payments with respect to the Equity Shares and proceeds from the sale, exchange or redemption of Equity Shares may be subject to information reporting to the Internal Revenue Service and possible U.S. backup withholding under certain circumstances.

Backup withholding will not apply, however, to a U.S. Holder who furnishes a correct taxpayer identification number and makes any other required certification or who is otherwise exempt from backup withholding. U.S. Holders who are required to establish their exempt status generally must provide such certification on Internal Revenue Service Form W9. U.S. Holders should consult their tax advisors regarding the application of the U.S. information reporting and backup withholding rules.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against your United States federal income tax liability, and you may obtain a refund of any excess amounts withheld under the backup withholding rules by timely filing the appropriate claim for refund with the Internal Revenue Service and furnishing any required information.

U.S. Holders that hold Equity Shares in any year in which the Bank is a PFIC, will be required to file Internal Revenue Service Form 8621 with respect to their ownership of the Equity Shares. This filing requirement is in addition to a U.S. Holder's obligation to file other Internal Revenue Service forms with respect to our common shares, including Form 8938. In addition, U.S. Holders may be required to file additional information with respect to their ownership of Equity Shares.

SECTION VII: ISSUE INFORMATION

TERMS OF THE ISSUE

The Equity Shares being offered and Allotted pursuant to this Issue shall be subject to the provisions of the Companies Act, SEBI ICDR Regulations, SCRA, SCRR, Banking Regulation Act, SFB Licensing Guidelines, MoA, AoA, SEBI Listing Regulations, RBI Final Approval, RBI In-Principle Approval, terms of the Red Herring Prospectus and this Prospectus, abridged prospectus, Bid cum Application Form, the Revision Form, CAN/Allotment Advice and other terms and conditions as may be incorporated in the Allotment Advice and other documents/certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws as applicable, guidelines, rules, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, the Government of India, the Stock Exchanges, the RBI, RoC and/or other authorities, as in force on the date of the Issue and to the extent applicable or such other conditions as may be prescribed by the SEBI, the RBI, the Government of India, the Stock Exchanges, the RoC and/or any other authorities while granting their approval for the Issue.

Ranking of Equity Shares

The Equity Shares being Allotted pursuant to the Issue shall rank *pari-passu* in all respects with the existing Equity Shares including in respect of the right to receive dividend. The Allottees upon Allotment of Equity Shares in the Issue, will be entitled to dividend and other corporate benefits, if any, declared by our Bank after the date of the Allotment. For further details, see "*Main Provisions of Articles of Association*" beginning on page 394.

Mode of Payment of Dividend

Our Bank shall pay dividends, if declared, to the Shareholders in accordance with the provisions of the Companies Act, the Memorandum of Association and the Articles of Association and provisions of the SEBI Listing Regulations and any other guidelines or directions which may be issued by the Government in this regard. Dividends, if any, declared by our Bank after the date of Allotment (pursuant to the transfer of Equity Shares from the Offer for Sale), will be payable to the Bidders who have been Allotted Equity Shares in the Issue, for the entire year, in accordance with applicable laws. For further details, in relation to dividends, see "*Dividend Policy*" and "*Main Provisions of Articles of Association*" beginning on pages 210 and 394, respectively.

Face Value, Issue Price and Price Band

The face value of each Equity Share is ₹ 10 and the Issue Price at the lower end of the Price Band is ₹ 303 per Equity Share and at the higher end of the Price Band is ₹ 305 per Equity Share. The Anchor Investor Issue Price is ₹ 305 per Equity Share.

The Price Band and the minimum Bid Lot and the Employee Discount were decided by our Bank and the Selling Shareholders, in consultation with the Book Running Lead Managers, and were advertised in all editions of Financial Express, an English national daily newspaper, all editions of Jansatta, a Hindi national daily newspaper and Mumbai edition of Navshakti, a Marathi newspaper, Marathi being the regional language of Maharashtra, where our Registered and Corporate Office is located, each with wide circulation, at least two Working Days prior to the Bid/Issue Opening Date and were made available to the Stock Exchanges for the purpose of uploading the same on their websites. The Price Band, along with the relevant financial ratios calculated at the Floor Price and at the Cap Price, were required to be pre-filled in the Bid cum Application Forms available on the respective websites of the Stock Exchanges.

At any given point of time, there shall be only one denomination of Equity Shares.

The Issue

The Issue comprises a Fresh Issue and an Offer for Sale by the Selling Shareholders.

Expenses for the Issue shall be shared amongst our Bank and each of the Selling Shareholders in the manner specified in "*Objects of the Issue - Issue expenses*" beginning on pages 103 to 104.

Rights of the Equity Shareholders

Subject to applicable laws, rules, regulations and guidelines and our Articles of Association, our Shareholders shall have the following rights:

- Right to receive dividends, if declared;
- Right to attend general meetings and exercise voting rights, unless prohibited by law;

- Right to vote on a poll either in person or by proxy and e-voting, in accordance with the provisions of the Companies Act;

- Right to receive offers for rights shares and be allotted bonus shares, if announced;

- Right to receive surplus on liquidation, subject to any statutory and preferential claim being satisfied;

- Right of free transferability of the Equity Shares, subject to applicable laws including any RBI rules and regulations; and

- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act, Banking Regulation Act, the SEBI Listing Regulations and our Memorandum of Association and Articles of Association.

For a detailed description of the main provisions of the Articles of Association of our Bank relating to voting rights, dividend, etc., see "*Main Provisions of Articles of Association*" beginning on page 394.

Allotment only in dematerialised form

Pursuant to Section 29 of the Companies Act, 2013 and the SEBI ICDR Regulations, the Equity Shares shall be allotted only in dematerialised form and the trading of the Equity Shares shall also only be in dematerialised form. In this context, two agreements have been signed amongst our Bank, the respective Depositories and the Registrar to the Issue:

- Agreement dated September 16, 2016 amongst our Bank, NSDL and the Registrar to the Issue.

- Agreement dated August 26, 2016 amongst our Bank, CDSL and the Registrar to the Issue.

Market Lot and Trading Lot

Since trading of the Equity Shares is in dematerialised form, the tradable lot is one Equity Share. Allotment in this Issue will be only in electronic form in multiples of 49 Equity Share subject to a minimum Allotment of 49 Equity Shares.

Joint holders

Where two or more persons are registered as the holders of the Equity Shares, they will be deemed to hold such Equity Shares as joint holders with benefits of survivorship.

Nomination facility to investors

In accordance with Section 72 of the Companies Act, 2013, and the rules made thereunder, the Sole Bidder, or the first Bidder along with other joint Bidders, may nominate any one person in whom, in the event of the death of Sole Bidder or in case of joint Bidders, death of all the Bidders, as the case may be, the Equity Shares Allotted, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to Equity Share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale/transfer/alienation of Equity Share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only in the prescribed form available on request at our Registered and Corporate Office or to the Registrar and Transfer Agent of our Bank.

Any person who becomes a nominee by virtue of the provisions of Section 72 of the Companies Act, 2013 shall upon the production of such evidence as may be required by the Board, elect either:

a) to register himself or herself as the holder of the Equity Shares; or

b) to make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the Board may, at any time, give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with within a period of 90 days, the Board may thereafter withhold payment of all dividends, interests, bonuses or other moneys payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Since the Allotment of Equity Shares in the Issue will be made only in dematerialized mode, there is no need to make a separate nomination with our Bank. Nominations registered with respective Depository Participant of the Bidder would prevail. If the Bidder wants to change the nomination, they are requested to inform their respective Depository Participant.

Withdrawal of the Issue

Our Bank and the Selling Shareholders, in consultation with the Book Running Lead Managers, reserve the right not to proceed with the Fresh Issue, and each of the Selling Shareholders reserves the right not to proceed with the Offer for Sale, in whole or in part thereof, to the extent of its respective portion of the Offered Shares, after the Bid/Issue Opening Date but before the Allotment. In such an event, our Bank would issue a public notice in the newspapers in which the pre-Issue advertisements were published, within two days of the Bid/Issue Closing Date or such other time as may be prescribed by SEBI, providing reasons for not proceeding with the Issue. The Book Running Lead Managers, through the Registrar to the Issue, shall notify the SCSBs and the Sponsor Bank (in case of RIB's using the UPI Mechanism), to unblock the bank accounts of the ASBA Bidders and the Escrow Collection Bank to release the Bid Amounts to the Anchor Investors, within one Working Day from the date of receipt of such notification. Our Bank shall also inform the same to the Stock Exchanges on which the Equity Shares are proposed to be listed.

Notwithstanding the foregoing, this Issue is also subject to obtaining final listing and trading approvals of the Stock Exchanges, which our Bank shall apply for after Allotment. If our Bank and the Selling Shareholders, in consultation with the Book Running Lead Managers withdraw the Issue after the Bid/Issue Closing Date and thereafter determine that they will proceed with public offering of the Equity Shares, our Bank shall file a fresh draft red herring prospectus with SEBI and the Stock Exchanges.

Bid/Issue Programme

BID/ISSUE OPENED ON	Wednesday, March 17, 2021[1]
BID/ISSUE CLOSED ON	Friday, March 19, 2021

(1) The Anchor Investor Bid/Issue Period was one Working Day prior to the Bid/Issue Opening Date i.e, March 16, 2021 in accordance with the SEBI ICDR Regulations

An indicative timetable in respect of the Issue is set out below:

Event	Indicative Day and Date
Finalisation of Basis of Allotment with the Designated Stock Exchange	On or about Wednesday, March 24, 2021
Initiation of refunds (if any, for Anchor Investors)/unblocking of funds from ASBA Account	On or about Wednesday, March 24, 2021
Credit of Equity Shares to demat accounts of Allottees	On or about Thursday, March 25, 2021
Commencement of trading of the Equity Shares on the Stock Exchanges	On or about Tuesday, March 30, 2021

The above timetable is indicative and does not constitute any obligation or liability on our Bank, the Selling Shareholders or the Book Running Lead Managers.

Whilst our Bank shall ensure that all steps for the completion of the necessary formalities for the listing and the commencement of trading of the Equity Shares on the Stock Exchanges are taken within six Working Days from the Bid/Issue Closing Date or such period as may be prescribed, the timetable may change due to various factors, any delay in receiving the final listing and trading approval from the Stock Exchanges. The commencement of trading of the Equity Shares will be entirely at the discretion of the Stock Exchanges and in accordance with the applicable laws.

In terms of the UPI Circulars, in relation to the Issue, the Book Running Lead Managers will submit reports of compliance with T+6 listing timelines and activities, identifying non-adherence to timelines and processes and an analysis of entities responsible for the delay and the reasons associated with it.

In case of any delay in unblocking of amounts in the ASBA Accounts (including amounts blocked through the UPI Mechanism) exceeding four Working Days from the Bid/Issue Closing Date, the Bidder shall be compensated at a uniform rate of ₹ 100 per day for the entire duration of delay exceeding four Working Days from the Bid/Issue Closing Date by the intermediary responsible for causing such delay in unblocking. The Book Running Lead Managers shall, in their sole discretion, identify and fix the liability on such intermediary or entity responsible for such delay in unblocking.

Submission of Bids (other than Bids from Anchor Investors):

Bid/Issue Period (except the Bid/Issue Closing Date)	
Submission and Revision in Bids	Only between 10:00 a.m. and 5:00 p.m. (Indian Standard Time ("**IST**")
Bid/Issue Closing Date	
Submission and Revision in Bids	Only between 10:00 a.m. and 3:00 p.m. IST

On the Bid/ Issue Closing Date, the Bids were uploaded until:

(i) 4:00 p.m. IST in case of Bids by QIBs and Non-Institutional Bidders, and

(ii) until 5:00 p.m. IST or such extended time as permitted by the Stock Exchanges, in case of Bids by RIBs and Eligible Employees Bidding in the Employee Reservation Portion.

On Bid/Issue Closing Date, extension of time was granted by Stock Exchanges only for uploading Bids received by Retail Individual Bidders after taking into account the total number of Bids received and as reported by the Book Running Lead Managers to the Stock Exchanges.

It is clarified that Bids not uploaded on the electronic bidding system or in respect of which the full Bid Amount is not blocked by SCSBs or not blocked under the UPI Mechanism in the relevant ASBA Account, as the case may be, would be rejected.

Due to limitation of time available for uploading the Bids on the Bid/Issue Closing Date, Bidders were advised to submit their Bids one day prior to the Bid/Issue Closing Date. Any time mentioned in this Prospectus is IST. Bidders were cautioned that, in the event a large number of Bids are received on the Bid/Issue Closing Date, some Bids may not get uploaded due to lack of sufficient time. Such Bids that cannot be uploaded will not be considered for allocation under this Issue. Bids and any revision in Bids will be accepted only during Monday to Friday (excluding any public/ bank holiday).

None among our Bank and any of the Selling Shareholders or any member of the Syndicate is liable for any failure in uploading the Bids due to faults in any software/ hardware system or the blocking of Bid Amount in the ASBA Account on receipt of instructions from the Sponsor Bank on account of any errors, omissions or non-compliance by various parties involved in, or any other fault, malfunctioning or breakdown in, or otherwise, in the UPI Mechanism.

In case of discrepancy in data entered in the electronic book vis-vis data contained in the Bid cum Application Form for a particular Bidder, the details as per the Bid file received from the Stock Exchanges shall be taken as the final data for the purpose of Allotment.

Minimum Subscription

If our Bank does not receive the minimum subscription in the Issue as specified under Rule 19(2)(b) of the SCRR or the minimum subscription of 90% of the Fresh Issue on the Bid/Issue Closing Date; or subscription level falls below aforesaid minimum subscription after the Bid/Issue Closing Date due to withdrawal of Bids or technical rejections or any other reason; or in case of devolvement of Underwriting, aforesaid minimum subscription is not received within 60 days from the date of Bid/ Offer Closing Date or if the listing or trading permission is not obtained from the Stock Exchanges for the Equity Shares in the Issue, our Bank shall forthwith refund the entire subscription amount received. If there is a delay beyond fifteen days, as applicable, our Bank and our Directors, who are officers in default, shall pay interest at the rate of 15% per annum.

In the event of achieving aforesaid minimum subscription, however, there is under-subscription in achieving the total Issue size, the Equity Shares will be Allotted in the following order:

(i) such number of Equity Shares will first be Allotted by our Bank such that 90% of the Fresh Issue portion is subscribed;

(ii) upon (i), all the Offered Shares offered by the Selling Shareholders will be Allotted (in proportion to their respective portion of the Offered Shares by each Selling Shareholder or in a manner as agreed among the Selling Shareholders); and

(iii) once Equity Shares have been Allotted as per (i) and (ii) above, such number of Equity Shares will be Allotted by our Bank towards the balance 10% of the Fresh Issue portion.

No liability to make any payment of interest or expenses shall accrue to any Selling Shareholder unless the delay in making any of the payments/refund hereunder or the delay in obtaining listing or trading approvals or any other approvals in relation to the Offer is caused solely by, and is directly attributable to, an act or omission of such Selling Shareholder and to the extent of its portion of the Offered Shares. Further, in terms of Regulation 49(1) of the SEBI ICDR Regulations, our Bank shall ensure that the number of Bidders to whom the Equity Shares will be Allotted will be not less than 1,000.

Arrangements for disposal of odd lots

Since our Equity Shares will be traded in dematerialised form only and the market lot for our Equity Shares will be one Equity Share, no arrangements for disposal of odd lots are required.

Restrictions, if any on transfer and transmission of Equity Shares

Except for the lock-in of the pre-Issue capital of our Bank, lock-in of the Promoters' contribution and the Anchor Investor lock-in as provided in "*Capital Structure*" beginning on page 73 and except as provided under the Banking Regulation Act and the rules and regulations made thereunder and the Articles of Association, there are no restrictions on transfer of the Equity Shares. Further, there are no restrictions on transmission of the Equity Shares of our Bank and on their consolidation or splitting, except as provided in the Articles of Association. For details, see "*Main Provisions of Articles of Association*" beginning on page 394.

In accordance with Section 12B of the Banking Regulation Act read with Reserve Bank of India (Prior approval for acquisition of shares or voting rights in private sector banks) Directions, 2015, no person (along with his relatives, associate enterprises or persons acting in concert with such person) can acquire or hold 5% or more of the total paid-up share capital of our Bank, or be entitled to exercise 5% or more of the total voting rights of our Bank, without prior approval of the RBI. For further details, see *"Key Regulations and Policies"* and "*Issue Procedure*" on pages 172 and 377, respectively.

ISSUE STRUCTURE

Issue of 1,90,93,070* Equity Shares for cash at price of ₹ 305 per Equity Share (including a premium of ₹ 295 per Equity Share) aggregating to ₹ 5,808.39* million comprising a Fresh Issue of 8,150,000* Equity Shares aggregating to ₹ 2,479.35* million by our Bank and an Offer for Sale of 10,943,070* Equity Shares aggregating to ₹ 3,329.04* million by the Selling Shareholders.

The Issue comprises of a Net Issue of 18,593,070* Equity Shares and Employee Reservation Portion of 500,000* Equity Shares (constituting 0.47% of our post-Issue paid-up Equity Share capital). The Issue and the Net Issue constitute 17.99% and 17.52%, respectively of the post-Issue paid-up Equity Share capital of our Bank. The face value of the Equity Shares is ₹ 10 each.

Our Bank has undertaken a Pre-IPO placement of 5,208,226 Equity Shares comprising (i) a private placement of 3,084,833 Equity Shares to SBI Life Insurance Company Limited for cash at a price of ₹ 291.75 per Equity Share aggregating to approximately ₹ 900.00 million; (ii) a private placement of 1,713,795 Equity Shares to Axis Flexi Cap Fund for cash at a price of ₹ 291.75 per Equity Share aggregating to approximately ₹ 499.99 million; (iii) a private placement of 342,760 Equity Shares to Axis Equity Hybrid Fund for cash at a price of ₹ 291.75 per Equity Share aggregating to approximately ₹ 100.00 million; and (iv) a private placement of 66,838 Equity Shares to Kiran Vyapar Limited for cash at a price of ₹ 291.75 per Equity Share aggregating to approximately ₹ 19.50 million pursuant to shareholders' resolution dated February 13, 2021 and the resolution of the board dated February 23, 2021. The size of the Fresh Issue was reduced by 5,208,226 Equity Shares pursuant to the Pre-IPO Placement. Further, pursuant to the resolution of the Board dated March 2, 2021, our Bank has also increased the Fresh Issue size by 1,763,226 Equity Shares (within the limits for Fresh Issue approved by our Shareholders on July 27, 2020). Accordingly, the Fresh Issue size was 8,150,000* Equity Shares.

* *Subject to finalisation of Basis of Allotment.*

The Issue is being made through the Book Building Process.

Particulars	Eligible Employees**	QIBs(1)	Non-Institutional Bidders	Retail Individual Bidders
Number of Equity Shares available for Allotment/ allocation*(2)	500,000* Equity Shares	Not more than 9,296,534* Equity Shares	Not less than 2,788,961* Equity Shares available for allocation or Net Issue less allocation to QIB Bidders and Retail Individual Bidders	Not less than 6,507,575* Equity Shares available for allocation or Net Issue less allocation to QIB Bidders and Non-Institutional Bidders
Percentage of Issue size available for Allotment/ allocation	The Employee Reservation Portion constituted 0.47% of the post-Issue paid-up Equity Share capital of our Bank	Not more than 50% of the Net Issue was made available for allocation to QIB Bidders. However, 5% of the Net QIB Portion was made available for allocation proportionately to Mutual Funds only. Mutual Funds participating in the Mutual Fund Portion were eligible for allocation in the remaining QIB Portion. The unsubscribed portion in the Mutual Fund Portion was added to the Net QIB Portion	Not less than 15% of the Net Issue or the Net Issue less allocation to QIB Bidders and RIBs	Not less than 35% of the Net Issue or Net Issue less allocation to QIB Bidders and Non-Institutional Bidders
Basis of Allotment/ allocation if respective category is oversubscribed*	Proportionate, the value of allocation to an Eligible Employee shall not exceed ₹ 200,000. In the event of undersubscription in the Employee Reservation Portion, the	Proportionate as follows (excluding the Anchor Investor Portion): (a) 185,931* Equity Shares were made available for allocation on a	Proportionate	Proportionate, subject to minimum bid lot. The allotment to each Retail Individual Investor was not less than the minimum Bid Lot,

Particulars	Eligible Employees**	QIBs(1)	Non-Institutional Bidders	Retail Individual Bidders
	unsubscribed portion is required to be allocated, on a proportionate basis, to Eligible Employees for a value exceeding ₹ 200,000 up to ₹ 500,000 each	proportionate basis to Mutual Funds only; and (b) 3,532,683* Equity Shares were made available for allocation on a proportionate basis to all QIBs, including Mutual Funds receiving allocation as per (a) above. 60% of the QIB Portion (of 5,577,920* Equity Shares) were allocated on a discretionary basis to Anchor Investors of which one-third was made available for allocation to Mutual Funds only, subject to valid Bid having been received from Mutual Funds at or above the Anchor Investor Allocation Price		subject to availability of Equity Shares in the Retail Portion and the remaining available Equity Shares if any, were allotted on a proportionate basis.
Minimum Bid	49 Equity Shares	Such number of Equity Shares and in multiples of 49 Equity Shares that the Bid Amount exceeds ₹200,000	Such number of Equity Shares in multiples of 49 Equity Shares that the Bid Amount exceeds ₹200,000	49 Equity Shares
Maximum Bid	Such number of Equity Shares in multiples of 49 Equity Shares, so that the maximum Bid Amount by each Eligible Employee in Eligible Employee Portion does not exceed ₹ 500,000, less Employee Discount, if any	Such number of Equity Shares in multiples of 49 Equity Shares not exceeding the size of the Net Issue, subject to applicable limits	Such number of Equity Shares in multiples of 49 Equity Shares not exceeding the size of the Net Issue (excluding the QIB portion), subject to applicable limits	Such number of Equity Shares in multiples of 49 Equity Shares so that the Bid Amount does not exceed ₹200,000
Mode of Allotment	Compulsorily in dematerialized form			
Bid Lot	49 Equity Shares and in multiples of 49 Equity Shares thereafter			
Allotment Lot	A minimum of 49 Equity Shares and in multiples of 49 Equity Share thereafter. For Retail Individual Bidders and Eligible Employees Bidding in the Employee Reservation Portion, 49 Equity Shares and in multiples of one Equity Share thereafter, subject to availability in the Retail Portion and the Employee Reservation Portion.			
Trading Lot	One Equity Share			

Particulars	Eligible Employees**	QIBs[(1)]	Non-Institutional Bidders	Retail Individual Bidders
Who can apply[(3)]	Eligible Employees	Public financial institutions as specified in Section 2(72) of the Companies Act 2013, scheduled commercial banks, Mutual Funds, FPIs (other than individuals, corporate bodies and family offices), VCFs, AIFs, FVCIs registered with SEBI, multilateral and bilateral development financial institutions, state industrial development corporation, insurance company registered with IRDAI, provident fund with minimum corpus of ₹250 million, pension fund with minimum corpus of ₹250 million National Investment Fund set up by the Government of India, insurance funds set up and managed by army, navy or air force of the Union of India, insurance funds set up and managed by the Department of Posts, India and Systemically Important NBFCs	Resident Indian individuals, Eligible NRIs, HUFs (in the name of the karta), companies, corporate bodies, scientific institutions societies and trusts and any individuals, corporate bodies and family offices which are recategorized as category II FPIs and registered with SEBI	Resident Indian individuals, Eligible NRIs and HUFs (in the name of the karta)
Terms of Payment	**In case of Anchor Investors:** Full Bid Amount was payable by the Anchor Investors at the time of submission of their Bids[(4)] **In case of all other Bidders:** Full Bid Amount was required to be blocked by the SCSBs in the bank account of the ASBA Bidder (other than Anchor Investors) or by the Sponsor Bank through the UPI Mechanism, that is specified in the ASBA Form at the time of submission of the ASBA Form.			
Mode of Bid	Only through the ASBA process (except for Anchor Investors)			

* *Subject to finalisation of the Basis of Allotment*

[#] *Eligible Employees Bidding in the Employee Reservation Portion made Bid up to a Bid Amount of ₹ 500,000 (net of Employee Discount). However, a Bid by an Eligible Employee in the Employee Reservation Portion was considered for allocation, in the first instance, for a Bid Amount of up to ₹ 200,000, net of Employee Discount. In the event of under-subscription in the Employee Reservation Portion the unsubscribed portion was made available for allocation and Allotment, proportionately to all Eligible Employees who made Bid in excess of ₹ 200,000, subject to the maximum value of Allotment made to such Eligible Employee not exceeding ₹ 500,000, net of Employee Discount. Further, an Eligible Employee Bidding in the Employee Reservation Portion also Bid in the Net Issue and such Bids were not treated as multiple Bids subject to applicable limits. The unsubscribed portion if any, in the Employee Reservation Portion was added back to the Net Issue. In case of under-subscription in the Net Issue, spill-over to the extent of such under-subscription has been permitted from the Employee Reservation Portion.*

(1) *Our Bank and the Selling Shareholders, in consultation with the Book Running Lead Managers, allocated 60% of the QIB Category to Anchor Investors on a discretionary basis in accordance with the SEBI ICDR Regulations. One-third of the Anchor Investor Portion was reserved for domestic Mutual Funds, subject to valid Bids having been received from domestic Mutual Funds at or above the price Anchor Investor Allocation Price. In terms of the Banking Regulation Act read with Reserve Bank of India (Prior approval for acquisition of shares or voting rights in private sector banks) Directions, 2015, no person either by himself or with his relative, associate enterprise, or acting in concert with any other person can acquire, directly or indirectly, or hold 5% or more of the total paid-up share capital of our Bank, or be entitled to exercise 5% or more of the total voting rights of our Bank, without prior approval of the RBI. Accordingly, in case*

of Bids for such number of Equity Shares, as may result in the shareholding of a Bidder (along with his relatives, associate enterprises or persons acting in concert with such person) exceeding 5% or more of the total paid-up share capital of our Bank or entitles him to exercise 5% or more of the voting rights in our Bank, such Bidder is required to submit the approval obtained from the RBI with the Registrar to the Issue, at least one Working Day prior to the finalisation of the Basis of Allotment. In case of failure by such Bidder to submit the approval obtained from the RBI within the above time period, our Bank may Allot maximum number of Equity Shares, as adjusted for the Bid Lot (and in case of over-subscription in the Issue, after making applicable proportionate allocation for the Equity Shares Bid for), that will limit the aggregate shareholding of the Bidder (along with his relatives, associate enterprises or persons acting in concert with such person and including existing shareholding, if any) to less than 5% of the post-Issue paid-up Equity Share capital of our Bank. For details, see "Key Regulations and Policies" and "Issue Procedure" beginning on pages 172 and 377, respectively.

(2) *Subject to valid Bids having been received at or above the Issue Price. This is an Issue in terms of Rule 19(2)(b) of the SCRR and under the SEBI ICDR Regulations.*

(3) *If the Bid is submitted in joint names, the Bid cum Application Form have contained only the name of the first Bidder whose name appeared as the first holder of the depository account held in joint names. The signature of only the first Bidder were required in the Bid cum Application Form and such first Bidder would be deemed to have signed on behalf of the joint holders. Bidders were required to confirm and were deemed to have represented to our Bank, each of the Selling Shareholders, the Underwriters, their respective directors, officers, agents, affiliates and representatives that they were eligible under applicable law, rules, regulations, guidelines and approvals to acquire the Equity Shares.*

(4) *Full Bid Amount was required to be payable by the Anchor Investors at the time of submission of the Anchor Investor Application Forms provided that any difference between the Anchor Investor Allocation Price and the Anchor Investor Issue Price shall be payable by the Anchor Investor Pay-In Date as indicated in the CAN.*

The Bids by FPIs with certain structures as described under "Issue Procedure - Bids by FPIs" on pages 381 to 383 and having same PAN may be collated and identified as a single Bid in the Bidding process. The Equity Shares Allocated and Allotted to such successful Bidders (with same PAN) may be proportionately distributed.

Bidders were required to confirm and were deemed to have represented to our Bank, the Selling Shareholders, the Underwriters, their respective directors, officers, agents, affiliates and representatives that they were eligible under applicable law, rules, regulations, guidelines and approvals to acquire the Equity Shares.

Employee Discount was offered to Eligible Employees bidding in the Employee Reservation Portion, and, at the time of making a Bid. Eligible Employees bidding in the Employee Reservation Portion at a price within the Price Band made payment based on Bid Amount net of Employee Discount, at the time of making a Bid. Eligible Employees bidding in the Employee Reservation Portion at the Cut-Off Price have ensured payment at the Cap Price, less Employee Discount, at the time of making a Bid.

Subject to valid Bids having been received at or above the Issue Price, under-subscription, if any, in any category except the QIB Portion, was allowed to be met with spill over from any other category or combination of categorises at the discretion of our Bank and the Selling Shareholders, in consultation with the Book Running Lead Managers and the Designated Stock Exchange, on a proportionate basis.

ISSUE PROCEDURE

*All Bidders should read the General Information Document for Investing in Public Issues prepared and issued in accordance with the circular no. SEBI/HO/CFD/DIL1/CIR/P/2020/37 dated March 17, 2020 and the UPI Circulars (the "**General Information Document**"), which highlights the key rules, processes and procedures applicable to public issues in general in accordance with the provisions of the Companies Act, the SCRA, the SCRR and the SEBI ICDR Regulations which is part of the abridged prospectus accompanying the Bid cum Application Form. The General Information Document is available on the websites of the Stock Exchanges and the Book Running Lead Managers. Please refer to the relevant provisions of the General Information Document which are applicable to the Issue especially in relation to the process for Bids by RIBs through the UPI Mechanism. The investors should note that the details and process provided in the General Information Document should be read along with this section.*

*Additionally, all Bidders may refer to the General Information Document for information in relation to (i) category of investors eligible to participate in the Issue; (ii) maximum and minimum Bid size; (iii) price discovery and allocation; (iv) payment instructions for ASBA Bidders; (v) issuance of Confirmation of Allocation Note ("**CAN**") and Allotment in the Issue; (vi) general instructions (limited to instructions for completing the Bid cum Application Form); (vii) designated date; (viii) disposal of applications; (ix) submission of Bid cum Application Form; (x) other instructions (limited to joint bids in cases of individual, multiple bids and instances when an application would be rejected on technical grounds); (xi) applicable provisions of Companies Act relating to punishment for fictitious applications; (xii) mode of making refunds; and (xiii) interest in case of delay in Allotment or refund.*

*SEBI vide its circular no. SEBI/HO/CFD/DIL2/CIR/P/2018/138 dated November 1, 2018 read with its circular no. SEBI/HO/CFD/DIL2/CIR/P/2019/50 dated April 3, 2019, has introduced an alternate payment mechanism using Unified Payments Interface ("**UPI**") and consequent reduction in timelines for listing in a phased manner. From January 1, 2019, the UPI Mechanism for RIBs applying through Designated Intermediaries was made effective along with the existing process and existing timeline of T+6 days. ("**UPI Phase I**"). The UPI Phase I was effective till June 30, 2019.*

*With effect from July 1, 2019, SEBI vide its circular no. SEBI/HO/CFD/DIL2/CIR/P/2019/76 dated June 28, 2019, read with circular bearing number SEBI/HO/CFD/DIL2/CIR/P/2019/85 dated July 26, 2019 with respect to Bids by RIBs through Designated Intermediaries (other than SCSBs), the existing process of physical movement of forms from such Designated Intermediaries to SCSBs for blocking of funds has been discontinued and only the UPI Mechanism for such Bids with existing timeline of T+6 days was mandated for a period of three months or launch of five main board public issues, whichever is later ("**UPI Phase II**"). Subsequently, however, SEBI vide its circular no. SEBI/HO/CFD/DIL2/CIR/P/2020/50 dated March 30, 2020 extended the timeline for implementation of UPI Phase II till further notice. However, given the prevailing uncertainty due to the COVID-19 pandemic, SEBI vide its circular no. SEBI/HO/CFD/DIL2/CIR/P/2020/50 dated March 30, 2020, has decided to continue with the UPI Phase II till further notice. The final reduced timeline will be made effective using the UPI Mechanism for applications by RIBs ("**UPI Phase III**"), as may be prescribed by SEBI. The Issue has been undertaken pursuant to the processes and procedures under UPI Phase II, subject to any circulars, clarification or notification issued by the SEBI from time to time.*

Our Bank, the Selling Shareholders and the Syndicate do not accept any responsibility for the completeness and accuracy of the information stated in this section and are not liable for any amendment, modification or change in the applicable law which may occur after the date of the Red Herring Prospectus and this Prospectus. Bidders were advised to make their independent investigations and ensure that their Bids are submitted in accordance with applicable laws and did not exceed the investment limits or maximum number of the Equity Shares that can be held by them under applicable law or as specified in the Red Herring Prospectus and this Prospectus.

Further, our Bank, the Selling Shareholders and the Syndicate are not liable for any adverse occurrences consequent to the implementation of the UPI Mechanism for application in this Issue.

Book Building Procedure

The Issue has been made in terms of Rule 19(2)(b) of the SCRR, through the Book Building Process in accordance with Regulation 6(1) of the SEBI ICDR Regulations wherein not more than 50% of the Net Issue was made available for allocation on a proportionate basis to QIBs, provided that our Bank and the Selling Shareholders, in consultation with the Book Running Lead Managers, have allocated 60% of the QIB Portion to Anchor Investors on a discretionary basis in accordance with the SEBI ICDR Regulations, of which one-third was reserved for domestic Mutual Funds, subject to valid Bids having been received from domestic Mutual Funds at or above the Anchor Investor Allocation Price. Further, 5% of the Net QIB Portion was made available for allocation on a proportionate basis only to Mutual Funds, and the remainder of the Net QIB Portion was made available for allocation on a proportionate basis to all QIBs (other than Anchor Investors), including Mutual Funds, subject to valid Bids having been received at or above the Issue Price. Further, not less than 15% of the Net Issue was available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Net Issue was available for allocation to Retail Individual Bidders in accordance with the SEBI ICDR Regulations, subject to valid Bids having been received at or above the Issue Price. Furthermore, 500,000 Equity Shares, aggregating to ₹ 137.50 million were made available for allocation on a proportionate basis only to Eligible Employees Bidding in the Employee Reservation Portion, subject to valid Bids having been received at or above the Issue Price, net of Employee Discount.

Under-subscription, if any, in any category (including the Employee Reservation Portion), except in the QIB Portion, would be allowed to be met with spill over from any other category or combination of categories of Bidders at the discretion of our Bank and the Selling Shareholders, in consultation with the Book Running Lead Managers and the Designated Stock Exchange subject to receipt of valid Bids received at or above the Issue Price, net of Employee Discount, if any. Under-subscription, if any, in the QIB Portion, would not be allowed to be met with spill-over from any other category or a combination of categories. Further, in the event of an under-subscription in the Employee Reservation Portion, such unsubscribed portion may be Allotted on a proportionate basis to Eligible Employees Bidding in the Employee Reservation Portion, for a value in excess of ₹ 200,000 (net of Employee Discount), subject to the total Allotment to an Eligible Employee not exceeding ₹ 500,000 (net of Employee Discount). The unsubscribed portion, if any, in the Employee Reservation Portion was required to be added to the Net Issue. A discount of ₹ 30 per Equity Share was offered to Eligible Employees bidding in the Employee Reservation Portion in accordance with the SEBI ICDR Regulations.

The Equity Shares, on Allotment, shall be traded only in the dematerialized segment of the Stock Exchanges.

Investors should note that the Equity Shares will be Allotted to all successful Bidders only in dematerialised form. The Bid cum Application Forms which do not have the details of the Bidders' depository account, including DP ID, Client ID, PAN and UPI ID, for RIBs Bidding using the UPI Mechanism, shall be treated as incomplete and will be liable to be rejected. Bidders will not have the option of being Allotted Equity Shares in physical form. However, they may get the Equity Shares rematerialised subsequent to Allotment of the Equity Shares in the Issue, subject to applicable laws.

Phased implementation of Unified Payments Interface

SEBI has issued the UPI Circulars in relation to streamlining the process of public issue of *inter alia*, equity shares. Pursuant to the UPI Circulars, the UPI Mechanism has been introduced in a phased manner as a payment mechanism (in addition to mechanism of blocking funds in the account maintained with SCSBs under ASBA) for applications by RIBs through Designated Intermediaries with the objective to reduce the time duration from public issue closure to listing from six Working Days to up to three Working Days. Considering the time required for making necessary changes to the systems and to ensure complete and smooth transition to the UPI payment mechanism, the UPI Circulars have introduced the UPI Mechanism in three phases in the following manner:

Phase I: This phase was applicable from January 1, 2019 until March 31, 2019 or floating of five main board public issues, whichever was later. Subsequently, the timeline for implementation of Phase I was extended till June 30, 2019. Under this phase, an RIB had the option to submit the ASBA Form with any of the Designated Intermediary and use his/ her UPI ID for the purpose of blocking of funds. The time duration from public issue closure to listing continued to be six Working Days.

Phase II: This phase has become applicable from July 1, 2019. SEBI vide its circular no. SEBI/HO/CFD/DCR2/CIR/P/2019/133 dated November 8, 2019 had extended the timeline for implementation of UPI Phase II till March 31, 2020. Further, SEBI vide its circular no. SEBI/HO/CFD/DIL2/CIR/P/2020 dated March 30, 2020 decided to continue Phase II of UPI with ASBA until further notice. Under this phase, submission of the ASBA Form by RIBs through Designated Intermediaries (other than SCSBs) to SCSBs for blocking of funds will be discontinued and will be replaced by the UPI Mechanism. However, the time duration from public issue closure to listing would continue to be six Working Days during this phase.

Phase III: The commencement period of Phase III is yet to be notified. In this phase, the time duration from public issue closure to listing is proposed to be reduced to three Working Days.

For further details, refer to the General Information Document available on the websites of the Stock Exchanges and the Book Running Lead Managers.

Bid cum Application Form

Copies of the ASBA Form and the abridged prospectus were made available with the Designated Intermediaries at the Bidding Centres, and our Registered and Corporate Office. An electronic copy of the ASBA Form was also made available for download on the websites of NSE (www.nseindia.com) and BSE (www.bseindia.com) at least one day prior to the Bid/Issue Opening Date.

Copies of the Anchor Investor Application Form were made available with the Book Running Lead Managers.

All Bidders (other than Anchor Investors) were mandatorily required to participate in the Issue only through the ASBA process. The RIBs could additionally Bid through the UPI Mechanism.

All ASBA Bidders must provide either, (i) bank account details and authorizations to block funds in the ASBA Form; or (ii) the UPI ID (in case of RIBs), as applicable, in the relevant space provided in the ASBA Form and the ASBA Forms that do not contain such details will be rejected. Applications made by the RIBs using third party bank account or using third party linked bank account UPI ID are liable for rejection.

RIBs bidding using the UPI Mechanism must provide the valid UPI ID in the relevant space provided in the Bid cum Application Form and the Bid cum Application Form that does not contain the UPI ID are liable to be rejected.

ASBA Bidders were required to ensure that the Bids were made on ASBA Forms bearing the stamp of the Designated Intermediary, submitted at the Bidding Centres only (except in case of electronic ASBA Forms) and the ASBA Forms not bearing such specified stamp were liable to be rejected. RIBs using UPI Mechanism, were required to submit their ASBA Forms with the Syndicate, Sub-Syndicate members, Registered Brokers, RTAs or CDPs. RIBs authorising an SCSB to block the Bid Amount in the ASBA Account were required to submit their ASBA Forms with the SCSBs. ASBA Bidders were also required to ensure that the ASBA Account has sufficient credit balance as an amount equivalent to the full Bid Amount which can be blocked by the SCSB or by Sponsor Bank under the UPI Mechanism, as applicable at the time of submitting the Bid.

Anchor Investors were not permitted to participate in the Issue through the ASBA process. For Anchor Investors, the Anchor Investor Application Form will be available with the Book Running Lead Managers.

The prescribed colour of the Bid cum Application Form for the various categories is as follows:

Category	Colour of Bid cum Application Form*
Resident Indians, including resident QIBs, Non-Institutional Bidders, Retail Individual Bidders and Eligible NRIs applying on a non-repatriation basis	White
Non-residents including Eligible NRIs, FVCIs, FPIs and registered bilateral and multilateral institutions applying on a repatriation basis	Blue
Anchor Investors	White
Eligible Employees Bidding in the Employee Reservation Portion	Pink

* *Excluding electronic Bid cum Application Forms*

Notes:

(1) Electronic Bid cum Application forms and the abridged prospectus were also made available for download on the website of NSE (www.nseindia.com) and BSE (www.bseindia.com)

(2) Bid cum Application Forms for Anchor Investors were made available at the offices of the Book Running Lead Managers

In case of ASBA Forms, Designated Intermediaries were required to upload the relevant bid details in the electronic bidding system of the Stock Exchanges.

Subsequently, for ASBA Forms (other than RIBs using UPI Mechanism). Designated Intermediaries (other than SCSBs) were required to submit / deliver the ASBA Forms to the respective SCSB where the Bidder has an ASBA bank account and were required not to submit it to any non-SCSB bank or any Escrow Collection Bank. Stock Exchanges were required to validate the electronic bids with the records of the CDP for DP ID/Client ID and PAN, on a real time basis and bring inconsistencies to the notice of the relevant Designated Intermediaries, for rectification and re-submission within the time specified by Stock Exchanges. Stock Exchanges allowed modification of either DP ID/Client ID or PAN ID, bank code and location code in the Bid details already uploaded.

For RIBs using UPI Mechanism, the Stock Exchanges were required to share the Bid details (including UPI ID) with the Sponsor Bank on a continuous basis through API integration to enable the Sponsor Bank to initiate UPI Mandate Request to RIBs for blocking of funds. The Sponsor Bank initiated request for blocking of funds through NPCI to RIBs, who could accept the UPI Mandate Request for blocking of funds on their respective mobile applications associated with UPI ID linked bank account. The NPCI maintained an audit trail for every Bid entered in the Stock Exchanges bidding platform, and the liability to compensate RIBs (Bidding through UPI Mechanism) in case of failed transactions is with the concerned entity (i.e. the Sponsor Bank, NPCI or the issuer bank) at whose end the lifecycle of the transaction had come to a halt. The NPCI was required to share the audit trail of all disputed transactions/ investor complaints to the Sponsor Banks and the issuer bank. The Sponsor Banks and the Bankers to the Issue were required to provide the audit trail to the Book Running Lead Managers for analysing the same and fixing liability.

The Sponsor Bank will undertake a reconciliation of Bid responses received from Stock Exchanges and sent to NPCI and will also ensure that all the responses received from NPCI are sent to the Stock Exchanges platform with detailed error code and description, if any. Further, the Sponsor Bank will undertake reconciliation of all Bid requests and responses throughout their lifecycle on daily basis and share reports with the Book Running Lead Managers in the format and within the timelines as specified under the UPI Circulars. Sponsor Bank and issuer banks shall download UPI settlement files and raw data files from the NPCI portal after every settlement cycle and do a three way reconciliation with Banks UPI switch data, CBS data and UPI raw data. NPCI is to coordinate with issuer banks and Sponsor Banks on a continuous basis.

In terms of the Banking Regulation Act read with Reserve Bank of India (Prior approval for acquisition of shares or voting rights in private sector banks) Directions, 2015, no person either by himself or with his relative, associate enterprise, or acting in concert with any other person can acquire, directly or indirectly, or hold 5% or more of the total paid-up share capital of our Bank, or be entitled to exercise 5% or more of the total voting rights of our Bank, without prior approval of the RBI. Accordingly, it is the responsibility of each Bidder to seek RBI approval, if the Bids submitted by such Bidder for such number of Equity Shares as may result in the shareholding of a Bidder (along with his relatives, associate enterprises or persons acting in concert with such Bidder ("**Other Persons**") aggregate to 5% or more of the post-Issue paid-up share capital of our Bank. It may be noted that in the event an approval from RBI is not obtained by any Bidder, it shall not be allotted more than 5% of the post-Issue paid-up share capital of our Bank.

Our Bank, the Selling Shareholders, the Book Running Lead Managers and the Registrar to the Issue will rely strictly and solely on the RBI approvals received from Bidders for making any Allotment of Equity Shares to such Bidders and to the Other Persons, if any, that results in such Bidder, either individually or on an aggregate basis with the Other Persons associated with such Bidder, holding Equity Shares equal to or in excess of 5% of the post-Issue paid-up share capital of our Bank thereafter, after considering their existing aggregate shareholding in our Bank, if any. Our Bank, the Selling Shareholders, the Registrar to the Issue and Book Running Lead Managers will not be responsible for identifying the Other Persons associated with any Bidder, or for the consequences of any Bidder and the Other Persons holding Equity Shares, which together with their existing shareholding amount to 5% or more of the post-Issue paid-up share capital of our Bank pursuant to the Allotment made without a valid and subsisting RBI approval.

An 'associate enterprise' has the same meaning assigned to it in Explanation 1(a) to Section 12B of Banking Regulation Act, 1949. A 'person acting in concert' has the same meaning as stated in Explanation1(c) to Section 12B of Banking Regulation Act, 1949. A 'relative' has the same meaning as defined in Section 2(77) of the Companies Act, 2013 and rules made thereunder.

Accordingly, in case of Bids for such number of Equity Shares, as may result in the shareholding of a Bidder (along with his relatives, associate enterprises or persons acting in concert with such person) exceeding 5% or more of the total paid-up share capital of our Bank or entitles him to exercise 5% or more of the voting rights in our Bank, such Bidder is required to submit the approval obtained from the RBI with the Registrar to the Issue, at least one Working Day prior to the finalisation of the Basis of Allotment. In case of failure by such Bidder to submit the approval obtained from the RBI within the above time period, our Bank may Allot maximum number of Equity Shares, as adjusted for the Bid Lot (and in case of over-subscription in the Issue, after making applicable proportionate allocation for the Equity Shares Bid for), that will limit the aggregate shareholding of the Bidder (along with his relatives, associate enterprises or persons acting in concert with such person and including existing shareholding, if any) to less than 5% of the post-Issue paid-up Equity Share capital of our Bank.

A clearly legible copy of the RBI approval in the name(s) of the Bidders together with the application submitted for obtaining such RBI approval must be submitted by the Bidders with the Bid cum Application Form as well as to the Registrar to the Issue at any time prior to the date falling one day before the date for finalisation of the Basis of Allotment. Such RBI approval should clearly mention the name(s) of the entities which propose to Bid in the Issue, the aggregate shareholding of the Bidder and the Other Persons in the pre-Issue paid-up share capital of our Bank and the maximum permitted holding of Equity Shares by the Other Persons. All allotments to such Bidders and the Other Persons, shall be in accordance with and subject to the conditions contained in such RBI approval.

Participation by Promoters and members of the Promoter Group of our Bank, the Book Running Lead Managers and the Syndicate Members

The Book Running Lead Managers and the Syndicate Members were not allowed to purchase Equity Shares in this Issue in any manner, except towards fulfilling their underwriting obligations. However, the associates and affiliates of the Book Running Lead Managers and the Syndicate Members could Bid for Equity Shares in the Issue, either in the QIB Portion or in the Non-Institutional Portion as was applicable to such Bidders, where the allocation is on a proportionate basis and such subscription could be on their own account or on behalf of their clients. All categories of investors, including associates or affiliates of the Book Running Lead Managers and Syndicate Members, were required to be treated equally for the purpose of allocation to be made on a proportionate basis.

Except as stated below, neither the Book Running Lead Managers nor any associates of the Book Running Lead Managers could apply in the Issue under the Anchor Investor Portion:

(i) mutual funds sponsored by entities which are associate of the Book Running Lead Managers;

(ii) insurance companies promoted by entities which are associate of the Book Running Lead Managers;

(iii) AIFs sponsored by the entities which are associate of the Book Running Lead Managers; or

(iv) FPIs (other than individuals, corporate bodies and family offices) sponsored by the entities which are associate of the Book Running Lead Managers.

Further, persons related to our Promoters and Promoter Group did not apply in the Issue under the Anchor Investor Portion.

For the purposes of the above, a QIB who has the following rights was deemed to be a person related to our Promoters or Promoter Group:

(i) rights under a shareholders' agreement or voting agreement entered into with our Promoters or Promoter Group;

(ii) veto rights; or

(iii) right to appoint any nominee director on the Board.

Further, the Promoters and members of the Promoter Group did not participate by applying for Equity Shares in the Issue. Further, an Anchor Investor was deemed to be an associate of the Book Running Lead Managers, if: (a) either of them controls, directly or indirectly through its subsidiary or holding company, not less than 15% of the voting rights in the other; or (b) either of them, directly or indirectly, by itself or in combination with other persons, exercises control over the other; or (c) there is a common director, excluding a nominee director, amongst the Anchor Investor and the Book Running Lead Managers.

Bids by Mutual Funds

With respect to Bids by Mutual Funds, a certified copy of their SEBI registration certificate was required to be lodged along with the Bid cum Application Form. Failing this, our Bank and the Selling Shareholders, in consultation with the Book Running Lead Managers, reserve the right to reject any Bid without assigning any reason thereof.

Bids made by asset management companies or custodians of Mutual Funds shall specifically state names of the concerned schemes for which such Bids are made.

In case of a Mutual Fund, a separate Bid could be made in respect of each scheme of the Mutual Fund registered with SEBI and such Bids in respect of more than one scheme of the Mutual Fund were not treated as multiple Bids provided that the Bids clearly indicated the scheme concerned for which the Bid has been made.

No Mutual Fund scheme could invest more than 10% of its net asset value in equity shares or equity related instruments of any single company provided that the limit of 10% was not applicable for investments in case of index funds or sector or industry specific schemes. No Mutual Fund under all its schemes should own more than 10% of any company's paid-up share capital carrying voting rights.

Bids by Eligible NRIs

Eligible NRIs could obtain copies of Bid cum Application Form from the Designated Intermediaries. Only Bids accompanied by payment in Indian Rupees or freely convertible foreign exchange were considered for Allotment. Eligible NRI Bidders bidding on a repatriation basis by using the Non-Resident Forms should authorize their respective SCSB or confirm or accept the UPI Mandate Request (in case of RIBs Bidding through the UPI Mechanism) to block their Non-Resident External ("**NRE**") accounts, or Foreign Currency Non-Resident ("**FCNR**") Accounts, and eligible NRI Bidders bidding on a non-repatriation basis by using Resident Forms should authorize their respective SCSB or confirm or accept the UPI Mandate Request (in case of RIBs Bidding through the UPI Mechanism) to block their Non-Resident Ordinary ("**NRO**") accounts for the full Bid Amount, at the time of the submission of the Bid cum Application Form. Participation of Eligible NRIs in the Offer shall be subject to the FEMA regulations.

Eligible NRIs Bidding on non-repatriation basis were advised to use the Bid cum Application Form for residents (White in colour). Eligible NRIs Bidding on a repatriation basis were advised to use the Bid cum Application Form meant for Non-Residents (Blue in colour).

For details of investment by NRIs, see "*Restrictions on Foreign Ownership of Indian Securities*" on page 393. Participation of Eligible NRIs shall be subject to the FEMA Regulations.

Bids by HUFs

Bids by Hindu Undivided Families or HUFs, were required to be made in the individual name of the Karta. The Bidder/Applicant was required to specify that the Bid is being made in the name of the HUF in the Bid cum Application Form/Application Form as follows: "Name of sole or first Bidder/Applicant: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the *Karta*". Bids/Applications by HUFs were considered at par with Bids/Applications from individuals.

Bids by FPIs

In terms of the SEBI FPI Regulations, the issue of Equity Shares to a single FPI including its or an investor group (which means the same multiple entities having common ownership directly or indirectly of more than 50% or common control) must be below 10% of our post-Issue Equity Share capital. Further, in terms of the FEMA Regulations, the total holding by each FPI, of an investor group, shall be below 10% of the total paid-up Equity Share capital of our Bank on a fully diluted basis and the total holdings of all FPIs put together shall not exceed 74%, being the sectoral cap (up to 49% under the automatic route and up to 74% under the government approval route), of the paid-up Equity Share capital of our Bank on a fully diluted basis.

In case the total holding of an FPI or investor group increases beyond 10% of the total paid-up Equity Share capital of our Bank, on a fully diluted basis, the total investment made by the FPI or investor group will be re-classified as FDI subject to the conditions as specified by SEBI and the RBI in this regard and our Bank and the investor will be required to comply with applicable reporting requirements.

In case of Bids made by FPIs, a certified copy of the certificate of registration issued under the SEBI FPI Regulations was required to be attached to the Bid cum Application Form, failing which our Bank reserves the right to reject any Bid without assigning any reason. FPIs who wish to participate in the Issue were advised to use the Bid cum Application Form for Non-Residents (Blue in colour).

In terms of the FEMA Regulations, for calculating the aggregate holding of FPIs in a company, holding of all registered FPIs shall be included.

With effect from April 1, 2020, the aggregate limits for FPI investments are the sectoral caps applicable to our Bank (i.e. up to 49% under the automatic route and up to 74% under the government approval route).

The FEMA Non-debt Instruments Rules was enacted on October 17, 2019 in supersession of the FEMA Regulations, except as respects things done or omitted to be done before such supersession. FPIs are permitted to participate in the Issue subject to compliance with conditions and restrictions which may be specified by the Government from time to time.

To ensure compliance with the above requirement, SEBI, pursuant to its circular dated July 13, 2018, has directed that at the time of finalisation of the Basis of Allotment, the Registrar shall (i) use the PAN issued by the Income Tax Department of India for checking compliance for a single FPI; and (ii) obtain validation from Depositories for the FPIs who have invested in the Offer to ensure there is no breach of the investment limit, within the timelines for issue procedure, as prescribed by SEBI from time to time.

Subject to compliance with all applicable Indian laws, rules, regulations, guidelines and approvals in terms of the SEBI FPI Regulations, an FPI, may issue, subscribe to or otherwise deal in offshore derivative instruments (as defined under the SEBI FPI Regulations as any instrument, by whatever name called, which is issued overseas by a FPI against securities held by it in India, as its underlying) directly or indirectly, only in the event (i) such offshore derivative instruments are issued only by persons registered as Category I FPIs; (ii) such offshore derivative instruments are issued only to persons eligible for registration as Category I FPIs; (iii) such offshore derivative instruments are issued after compliance with 'know your client' norms; and (iv) such other conditions as may be specified by SEBI from time to time.

Subject to compliance with all applicable Indian laws, rules, regulations, guidelines and approvals in terms of the SEBI FPI Regulations, an FPI is permitted to issue, subscribe to, or otherwise deal in offshore derivative instruments, directly or indirectly, only if it complies with the following conditions:

a) such offshore derivative instruments are issued only by persons registered as Category I FPIs;

b) such offshore derivative instruments are issued only to persons eligible for registration as Category I FPIs;

c) such offshore derivative instruments are issued after compliance with the 'know your client' norms as specified by SEBI; and

d) such other conditions as may be specified by SEBI from time to time.

An FPI was required to ensure that the transfer of an offshore derivative instruments issued by or on behalf of it, is subject to (a) the transfer being made to persons which fulfil the criteria provided under the SEBI FPI Regulations (as mentioned above from points (a) to (d)); and (b) prior consent of the FPI is obtained for such transfer, except in cases, where the persons to whom the offshore derivative instruments are to be transferred, are pre-approved by the FPI.

Bids by following FPIs, submitted with the same PAN but with different beneficiary account numbers, Client IDs and DP IDs were not treated as multiple Bids:

- FPIs which utilise the multi investment manager ("**MIM**") structure;

- Offshore derivative instruments which have obtained separate FPI registration for ODI and proprietary derivative investments;
- Sub funds or separate class of investors with segregated portfolio who obtain separate FPI registration;
- FPI registrations granted at investment strategy level/sub fund level where a collective investment scheme or fund has multiple investment strategies/sub-funds with identifiable differences and managed by a single investment manager;
- Multiple branches in different jurisdictions of foreign bank registered as FPIs;
- Government and Government related investors registered as Category 1 FPIs; and
- Entities registered as collective investment scheme having multiple share classes.

The Bids belonging to any of the above mentioned seven structures and having same PAN were collated and identified as a single Bid in the Bidding process. The Equity Shares allotted in the Bid were proportionately distributed to the applicant FPIs (with same PAN). In order to ensure valid Bids, FPIs making multiple Bids using the same PAN, and with different beneficiary account numbers, Client IDs and DP IDs, were required to provide a confirmation along with each of their Bid cum Application Forms that the relevant FPIs making multiple Bids utilize any of the above-mentioned structures and indicate the name of their respective investment managers in such confirmation. In the absence of such confirmation from the relevant FPIs, such multiple Bids were liable to be rejected.

The FPIs who wish to participate in the Issue were advised to use the Bid cum Application Form for non-residents.

Bids by SEBI registered VCFs, AIFs and FVCIs

The SEBI VCF Regulations as amended, *inter alia* prescribe the investment restrictions on VCFs, registered with SEBI. The SEBI AIF Regulations prescribe, amongst others, the investment restrictions on AIFs. The SEBI FVCI Regulations prescribe the investment restrictions on FVCIs.

Accordingly, the holding in any company by any individual VCF or FVCIs registered with SEBI in one venture capital undertaking should not exceed 25% of the corpus of the VCF or FVCI. Further, VCFs and FVCIs can invest only up to 33.33% of the investible funds by way of subscription to an initial public offering.

Category I and II AIFs cannot invest more than 25% of their respective corpus in one investee company. A category III AIF cannot invest more than 10% of its corpus in one investee company. A VCF registered as a category I AIF, as defined in the SEBI AIF Regulations, cannot invest more than one-third of its investible funds by way of subscription to an initial public offering of a venture capital undertaking. Additionally, the VCFs which have not re-registered as an AIF under the SEBI AIF Regulations shall continue to be regulated by the SEBI VCF Regulations until the existing fund or scheme managed by the fund is wound up.

Further, the shareholding of VCFs, Category I AIFs or Category II AIFs and FVCIs holding equity shares of a company prior to an initial public offering being undertaken by such company, shall be exempt from lock-in requirements, Provided that such equity shares shall be locked in for a period of at least one year from the date of purchase by the VCF or Category I AIFs or Category II AIFs or FVCI.

There was no reservation for Eligible NRI Bidders, AIFs, FPIs and FVCIs. All Bidders were treated on the same basis with other categories for the purpose of allocation.

All non-resident investors should note that refunds (in case of Anchor Investors), dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and commission.

Our Bank, any of the Selling Shareholders or the Book Running Lead Managers will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

Bids by limited liability partnerships

In case of Bids made by limited liability partnerships registered under the Limited Liability Partnership Act, 2008, as amended, a certified copy of certificate of registration issued under the Limited Liability Partnership Act, 2008, as amended, was required to be attached to the Bid cum Application Form. Failing this, our Bank and the Selling Shareholders, in consultation with the Book Running Lead Managers reserves the right to reject any Bid without assigning any reason thereof.

Bids by banking companies

In case of Bids made by banking companies registered with RBI, certified copies of: (i) the certificate of registration issued by RBI, and (ii) the approval of such banking company's investment committee were required to be attached to the Bid cum Application Form, failing which our Bank and the Selling Shareholders, in consultation with the Book Running Lead Managers reserve the right to reject any Bid without assigning any reason thereof.

The investment limit for banking companies in another banking company as per the Banking Regulation Act, and the Reserve Bank of India (Financial Services provided by Banks) Directions, 2016 (the "**Financial Services Directions**"), as updated, is 10% of the paid up share capital of the investee company, not being its subsidiary engaged in non-financial services or 10% of the bank's own paid-up share capital and reserve, whichever is lower. However, a banking company would be permitted to invest in excess of 10% but not exceeding 30% of the paid-up share capital of such investee company if (i) the investee company is engaged in non-financial activities permitted for banks in terms of Section 6(1) of the Banking Regulation Act, or (ii) the additional acquisition is through restructuring of debt/corporate debt restructuring/strategic debt restructuring, or to protect the bank's interest on loans/investments made to a company. The bank is required to submit a time-bound action plan for disposal of such shares within a specified period to the RBI. A banking company would require a prior approval of the RBI to *inter alia* make (i) investment in a subsidiary and a financial services company that is not a subsidiary (with certain exceptions prescribed), and (ii) investment in a non-financial services company in excess of 10% of such investee company's paid-up share capital as stated in 5(a)(v)(c)(i) of the Financial Services Directions. Further, the aggregate investment by a banking company in subsidiaries and other entities engaged in financial and non-financial services company cannot exceed 20% of the investee company's paid-up share capital and reserves.

In terms of the Master Circular on Basel III Capital Regulations dated July 1, 2014, as amended (i) a bank's investment in the capital instruments issued by banking, financial and insurance entities should not exceed 10% of its capital funds; (ii) banks should not acquire any fresh stake in a bank's equity shares, if by such acquisition, the investing bank's holding exceeds 5% of the investee bank's equity capital; (iii) equity investment by a bank in a subsidiary company, financial services company, financial institution, stock and other exchanges should not exceed 10% of the bank's paid-up share capital and reserves; (iv) equity investment by a bank in companies engaged in non-financial services activities would be subject to a limit of 10% of the investee company's paid-up share capital or 10% of the bank's paid-up share capital and reserves, whichever is less; and (v) a banking company is restricted from holding shares in any company, whether as pledgee, mortgagee or absolute owner, of an amount exceeding 30% of the paid-up share capital of that company or 30% of its own paid-up share capital and reserves, whichever is less. For details in relation to the investment limits under Master Direction – Ownership in Private Sector Banks, Directions, 2016, see "*Key Regulations and Policies*" beginning on page 172.

Bids by SCSBs

SCSBs participating in the Issue were required to comply with the terms of the SEBI circulars (Nos. CIR/CFD/DIL/12/2012 and CIR/CFD/DIL/1/2013) dated September 13, 2012 and January 2, 2013. Such SCSBs were required to ensure that for making applications on their own account using ASBA, they should have a separate account in their own name with any other SEBI registered SCSBs. Further, such account shall be used solely for the purpose of making application in public issues and clear demarcated funds should be available in such account for such applications.

Bids by insurance companies

In case of Bids made by insurance companies registered with the IRDAI, a certified copy of certificate of registration issued by IRDAI were required to be attached to the Bid cum Application Form. Failing this, our Bank and the Selling Shareholders in consultation with the Book Running Lead Managers reserve the right to reject any Bid without assigning any reason thereof.

The exposure norms for insurers are prescribed under the Insurance Regulatory and Development Authority (Investment) Regulations, 2016, as amended ("**IRDAI Investment Regulations**"), based on investments in the equity shares of a company, the entire group of the investee company and the industry sector in which the investee company operates. Bidders are advised to refer to the IRDA Investment Regulations for specific investment limits applicable to them.

Bids by provident funds/pension funds

In case of Bids made by provident funds/pension funds, subject to applicable laws, with minimum corpus of ₹250 million, a certified copy of a certificate from a chartered accountant certifying the corpus of the provident fund/pension fund were required to be attached to the Bid cum Application Form. Failing this, our Bank and the Selling Shareholders, in consultation with the Book Running Lead Managers reserves the right to reject any Bid, without assigning any reason thereof.

Bids under Power of Attorney

In case of Bids made pursuant to a power of attorney or by limited companies, corporate bodies, registered societies, FPIs, Mutual Funds, insurance companies, insurance funds set up by the army, navy or air force of the India, insurance funds set up by the Department of Posts, India or the National Investment Fund and provident funds with a minimum corpus of ₹250 million (subject to applicable law) and pension funds with a minimum corpus of ₹250 million, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the memorandum of association and articles of association and/or bye laws was required to be attached with the Bid cum Application Form. Failing this, our Bank and the Selling Shareholders, in consultation with the Book Running Lead Managers reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason thereof.

Our Bank and the Selling Shareholders, in consultation with the Book Running Lead Managers in their absolute discretion, reserve the right to relax the above condition of simultaneous lodging of the power of attorney along with the Bid cum Application Form subject to the terms and conditions that our Bank and the Selling Shareholders, in consultation with the Book Running Lead Managers may deem fit.

Bids by Systemically Important Non-Banking Financial Companies

In case of Bids made by Systemically Important NBFCs registered with RBI, certified copies of: (i) the certificate of registration issued by RBI, (ii) certified copy of its last audited financial statements on a standalone basis and a net worth certificate from its statutory auditor, and (iii) such other approval as may be required by the Systemically Important NBFCs, were required to be attached to the Bid cum Application Form. Failing this, our Bank and the Selling Shareholders, in consultation with the Book Running Lead Managers, reserves the right to reject any Bid without assigning any reason thereof. Systemically Important NBFCs participating in the Issue shall comply with all applicable regulations, guidelines and circulars issued by RBI from time to time.

The investment limit for Systemically Important NBFCs shall be as prescribed by RBI from time to time.

Bids by Eligible Employees

The Bid were required to be for a minimum of 49 Equity Shares and in multiples of 49 Equity Shares thereafter so as to ensure that the Bid Amount payable by the Eligible Employee does not exceed ₹ 500,000 on a net basis. However, the initial allocation to an Eligible Employee in the Employee Reservation Portion shall not exceed ₹ 200,000 (which will be less Employee Discount). Allotment in the Employee Reservation Portion will be as detailed in the section "*Issue Structure*" beginning on page 373.

However, Allotments to Eligible Employees in excess of ₹ 200,000 (which will be less Employee Discount) shall be considered on a proportionate basis, in the event of undersubscription in the Employee Reservation Portion, subject to the total Allotment to an Eligible Employee not exceeding ₹ 500,000 (which will be less Employee Discount). Subsequent undersubscription, if any, in the Employee Reservation Portion shall be added back to the Net Issue. Eligible Employees Bidding in the Employee Reservation Portion may Bid at the Cut-off Price.

Bids under the Employee Reservation Portion by Eligible Employees were required to be:

- Made only in the prescribed Bid cum Application Form or Revision Form.
- Only Eligible Employees (excluding such other persons not eligible under applicable laws, rules, regulations and guidelines) were eligible to apply in this Issue under the Employee Reservation Portion.
- In case of joint bids, the Sole/ First Bidder shall be the Eligible Employee.
- Bids by Eligible Employees were permitted to be made at Cut-off Price.
- Only those Bids, which were received at or above the Issue Price, net of Employee Discount would be considered for allocation under this portion.
- The Bids were required to be for a minimum of 49 Equity Shares and in multiples of 49 Equity Shares thereafter.
- If the aggregate demand in this portion was less than or equal to 500,000 Equity Shares at or above the Issue Price, full allocation shall be made to the Eligible Employees to the extent of their demand.
- Bids by Eligible Employees in the Employee Reservation Portion and in the Net Issue portion were not treated as multiple Bids. Our Bank reserves the right to reject, in its absolute discretion, all or any multiple Bids in any or all categories.

In the event of under-subscription in the Employee Reservation Portion, the unsubscribed portion was made available for allocation and Allotment, proportionately to all Eligible Employees who had Bid in excess of ₹ 200,000 (net of Employee Discount), subject to the maximum value of Allotment made to such Eligible Employee not exceeding ₹ 500,000 (net of Employee Discount).

If the aggregate demand in this portion was greater than 500,000 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis. For the method of proportionate basis of Allotment, see "*Issue Procedure*" beginning on page

377.**The above information is given for the benefit of the Bidders. Our Bank, the Selling Shareholders and the Book Running Lead Managers are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of the Red Herring Prospectus and this Prospectus. Bidders were advised to make their independent investigations and ensure that any single Bid from them did not exceed the applicable investment limits or maximum number of the Equity Shares that can be held by them under applicable law or regulation or as specified in the Red Herring Prospectus or as specified in this Prospectus.**

In accordance with existing regulations issued by the RBI, OCBs have not participated in this Issue.

Individuals or entities named on any of the following lists are prohibited from participating in the Issue:

(a) Specially designated nationals and blocked persons list and any other publicly available list of terrorists, terrorist organisations, narcotics traffickers or other similarly proscribed parties, maintained by the U.S. Department of Treasury's Office of Foreign Assets Control or by any other department or agency of the government of the United States of America or the European Union;

(b) lists promulgated by the United Nations Security Council or its committees pursuant to resolutions issued under Chapter VII of the United Nations Charter;

(c) list, as updated from time to time, of persons of entities ineligible to be awarded a World Bank Group-financed contract or otherwise sanctioned by the World Bank Group sanctions board for the period indicated on the list because they were found to have violated the fraud and corruption provisions of the World Bank Group anti-corruption guidelines and practices.

Information for Bidders

The relevant Designated Intermediary could enter a maximum of three Bids at different price levels opted in the Bid cum Application Form and such options are not considered as multiple Bids. It was the Bidder's responsibility to obtain the acknowledgment slip from the relevant Designated Intermediary. The registration of the Bid by the Designated Intermediary does not guarantee that the Equity Shares shall be allocated/Allotted. Such Acknowledgement Slip will be non-negotiable and by itself will not create any obligation of any kind. When a Bidder revises his or her Bid, he /she was required to surrender the earlier Acknowledgement Slip and request for a revised acknowledgment slip from the relevant Designated Intermediary as proof of his or her having revised the previous Bid.

In relation to electronic registration of Bids, the permission given by the Stock Exchanges to use their network and software of the electronic bidding system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by our Bank, the Selling Shareholders and/or the Book Running Lead Managers are cleared or approved by the Stock Exchanges; nor does it in any manner warrant, certify or endorse the correctness or completeness of compliance with the statutory and other requirements, nor does it take any responsibility for the financial or other soundness of our Bank, the management or any scheme or project of our Bank; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of the Red Herring Prospectus and this Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the Stock Exchanges.

General Instructions

***Do's*:**

1. Check if you are eligible to apply as per the terms of the Red Herring Prospectus and under applicable law, rules, regulations, guidelines and approvals. All Bidders (other than Anchor Investors) should submit their Bids through the ASBA process only;

2. Ensure that you have Bid within the Price Band;

3. Read all the instructions carefully and complete the Bid cum Application Form in the prescribed form;

4. Ensure that you (other than the Anchor Investors) have mentioned the correct details of ASBA Account (i.e. bank account or UPI ID, as applicable) in the Bid cum Application Form if you are not an RIB bidding using the UPI Mechanism in the Bid cum Application Form and if you are an RIB using the UPI Mechanism ensure that you have mentioned the correct UPI ID (with maximum length of 45 characters including the handle), in the Bid cum Application Form;

5. RIBs using UPI Mechanism through the SCSBs and mobile applications shall ensure that the name of the bank appears in the list of SCSBs which are live on UPI, as displayed on the SEBI website. RIBs shall ensure that the name of the app and the UPI handle which is used for making the application appears in Annexure 'A' to the SEBI circular no. SEBI/HO/CFD/DIL2/COR/P/2019/85 dated July 26, 2019;

6. Ensure that your Bid cum Application Form bearing the stamp of a Designated Intermediary is submitted to the Designated Intermediary at the Bidding Centre within the prescribed time. RIBs using UPI Mechanism, may submit their ASBA Forms with the Syndicate, sub-Syndicate Members, Registered Brokers, RTA or CDP;

7. Ensure that you have funds equal to the Bid Amount in the ASBA Account maintained with the SCSB, before submitting the ASBA Form to any of the Designated Intermediaries. Ensure that you use only your own bank account linked UPI ID (only for RIBs using the UPI Mechanism) to make an application in the Issue;

8. If the first applicant is not the bank account holder, ensure that the Bid cum Application Form is signed by the account holder. Ensure that you have an account with an SCSB and have mentioned the correct bank account number in the Bid cum Application Form (for all Bidders other than RIBs bidding using the UPI Mechanism);

9. Ensure that the signature of the First Bidder in case of joint Bids, is included in the Bid cum Application Forms;

10. Ensure that you request for and receive a stamped acknowledgement counterfoil or acknowledgment specifying the application number as a proof of having accepted Bid cum Application Form for all your Bid options from the concerned Designated Intermediary;

11. Ensure that the name(s) given in the Bid cum Application Form is/are exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case of joint Bids, the Bid cum Application Form should contain only the name of the First Bidder whose name should also appear as the first holder of the beneficiary account held in joint names. Ensure that the signature of the First Bidder is included in the Bid cum Application Forms;

12. RIBs bidding in the Issue to ensure that they shall use only their own ASBA Account or only their own bank account linked UPI ID (only for RIBs using the UPI Mechanism) to make an application in the Issue and not ASBA Account or bank account linked UPI ID of any third party;

13. Ensure that you submit the revised Bids to the same Designated Intermediary, through whom the original Bid was placed and obtain a revised acknowledgment;

14. Ensure that you have correctly signed the authorizations/undertaking box in the Bid cum Application Form, or have otherwise provided an authorizations to the SCSB or Sponsor Bank, as applicable, via the electronic mode, for blocking funds in the ASBA Account equivalent to the Bid Amount mentioned in the Bid cum Application Form, as the case may be, at the time of submission of the Bid. In case of RIBs submitting their Bids and participating in the Issue through the UPI Mechanism, ensure that you authorise the UPI Mandate Request raised by the Sponsor Bank for blocking of funds equivalent to Bid Amount and subsequent debit of funds in case of Allotment;

15. Except for Bids (i) on behalf of the Central or State Governments and the officials appointed by the courts, who, in terms of the SEBI circular no. MRD/Dop/Cir-20/2008 dated June 30, 2008, may be exempt from specifying their PAN for transacting in the securities market, (ii) submitted by investors who are exempt from the requirement of obtaining/specifying their PAN for transacting in the securities market, and (iii) Bids by persons resident in the state of Sikkim, who, in terms of a SEBI circular dated July 20, 2006, may be exempted from specifying their PAN for transacting in the securities market, all Bidders should mention their PAN allotted under the IT Act. The exemption for the Central or the State Government and officials appointed by the courts and for investors residing in the State of Sikkim is subject to (a) the Demographic Details received from the respective depositories confirming the exemption granted to the beneficiary owner by a suitable description in the PAN field and the beneficiary account remaining in "active status"; and (b) in the case of residents of Sikkim, the address as per the Demographic Details evidencing the same. All other applications in which PAN is not mentioned are liable to be rejected;

16. Ensure that the Demographic Details are updated, true and correct in all respects;

17. Ensure that thumb impressions and signatures other than in the languages specified in the Eighth Schedule to the Constitution of India are attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal;

18. Ensure that the category and the investor status is indicated in the Bid cum Application Form;

19. Ensure that in case of Bids under power of attorney or by limited companies, corporates, trust, etc., relevant documents are submitted;

20. Ensure that Bids submitted by any person resident outside India is in compliance with applicable foreign and Indian laws;

21. Since the Allotment will be in demat form only, ensure that the Bidder's depository account is active, the correct DP ID, Client ID, the PAN, UPI ID, if applicable, are mentioned in their Bid cum Application Form and that the name of

the Bidder, the DP ID, Client ID, the PAN and UPI ID, if applicable, entered into the online IPO system of the Stock Exchanges by the relevant Designated Intermediary, as applicable, matches with the name, DP ID, Client ID, PAN and UPI ID, if applicable, available in the Depository database;

22. Ensure that when applying in the Issue using UPI, the name of your SCSB appears in the list of SCSBs displayed on the SEBI website which are live on UPI. Further, also ensure that the name of the app and the UPI handle being used for making the application is also appearing in Annexure 'A' to the SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2019/85 dated July 26, 2019;

23. RIBs who wish to revise their Bids using the UPI Mechanism, should submit the revised Bid with the Designated Intermediaries, pursuant to which RIBs should ensure acceptance of the UPI Mandate Request received from the Sponsor Bank to authorise blocking of funds equivalent to the revised Bid Amount in the RIB's ASBA Account;

24. Ensure that you have accepted the UPI Mandate Request received from the Sponsor Bank prior to 12:00 p.m. of the Working Day immediately after the Bid/ Issue Closing Date;

25. FPIs making MIM Bids using the same PAN, and different beneficiary account numbers, Client IDs and DP IDs, were required to submit a confirmation that their Bids are under the MIM structure and indicate the name of their investment managers in such confirmation which were required to be submitted along with each of their Bid cum Application Forms. In the absence of such confirmation from the relevant FPIs, such MIM Bids are liable to be rejected;

26. RIBs shall ensure that details of the Bid are reviewed and verified by opening the attachment in the UPI Mandate Request and then proceed to authorize the UPI Mandate Request using his/her UPI PIN. Upon the authorization of the mandate using his/her UPI PIN, an RIB may be deemed to have verified the attachment containing the application details of the RIB in the UPI Mandate Request and have agreed to block the entire Bid Amount and authorized the Sponsor Bank to block the Bid Amount mentioned in the Bid Cum Application Form;

27. Ensure that while Bidding through a Designated Intermediary, the Bid cum Application Form (other than for Anchor Investors and RIBs bidding using the UPI Mechanism) is submitted to a Designated Intermediary in a Bidding Centre and that the SCSB where the ASBA Account, as specified in the ASBA Form, is maintained has named at least one branch at that location for the Designated Intermediary to deposit ASBA Forms (a list of such branches is available on the website of SEBI at www.sebi.gov.in); and

28. Bidders should note that in the event the acquisition of Equity Shares results in the Bidder holding 5% or more of the post-Issue paid up equity share capital of our Bank, whether singly or in aggregate along with relatives, associate enterprises or persons acting in concert with such Bidder, the approval of the RBI in this regard will have to be provided prior to the finalisation of the Basis of Allotment. In the absence of the approval from the RBI, the Bid shall be liable to be rejected only to the extent to which the portion of the Bid results in the of the Bidder acquiring or holding's entitlement to exercise 5% or more of the total voting rights of our Bank.

The Bid cum Application Form was liable to be rejected if the above instructions, as applicable, were not complied with. Application made using incorrect UPI handle or using a bank account of an SCSB or SCSBs which is not mentioned in the Annexure 'A' to the SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2019/85 dated July 26, 2019 is liable to be rejected.

Don'ts:

1. Do not Bid for lower than the minimum Bid size;

2. Do not Bid for a Bid Amount exceeding ₹200,000 (for Bids by Retail Individual Bidders) and ₹ 500,000 (net of Employee Discount, if any) for Bids by Eligible Employees Bidding in the Employee Reservation Portion;

3. Do not pay the Bid Amount in cheques, demand drafts or by cash, money order, postal order or by stock invest;

4. Do not send Bid cum Application Forms by post; instead submit the same to the Designated Intermediary only;

5. Do not Bid at Cut-off Price (for Bids by QIBs and Non-Institutional Bidders);

6. Do not instruct your respective banks to release the funds blocked in the ASBA Account under the ASBA process;

7. Do not submit the Bid for an amount more than funds available in your ASBA account;

8. Do not submit Bids on plain paper or on incomplete or illegible Bid cum Application Forms or on Bid cum Application Forms in a colour prescribed for another category of a Bidder;

9. Do not instruct your respective banks to release the funds blocked in the ASBA Account under the ASBA process;

10. If you are a RIB and are using UPI mechanism, do not submit more than one Bid cum Application Form for each UPI ID;

11. Anchor Investors should not Bid through the ASBA process;

12. Do not submit the ASBA Forms to any Designated Intermediary that is not authorised to collect the relevant ASBA Forms or to our Bank;

13. Do not Bid on a Bid cum Application Form that does not have the stamp of the relevant Designated Intermediary;

14. Do not submit the General Index Register (GIR) number instead of the PAN;

15. Do not submit incorrect details of the DP ID, Client ID, PAN and UPI ID, if applicable, or provide details for a beneficiary account which is suspended or for which details cannot be verified by the Registrar to the Issue;

16. Do not submit a Bid in case you are not eligible to acquire Equity Shares under applicable law or your relevant constitutional documents or otherwise;

17. Do not Bid if you are not competent to contract under the Indian Contract Act, 1872 (other than minors having valid depository accounts as per Demographic Details provided by the depository);

18. Do not submit a Bid/revise a Bid Amount, with a price less than the Floor Price or higher than the Cap Price;

19. Do not submit a Bid using UPI ID, if you are not a RIB;

20. Do not Bid on another Bid cum Application Form or the Anchor Investor Application Form, as the case may be, after you have submitted a Bid to any of the Designated Intermediaries after you have submitted a Bid to the Designated Intermediary;

21. Do not Bid for Equity Shares more than what is specified by respective Stock Exchange for each category;

22. If you are a QIB, do not submit your Bid after 3 p.m. on the QIB Bid/Issue Closing Date;

23. Do not fill up the Bid cum Application Form such that the Equity Shares Bid for, exceeds the Issue size and/or investment limit or maximum number of the Equity Shares that can be held under applicable laws or regulations or maximum amount permissible under applicable laws or regulations, or under the terms of the Red Herring Prospectus;

24. Do not withdraw your Bid or lower the size of your Bid (in terms of quantity of the Equity Shares or the Bid Amount) at any stage, if you are a QIB or a Non-Institutional Bidder. Retail Individual Bidders can revise or withdraw their Bids on or before the Bid/Issue Closing Date;

25. Do not submit Bids to a Designated Intermediary at a location other than Specified Locations. If you are RIB and are using UPI Mechanism, do not submit the ASBA Form directly with SCSBs;

26. If you are an RIB which is submitting the ASBA Form with any of the Designated Intermediaries and using your UPI ID for the purpose of blocking of funds, do not use any third party bank account or third party linked bank account UPI ID;

27. Do not Bid if you are an OCB;

28. RIBs Bidding through the UPI Mechanism using the incorrect UPI handle or using a bank account of an SCSB and/ or mobile applications which is not mentioned in the list provided on the SEBI website is liable to be rejected;

29. Do not submit the Bid cum Application Forms to any non-SCSB bank; and

30. Do not submit a Bid cum Application Form with third party ASBA Bank Account or UPI ID (in case of Bids submitted by RIB Bidder using the UPI Mechanism).

The Bid cum Application Form was liable to be rejected if the above instructions, as applicable, were not complied with.

Names of entities responsible for finalising the basis of allotment in a fair and proper manner

The authorised employees of the Designated Stock Exchange, along with the Book Running Lead Managers and the Registrar, shall ensure that the basis of allotment is finalised in a fair and proper manner in accordance with the procedure specified in SEBI ICDR Regulations.

Method of allotment as may be prescribed by SEBI from time to time

Our Bank will not make any Allotment in excess of the Equity Shares offered through the Issue through this Prospectus except in case of oversubscription for the purpose of rounding off to make Allotment, in consultation with the Designated Stock Exchange. Further, upon oversubscription, an Allotment of not more than 1% of the Net Offer to public may be made for the purpose of making Allotment in minimum lots.

The allotment of Equity Shares to applicants other than to the Retail Individual Bidders and Anchor Investors shall be on a proportionate basis within the respective investor categories and the number of securities allotted shall be rounded off to the nearest integer, subject to minimum allotment being equal to the minimum application size as determined and disclosed.

The allotment of Equity Shares to each Retail Individual Bidders shall not be less than the minimum bid lot, subject to the availability of shares in Retail Individual Bidders Portion, and the remaining available shares, if any, shall be allotted on a proportionate basis.

Payment into Escrow Account(s) for Anchor Investors

Our Bank and the Selling Shareholders, in consultation with the Book Running Lead Managers, in their absolute discretion, decided the list of Anchor Investors to whom the CAN were sent, pursuant to which the details of the Equity Shares allocated to them in their respective names were notified to such Anchor Investors. For Anchor Investors, the payment instruments for payment into the Escrow Account(s) were required to be drawn in favour of:

(a) In case of resident Anchor Investors: "SURYODAY SMALL FINANCE BANK LIMITED - IPO - ANCHOR ACCOUNT ESCROW - R"

(b) In case of non-resident Anchor Investors: "SURYODAY SMALL FINANCE BANK LIMITED - IPO - ANCHOR ACCOUNT ESCROW – NR "

Anchor Investors should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between our Bank, the Selling Shareholders and the Syndicate, the Escrow Collection Bank and the Registrar to the Issue to facilitate collections of Bid amounts from Anchor Investors.

Pre-Issue Advertisement

Our Bank has, after filing the Red Herring Prospectus with the RoC, published a pre-Issue advertisement, in the form prescribed by the SEBI ICDR Regulations, in all editions of Financial Express, an English national daily newspaper, all editions of Jansatta, a Hindi national daily newspaper and Mumbai edition of Navshakti, a Marathi newspaper, Marathi being the regional language of Maharashtra, where our Registered and Corporate Office is located, each with wide circulation.

In the pre-Issue advertisement, we stated the Bid/Issue Opening Date and the Bid/Issue Closing Date. This advertisement, subject to the provisions of Section 30 of the Companies Act, 2013, was in the format prescribed in Part A of Schedule X of the SEBI ICDR Regulations.

Allotment Advertisement

Our Bank, the Book Running Lead Managers and the Registrar shall publish an advertisement in relation to Allotment before commencement of trading, disclosing the date of commencement of trading of the Equity Shares, in all editions of Financial Express, an English national daily newspaper, all editions of Jansatta, a Hindi national daily newspaper and Mumbai edition of Navshakti, a Marathi newspaper, Marathi being the regional language of Maharashtra, where our Registered and Corporate Office is located, each with wide circulation.

The above information is given for the benefit of the Bidders/applicants. Our Bank, the Selling Shareholders and the Book Running Lead Managers are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of the Red Herring Prospectus and which may occur after the date of this Prospectus. Bidders/applicants were advised to make their independent investigations and ensure that the number of Equity Shares Bid for did not exceed the prescribed limits under applicable laws or regulations.

Signing of the Underwriting Agreement and the RoC Filing

(a) Our Bank, the Selling Shareholders and the Syndicate have entered into an Underwriting Agreement.

(b) After signing the Underwriting Agreement, an updated Red Herring Prospectus is being filed with the RoC in accordance with applicable law, which then is termed as the 'Prospectus'. This Prospectus contains details of the Issue Price, the Anchor Investor Issue Price, Issue size, and underwriting arrangements and is complete in all material respects.

Undertakings by our Bank

Our Bank undertakes the following:

1. adequate arrangements were made to collect all Bid cum Application Forms submitted by Bidders and to consider them similar to Anchor Investors while finalising the Basis of Allotment;

2. the complaints received in respect of the Issue shall be attended to by our Bank expeditiously and satisfactorily;

3. all steps for completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed shall be taken in consultation with the Book Running Lead Managers within such period as may be prescribed under applicable law;

4. if Allotment is not made within the prescribed time period under applicable law, the entire subscription amount received will be refunded/unblocked within the time prescribed under applicable law. If there is delay beyond the prescribed time, our Bank shall pay interest prescribed under the Companies Act, 2013, the SEBI ICDR Regulations and applicable law for the delayed period;

5. the funds required for making refunds/unblocking (to the extent applicable) as per the mode(s) disclosed shall be made available to the Registrar to the Issue by our Bank;

6. where refunds (to the extent applicable) are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within the time prescribed under applicable law, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund;

7. compliance with all disclosure and accounting norms as may be specified by SEBI from time to time;

8. Promoters' contribution, if any, shall be brought in advance before the Bid/Issue Opening Date and the balance, if any, shall be brought in on a pro rata basis before calls are made on the Allottees; and

9. Except for (i) Equity Shares that may be allotted pursuant to the conversion of vested employee stock options, if any granted under the ESOP 2016 and ESOP 2019 and (ii) the Equity Shares allotted pursuant to the Issue, no further issue of the Equity Shares shall be made till the Equity Shares offered through this Prospectus are listed or until the Bid monies are unblocked in ASBA Account/refunded on account of non-listing, under-subscription, etc.

Undertakings by each of the Selling Shareholders

Each Selling Shareholder undertakes severally and not jointly in respect of itself as a Selling Shareholder and its respective portion of the Offered Shares offered by it in the Offer for Sale that:

1. the Equity Shares offered for sale by it in the Issue are eligible for being offered in the Offer for Sale in terms of regulation 8 of the SEBI ICDR Regulations;

2. the Equity Shares being offered for sale by it pursuant to the Issue are free and clear of any pre-emptive rights, liens, mortgages, charges, pledges or any other encumbrances and shall be in dematerialized form at the time of transfer;

3. it shall deposit its Equity Shares offered for sale in the Issue in an escrow demat account in accordance with the Share Escrow Agreement;

4. it shall provide such reasonable cooperation to our Bank in relation to its respective portion of the Offered Shares for the completion of the necessary formalities for listing and commencement of trading at the Stock Exchanges; and

5. it shall not have recourse to the proceeds of the Issue until final approval for trading of the Equity Shares from the Stock Exchanges where listing is sought has been received.

The decisions with respect to the Price Band, Price Date, the minimum Bid lot and Issue Price were taken by our Bank and the Selling Shareholders, in consultation with the Book Running Lead Managers in accordance with the Book Building Process and this Prospectus.

Only the statements and undertakings in relation to the Selling Shareholders, severally and not jointly, to the extent such information specifically pertains to them as Selling Shareholders and their respective portions of the Offered Shares which are specifically "confirmed" or "undertaken" by the Selling Shareholders in the Red Herring Prospectus, shall be deemed to be "statements and undertakings specifically confirmed or undertaken" by the Selling Shareholders. No other statement in the Red

Herring Prospectus will be deemed to be "confirmed" or "undertaken" by a Selling Shareholder, even if such statement relates to such Selling Shareholder.

Utilization of Issue Proceeds

Our Board certifies and declares that:

- all monies received out of the Fresh Issue shall be credited/transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 40 of the Companies Act, 2013;

- details of all monies utilised out of the Issue shall be disclosed, and continue to be disclosed till the time any part of the Fresh Issue proceeds remains unutilised, under an appropriate head in the balance sheet of our Bank indicating the purpose for which such monies have been utilised; and

- details of all unutilised monies out of the Fresh Issue, if any shall be disclosed under an appropriate separate head in the balance sheet indicating the form in which such unutilised monies have been invested. Our Bank confirms and declares that all monies received out of the Issue shall be transferred to a separate bank account other than the bank account referred to in sub-section 3 of Section 40 of the Companies Act, 2013.

Impersonation

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 38 of the Companies Act, which is reproduced below:

"*Any person who—*

(a) makes or abets making of an application in a fictitious name to a company for acquiring, or subscribing for, its securities; or

(b) makes or abets making of multiple applications to a company in different names or in different combinations of his name or surname for acquiring or subscribing for its securities; or

(c) otherwise induces directly or indirectly a company to allot, or register any transfer of, securities to him, or to any other person in a fictitious name,

shall be liable for action under Section 447."

The liability prescribed under Section 447 of the Companies Act, for fraud involving an amount of at least ₹ 1 million or 1% of the turnover of the company, whichever is lower, includes imprisonment for a term which shall not be less than six months extending up to 10 years and fine of an amount not less than the amount involved in the fraud, extending up to three times such amount (provided that where the fraud involves public interest, such term shall not be less than three years.) Further, where the fraud involves an amount less than ₹ 1 million or one per cent of the turnover of the company, whichever is lower, and does not involve public interest, any person guilty of such fraud shall be punishable with imprisonment for a term which may extend to five years or with fine which may extend to ₹ 5 million or with both.

RESTRICTIONS ON FOREIGN OWNERSHIP OF INDIAN SECURITIES

Foreign investment in Indian securities is regulated through the Industrial Policy, 1991 of the Government of India and FEMA. While the Industrial Policy, 1991 prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy, unless specifically restricted, foreign investment is freely permitted in all sectors of the Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment. The RBI and the concerned ministries/departments are responsible for granting approval for foreign investment. The Government has from time to time made policy pronouncements on foreign direct investment ("**FDI**") through press notes and press releases. The DPIIT, issued the Consolidated FDI Policy Circular of 2020 ("**FDI Policy**") by way of circular bearing number DPIIT file number 5(2)/2020-FDI Policy dated October 15, 2020, which with effect from October 15, 2020, consolidates and supersedes all previous press notes, press releases and clarifications on FDI issued by the DPIIT that were in force and effect as on October 15, 2020. The FDI Policy will be valid until the DPIIT issues an updated circular.

The transfer of shares between an Indian resident and a non-resident does not require the prior approval of the RBI, provided that (i) the activities of the investee company are under the automatic route under the FDI policy and transfer does not attract the provisions of the Takeover Regulations; (ii) the non-resident shareholding is within the sectoral limits under the FDI policy; and (iii) the pricing is in accordance with the guidelines prescribed by the SEBI/RBI.

As per the existing policy of the Government of India, OCBs could not participate in this Issue.

The Equity Shares have not been and will not be registered under the U.S. Securities Act or any other applicable law of the United States and, unless so registered, may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws. Accordingly, the Equity Shares are only being offered and sold (i) within the United States only to persons reasonably believed to be "qualified institutional buyers" (as defined in Rule 144A under the Securities Act and referred to in this Prospectus as "U.S. QIBs") in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act, and (ii) outside the United States in offshore transactions in compliance with Regulation S under the U.S. Securities Act and the applicable laws of the jurisdiction where those offers and sales occur. For the avoidance of doubt, the term "U.S. QIBs" does not refer to a category of institutional investors defined under applicable Indian regulations and referred to in this Prospectus as "QIBs".

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

For further details, see "*Issue Procedure*" beginning on page 377.

The above information is given for the benefit of the Bidders. Our Bank, the Selling Shareholders and the Book Running Lead Managers are not liable for any amendments or modification or changes in applicable laws or regulations, which may have occurred after the date of the Prospectus. Bidders were advised to make their independent investigations and ensure that the number of Equity Shares Bid for did not exceed the applicable limits under laws or regulations.

SECTION VIII: MAIN PROVISION OF ARTICLES OF ASSOCIATION

Capitalised terms used in this section have the meaning that has been given to such terms in the Articles of Association of our Bank. Pursuant to Schedule I of Companies Act, 2013 and the SEBI ICDR Regulations, the main provisions of the Articles of Association of our Bank are detailed below:

The Articles of Association of our Bank comprise of two parts, Part A and Part B, which parts shall, unless the context otherwise requires, co-exist with each other. In case of inconsistency between Part A and Part B, the provisions of Part B shall prevail.

Part B shall automatically terminate and cease to have any force and effect from the date of listing of Equity Shares of our Bank on a recognized stock exchange in India pursuant to the Issue and the provisions of Part A shall continue to be in effect and be in force, without any further corporate or other action, by our Bank or by the Shareholders.

PART A

Share Capital

Article 5 provides that, "The authorised capital of the Company will be as stated in Clause V of the Memorandum from time to time with power to reclassify, increase or reduce the said capital and to issue any part of its capital (original or increased) with or without any priority or special privilege subject to compliance with the 1949 Act, the Act, the Guidelines or any other rules under Applicable Law."

Article 6 provides that, "Subject to the provisions of Section 61 of the Act, the Company in a General Meeting may by ordinary resolution, alter its Memorandum to:

(i) increase its authorised share capital by such amount as it thinks expedient;

(ii) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;

(iii) convert all or any of its fully paid up shares into stock and reconvert that stock into fully paid up shares of any denominations;

(iv) sub-divide its existing shares or any of them into shares of smaller amount than is fixed by the Memorandum, so however, that in the sub-division the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived;

(v) cancel shares which, at the date of the passing of the resolution in that behalf, have not been taken or agreed to be taken by any Person, and diminish the amount of its share capital by the amount of the shares so cancelled. A cancellation of shares in pursuance of this Article shall not be deemed to be a reduction of share capital."

Article 7 provides that, "A further issue of shares may be made in any manner whatsoever as the Board may determine including by way of public offer, preferential offer or private placement, subject to and in accordance with the Act and the Rules. Subject to the provisions of Applicable Laws, 1949 Act and Section 63 of the Act, the Company may issue fully paid-up bonus shares to its members by capitalizing its profits or reserves."

Article 8 provides that, "In accordance with Section 62 of the Act, where at any time, it is proposed to increase its subscribed capital by the issue/allotment of further Shares, such further Shares may be offered to:

(i) persons who, at the date of offer, are holders of Shares of the Company, in proportion, as nearly as circumstances admit, to the capital paid up on those Shares by sending a letter of offer subject to the following conditions: (i) the offer shall be made by notice, dispatched through registered post or speed post or through electronic mode or courier or any other mode having proof of delivery to all shareholders at least three days before opening of the offer, specifying the number of Shares offered and limiting a time not being less than 15 (fifteen) days and not exceeding 30 (thirty) days from the date of the offer within which the offer, if not accepted, will be deemed to have been declined; (ii) the offer aforesaid shall be deemed to include a right exercisable by the person concerned to renounce the Shares offered to him or any of them in favour of any other person and the notice referred to in (i) shall contain a statement of this right; and (iii) after expiry of the time specified in the notice aforesaid, or on receipt of earlier intimation from the person to whom such notice is given that he declines to accept the Shares offered, the Board may dispose of them in such manner which is not disadvantageous to the Members and the Company;

    Nothing in sub-Article (a) (ii) above shall be deemed to extend the time within which the offer should be accepted; or to authorize any person to exercise the right of renunciation for a second time on the ground that the person in whose favour the renunciation was first made has declined to take the shares comprised in the renunciation.

(ii) Notwithstanding anything contained in Article 8(a), further shares may be offered to employees under a scheme of employees' stock option, subject to special resolution passed by the Company and subject to such conditions as may be prescribed under the Act and other applicable laws; or;

(iii) Notwithstanding anything contained in Article 8(a)(i), further shares may be offered to any persons, if it is authorised by the Special Resolution, whether or not those persons include the persons referred to in Article 8(a)(i) hereof, in any manner whatsoever, subject to the provisions of the Act.

Any persons, whether or not those persons include the persons referred to in (a) or (b) or (c) above, either for cash or for a consideration other than cash, if the price of such Shares is determined by the valuation report of a registered valuer submitted to the Company along with justification of the valuation, subject to compliance with the applicable provisions of Chapter III and any other conditions as may be prescribed of the Act, if a special resolution to this effect is passed by the Company in a General Meeting.

(iv) The provision of Article 8 shall mutatis mutandis apply to debentures of the Company.

Nothing in Article 8 above shall apply to the increase of the subscribed capital of the Company caused by the exercise of an option as a term attached to the debentures issued or loan raised by the Company to convert such debentures or loans into Shares in the Company or to subscribe for Shares in the Company; provided that the terms of issue of such debentures or loan containing such an option have been approved before the issue of such debentures or the raising of loan by a special resolution passed by the Company in a General Meeting."

Article 9 provides that, "Subject to the provisions of the Act, 1949 Act and these Articles, the shares in the capital of the Company for the time being (including any shares forming a part of any increased capital of the Company) shall be under the control of the Board of Directors who may issue, allot or otherwise dispose of the same or any of them to such Persons, in such proportion and on such terms and conditions and either at a premium or at par or subject to compliance with the provisions of Section 53 of the Act, at a discount as they may from time to time think fit and proper, issue and allot Shares in the capital of the Company in payment or part payment for any property sold or transferred, goods or machinery supplied or for services rendered to the Company in or about the conduct of its business or for consideration other than cash and the Shares which may be so allotted may be issued as fully paid up or partly paid up Shares, as the case maybe. Provided that option or right to call of Shares shall not be given to any person or persons without the sanction of the Company in a General Meeting."

Article 10 provides that, "Subject to the provisions of the 1949 Act and Section 55 of the Act, with the sanction of a special resolution, the Company may issue preference shares which are liable to be redeemed on such terms and in such manner as the Company may, by special resolution, determine."

Article 11 provides that, "Subject to the provisions of these Articles and the Applicable Law, the Company may issue share warrants on such terms and conditions as may be specified in the special resolution authorizing such issue."

Article 12 provides that:

(i) "Subject to the provisions of Section 43 of the Act and Section 12 of the 1949 Act and the RBI Guidelines, the new shares shall be issued upon such terms and conditions and with such rights and privileges as the Company in a General Meeting shall prescribe, and in particular, such shares may be issued, subject to the 1949 Act and Circulars and/or Guidelines that may be issued by the RBI from time to time, with a special or qualified right to dividend and in the distribution of assets of the Company.

(ii) Any issue/ acquisition of shares which results in a Person holding (by himself or acting in concert with any other person) 5% (five per cent) or more of the paid-up Equity Share capital or voting rights of the Company shall be made only with prior approval of RBI."

Article 13 provides that, "Except in so far as otherwise provided by the conditions of issue or by the Articles, any capital raised by the creation of new shares, equity or preference, shall be considered as part of the existing share capital, shall rank *pari passu* with the shares of that class, and shall be subject to the provisions herein contained with reference to the payment of calls and instalments, forfeiture, lien, surrender, transfer and transmission, voting and otherwise."

Article 16 provides that, "The Company may, when and if thought fit, subject to such limits, upon such terms and conditions, and subject to the provisions of Sections 68 to 70 of the Act, provisions of 1949 Act and any other Applicable Law for the time being in force, and such approvals as may be required, purchase its own shares or other specified Securities."

Shares of the Company

Article 17 provides that, "Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialize its existing shares, debentures and other Securities, offer its fresh shares, debentures and other Securities, in a dematerialized form pursuant to the provisions of the Depositories Act and the rules framed thereunder or under any other Applicable Law."

Article 18 provides that, "Every member shall be entitled to receive:

(i) one (1) or more certificates in marketable lots for all the Shares of each class or denomination registered in his name, without payment of any charge; or

(ii) several certificates, if the Board so approves (upon paying such fee as the Board so determines), each for one (1) or more of such Shares, and the Company shall complete and have ready for delivery such certificates within 3 (three) months from the date of allotment, unless the conditions of issue thereof otherwise provide, or within 2 (two) months of the receipt of application of registration of transfer, transmission, sub-division, consolidation or renewal of any of its Shares as the case may be.

Every certificate shall be under the seal, if any, and shall specify the number and distinctive numbers of the Shares to which it relates and the amount paid-up thereon and shall be in such form as the Board may prescribe and approve. In respect of any Share or Shares held jointly by several persons, the Company shall not be bound to issue more than 1 (one) certificate, and delivery of a certificate for a Share to 1 (one) or several joint holders shall be sufficient delivery to all such holders."

Article 19 provides that, "If any share certificate be worn out, defaced, mutilated or torn or if there be no further space on the back thereof for endorsement of transfer or in case of sub-division or consolidation of Shares, then upon production and surrender thereof to the Company, a new certificate may be issued in lieu thereof, and if any certificate is lost or destroyed then upon proof thereof to the satisfaction of the Company and on execution of such indemnity as the Board deems adequate, a new certificate in lieu thereof shall be given to the party entitled to such lost or destroyed certificate. Notwithstanding the foregoing provisions of this Article, the Board shall comply with applicable law including the rules or regulations or requirements of any stock exchange, or the rules made under the Securities Contracts (Regulation) Act, 1956, or any statutory modification or re-enactment thereof, for the time being in force.

Subject to the provisions of the Act, the provisions of the foregoing Articles relating to issue of certificates shall mutatis mutandis apply to issue of certificates for any other securities including debentures of the Company."

Underwriting Commission

Article 23 provides that, "The Company may at any time pay commission to any Person for subscribing or agreeing to subscribe (whether absolutely or conditionally) for any shares, debentures or other Securities of the Company or procuring or agreeing to procure subscriptions (whether absolute or conditional) for any shares, debentures or other Securities of the Company in accordance with, and subject to, the conditions and provisions of the Act, the 1949 Act and other Applicable Law as to the rate/ amount of commission and the disclosure requirements under all Applicable Laws."

Article 24 provides that, "Commission may be paid or satisfied in cash or in shares, debentures or other Securities of the Company or partly in one way and partly in the other."

Calls on Shares

Article 25 provides that:

(i) "The Board may from time to time by a resolution passed at a meeting of the Board make such calls as they think fit upon the members in respect of all moneys unpaid (whether on account of the nominal value of the shares or by way of premium) on the shares held by them respectively and not by the conditions of allotment thereof made payable at fixed times. Provided that no call shall exceed one-fourth of the nominal value of the share or be payable at less than one month from the date fixed for the payment of the last preceding call.

(ii) A call shall be deemed to have been made at the time when the resolution of the Board authorizing such call was passed and shall be payable by the members on such date or at the discretion of the Board on such subsequent date as shall be fixed by the Board.

(iii) Each member shall, subject to receiving at least fourteen days' notice specifying the time or times and place of payment, pay to the Company, at the time or times and place so specified, the amount called on his shares, provided that option or right to call of Shares shall not be given to any person or persons without the sanction of the Company in a General Meeting.

(iv) A call may be revoked or postponed at the discretion of the Board.

(v) Joint holders of the shares shall be jointly and severally liable to pay all the calls in respect thereof.

(vi) In case of non-payment of such sum, all the relevant provisions of these articles as to payment of interest and expenses, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified."

Article 26 provides that:

(i) "If a sum called in respect of a share is not paid before or on the day appointed for payment thereof (the "due date"), the Person from whom the sum is due shall pay interest thereon from the due date to the time of actual payment at such rate as may be fixed by the Board.

(ii) The Board shall be at liberty to waive payment of any such interest wholly or in part."

Transfer of Shares

Article 29 provides that:

(i) "The instrument of transfer of any share in the Company shall be in the prescribed form (writing) and in accordance with the requirements of Section 56 of the Act.

(ii) Every such instrument of transfer shall be duly stamped and executed both by the transferor and transferee and duly attested.

(iii) The transferor shall be deemed to remain a holder of the share until the name of the transferee is entered in the register of members in respect thereof.

(iv) A common form of transfer shall be used in case of transfer of Shares."

Article 30 provides that, "The Board may decline to recognise any instrument of transfer unless—

(i) the instrument of transfer is in the form as prescribed in rules made under sub-section (1) of section 56;

(ii) the instrument of transfer is accompanied by the certificate of the shares to which it relates, and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer; and

(iii) the instrument of transfer is in respect of only one class of shares.

The Board may, subject to the right of appeal conferred by the Act decline to register –

(i) the transfer of a share, not being a fully paid share, to a person of whom they do not approve; or

(ii) any transfer of shares on which the Company has a lien."

Article 31 provides that, "If the Board refuses to register transfer of any shares, it shall, within 1 (one) month from the date on which the transfer was lodged with the Company, send to the transferee and the transferor notice of the refusal."

Transmission of Shares

Article 33 provides that:

(i) "On the death of a member, the survivor or survivors where the member was a joint holder, and his nominee or nominees or legal representatives where he was a sole holder, shall be the only persons recognized by the Company as having any title to his interest in the shares.

(ii) Nothing in sub-clause (1) shall release the estate of a deceased joint holder from any liability in respect of any share which had been jointly held by him with other persons."

Article 35 provides that, "Every transmission of a share shall be verified in such manner as the Board may require and the Company may refuse to register any such transmission until the same be so verified or until or unless an indemnity be given to the Company with regard to such registration which the Board at its discretion shall consider sufficient, provided nevertheless that there shall not be any obligation of the Company or the Board to accept any indemnity."

Article 36 provides that, "Subject to the provisions of the Act, these Articles and any other applicable law for the time being in force, the Board may subject to the right of appeal conferred by section 58, and by giving reasons, decline to register or acknowledge any transfer of shares whether fully paid or not and the right of refusal, shall not be affected by the circumstances that the proposed transferee is already a member of the Company but in such cases, the Directors shall within 30 (Thirty) days from the date on which the instrument of transfer was lodged with the Company, send to the transferee and transferor notice of the refusal to register such transfer, provided that registration of transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the Company on any account whatsoever except where the Company has lien on shares."

Article 38 provides that, “The provisions of these Articles 27 to 36 shall mutatis mutandis apply to the transfer and transmission of debentures and other Securities of the Company or transmission thereof by operation of Applicable Law.”

Forfeiture of Shares

Article 39 provides that, “If any member fails to pay any call or instalment of a call on or before the day appointed for the payment of the same or any such extension thereof as aforesaid, the Board may, at any time thereafter while the call or instalment remains unpaid, give notice to him requiring him to pay the same together with any interest that may have accrued and all expenses that may have been incurred by the Company by reason of such non-payment. The provisions of forfeiture shall apply in the case of non- payment of any sum which, by the terms of issue of a share, becomes payable at a fixed time, whether on account of the nominal value of the share or by way of premium, as if the same had been payable by virtue of a call duly made and notified.”

Lien

Article 42 provides that, “The fully paid shares will be free from all lien, while in the case of partly paid shares, the Company's lien, if any, will be restricted to monies called or payable at a fixed time in respect of such shares.

The Company shall have a first and paramount lien (i) on every share/ debenture to the extent of all moneys called or payable at a fixed time in respect of such shares and (ii) on all shares (not being fully paid-up)/ debentures registered in the name of a single person, for all monies presently payable by him or his estate to the Company.”

Article 43 provides that:

(i) “Any lien on shares/ debentures shall extend to all dividends, interests and bonuses, as applicable, from time to time declared in respect of such shares/ debentures. Unless otherwise agreed, the registration of a transfer of shares/ debentures shall not operate as a waiver of the Company’s lien, if any, on such shares/ debentures. The Board may at any time declare any shares/debentures to be wholly or in part exempt from the provisions of this Article.

(ii) The Company may take steps to enforce its lien on shares as provided in Regulations 10 to 12 of Table F under Schedule I of the Act.

(iii) The validity of the sale shall not be impeached by any Person and the remedy (if any) of any aggrieved Person shall be in damages only and against the Company exclusively.”

Chief Executive Officer, Manager, Company Secretary or Chief Financial Officer

Article 44 provides that:

(i) “The appointment/ re-appointment or termination of the Managing Director, Whole-time Director, Manager or the Chief Executive Officer by whatever name called shall be made by the Board for such tenure and at such remuneration and upon such terms and conditions as it may think fit, by means of a resolution of the Board, subject to the approval of the Reserve Bank of India and the shareholders of the Company.

(ii) A Director may be appointed as chief executive officer, manager, company secretary or chief financial officer.

(iii) A provision of the Act or these articles requiring or authorising a thing to be done by or to a director and chief executive officer, manager, company secretary or chief financial officer shall not be satisfied by its being done by or to the same person acting both as director and as, or in place of, chief executive officer, manager, company secretary or chief financial officer.”

Board Of Directors

Article 45 provides that, “The Company shall at all times, ensure compliance with Applicable Laws for appointment of Directors, including ‘fit and proper’ criteria for directors of banks as issued by RBI dated June 24, 2004, 1949 Act, the Guidelines and any other Applicable Law in relation to corporate governance requirements for small finance banks, that may be prescribed by the RBI from time to time.

Until otherwise determined by the Company in General Meeting, and subject to Applicable Law, the Board shall constitute of not less than 3 (three) and not more than 15 (fifteen) Directors at any time. The composition of the Board shall be in compliance with the provisions of the 1949 Act and shall include persons with professional and other experience as required under the said Act. Every Director shall be appointed by the Company in General Meeting.”

Article 47 provides that, “The Board shall have a majority of Independent Directors at all times. Such Independent Directors shall include persons with professional and other experience as required under the 1949 Act. The Company shall appoint such number of Independent Directors and woman director as may be required under the Act, 1949 Act or any other Applicable Law for the time being in force."

Article 48 provides that, "Subject to the provisions of the Act and the Articles, the Board shall have power at any time, and from time to time, to appoint a person, other than a person who fails to get appointed as a director in general meeting, as an additional director and person appointed as additional director who shall hold office up to the date of the next Annual General Meeting of the Company.

Any person appointed as additional director has to fulfil the criteria for appointment as Director under the Applicable Law and shall be eligible for appointment by the Company as a Director at the next Annual General Meeting subject however to the provisions of the Act, the 1949 Act and Applicable Law."

Article 49 provides that:

(i) "Subject to the provisions of the Act and the Articles, the Board shall have power to appoint a person, other than a person holding directorship in the Company or holding alternate directorship for any other director in the Company, to act as an alternate director for a director during his absence for a period of not less than three months from India.

(ii) Provided that an alternate director for an Independent Director must also qualify to be appointed as an Independent Director.

(iii) Such alternate director shall be entitled to be counted for the purpose of constituting the quorum, to vote, to issue consent and to sign a written circular resolution and to exercise all such rights as the director for whom such person has been appointed as an alternate director. It is clarified that any such appointment of the alternate directors, shall to the extent required by Applicable Law, be subject to the consent of the RBI.

(iv) Such alternate director shall not hold office for a period longer than that permissible to the director in whose place he has been appointed and shall vacate office if and when the director returns to India."

Article 50 provides that, "The Board may appoint any person as a Director nominated by any institution pursuant to the provisions of any law for the time being in force or of any agreement or by the Central Government or State Government.

Appointment of nominee director will also be subject to all the requirements of appointment of other non-executive directors of the Company.

(i) As long as any or all of Baskar Babu Ramachandran, P. Surendra Pai, P. S. Jagdish and G. V. Alankara continue to be the Promoters of the Company, such Promoters shall, collectively have the right to appoint 1 (one) Director ("Promoter Nominee Director") on the Board.

    Further, as long as such Promoters together hold such number of Equity Shares which together constitute 7.50% (seven point five per cent) or more of the paid-up share capital of the Company on a fully diluted basis, they shall, collectively have the right to appoint 2 (two) Promoter Nominee Directors on the Board, including the aforesaid right to appoint 1 (one) Promoter Nominee Director by virtue of continuing as Promoters of the Company. Such Promoter Nominee Director(s) shall not be bound to hold any qualification shares. It is clarified that the said rights are for the benefit of the aforementioned Promoters and such right of the remaining Promoters shall not be affected in the event of cessation of one or more of such Promoters and further that the aforesaid rights cannot be transferred to any other person by any of the aforementioned Promoters as a result of a sale of their shareholding or for any other reason. Further, such rights of appointment of Promoter Nominee Director(s) shall not supersede the requirement of having majority of Independent Director on the Board or any other provisions of applicable laws and shall be subject to receipt of necessary regulatory approvals. In addition, the rights of the aforementioned Promoters in this regard shall be subject to the receipt of Shareholders' approval, in the first general meeting of the Company held after successful listing and trading pursuant to completion of the initial public offer by the Company.

(ii) As long as the Qualifying Shareholders together hold such number of Equity Shares which together constitute at least 10% (ten per cent) of the paid-up share capital of the Company on a fully diluted basis, they shall, collectively have the right to appoint 1 (one) Director ("Qualifying Shareholder Nominee Director") to the Board. Further, as long as such Qualifying Shareholders together hold such number of Equity Shares which together constitute at least 25% (twenty five per cent) of the paid-up share capital of the Company on a fully diluted basis, they shall, collectively have the right to appoint 2 (two) Qualifying Shareholders Nominee Directors on the Board, including the aforesaid right to appoint 1 (one) Qualifying Shareholders Nominee Director. Such right of appointment of Qualifying Shareholders Nominee Director(s) shall not supersede the requirement of having majority of Independent Director on the Board or any other provisions of applicable laws and shall be subject to receipt of necessary regulatory approvals. In addition, the rights of such Qualifying Shareholders in this regard shall be subject to the receipt of Shareholders' approval, in the first general meeting of the Company held after successful listing and trading pursuant to completion of the initial public offer by the Company. Such Qualifying Shareholders will jointly nominate the Qualifying Shareholders Nominee Director(s) and in case no consensus is achieved among the Qualifying Shareholders, the majority of the Qualifying Shareholders (majority to be determined on the basis of shareholding) will nominate the Director(s). In the event a majority (i.e., representing atleast 51% of the combined shareholding) of the Qualifying Shareholders deciding to withdraw their candidate after his/her appointment as Qualifying Shareholders Nominee Director, they shall be required to collectively inform the Board of the same along with details of the alternate candidate chosen by them, for the consideration by the Board.

(iii) The appointment and cessation of the Promoter Nominee Director(s) and the Qualifying Shareholders Nominee Director(s) shall be in accordance with the provisions of the Act.

The Nomination and Remuneration Committee shall accordingly consider the candidature(s) and if found appropriate as may be required under extant laws/guidelines, recommend the candidate(s) for appointment as Nominee Director(s) by the Board. The office of the Nominee Director(s) shall be liable to retire by rotation as per the provisions of the Act. Such retiring Nominee Director(s) may offer themselves for re-appointment subject to their candidature(s) being collectively recommended by the Promoters or Qualifying Shareholders, as the case may be.

(iv) In case of any vacancy, the Board shall be under no obligation to inform the nominating persons (who have an outstanding right to appoint the nominee director(s)) of the vacancy at the Board. In case of vacancy of any such nominee director(s), the nominating persons shall propose names of the proposed nominee director(s) and inform the Board about such proposal.

(v) All other provisions of these Articles of Association under “Board of Directors” shall continue to apply mutatis mutandis to Promoter Nominee Director(s) and the Qualifying Shareholders Nominee Director(s) unless otherwise provided for in this Article 50.”

Article 51 provides that, “Subject to the provisions of Sections 161(4), 169(5) and 169(7) of the Act and these Articles, the Board may appoint any person meeting the requisite criteria for appointment as director of the Company, as Director to fill a casual vacancy arising in the office of any Director and such appointment shall be subsequently approved by members in the immediate next general meeting.

Provided that a person so appointed shall hold office only up to the date on which the Director in whose place he is appointed would have held office if it had not been vacated by him.”

Article 52 provides that:

(i) “Subject to Applicable Law, Directors other than Independent Directors/ Managing Director shall be liable to retire by rotation in accordance with the provisions of the Act.

Provided, no director other than the Chairman or whole-time director, shall hold office continuously for a period exceeding eight years pursuant to Section 10A (2A) of 1949 Act and as per RBI directions.

(ii) At every Annual General Meeting of the Company, one-third of such of the Directors for the time being as are liable to retire by rotation or if their number is not three or a multiple of three, the number nearest to one-third shall retire from office.

(iii) Subject to Sections 152 and 169 of the Act, the Director(s) to retire by rotation at every Annual General Meeting shall be those who have been longest in office since their last appointment, but as between persons who become Directors on the same day, those who are to retire shall, in default of and subject to any agreement among themselves, be determined by lot.

(iv) The retiring director(s) shall be eligible for re-appointment.

(v) Subject to Sections 160 and 169 of the Act, the Company at the Annual General Meeting at which a Director retires in the manner aforesaid may fill up the vacancy by appointing the retiring director or some other person.

(vi) If the place of the retiring director is not filled up and the meeting has not expressly resolved not to fill the vacancy, the meeting shall stand adjourned till the same day in the next week at the same time and place, or if that day is a public holiday till the next succeeding day which is not a public holiday at the same time and place.

(vii) If at the adjourned meeting also, the place of the retiring director is not filled up and that meeting also has not expressly resolved not to fill the vacancy, the retiring director shall be deemed to have been re- appointed at the adjourned meeting, unless:

a. at that meeting or at the previous meeting a resolution for the reappointment of such director has been put to the meeting and lost;

b. the retiring director, has by a notice in writing addressed to the Company or its Board, expressed his unwillingness to be so re- appointed;

c. he is not qualified or is disqualified for appointment; or

d. the provisions of Section 162 of the Act are applicable to the case.

Article 55 provides that, “The office of a Director shall become vacant in the event of his not meeting the ‘fit and proper’ criteria as per the provisions of the 1949 Act or incurring any of the disqualifications as specified in Section 164 of the Act or any of the other cases specified in Section 167 of the Act.”

Article 56 provides that, “Subject to the provisions of Section 169 of the Act, the Company may remove any Director before the expiration of his period of office and appoint another person to fill the casual vacancy so created.”

Article 57 provides that, “Subject to the provisions of the Act, a Director may resign his office at any time by notice in writing addressed to the Company or to the Board.”

Article 58 provides that, “The remuneration and/or fees payable to a Director (including the Managing Director and chief executive officer or whole-time director, if any) by the Company shall be as per the provisions of the Act, including Sections 196 and 197 and the relevant rules framed thereunder read with Schedule V of the Act and subject to the approval of the RBI if so applicable.

Each Director, other than the Managing Director & chief executive officer or whole-time director, shall be paid out of the funds of the Company a remuneration by way of fee, of such sum for each meeting of the Board or committee of the Board attended by him as may be determined by the Board from time to time within the limits prescribed by the Act or Central Government from time to time.

The remuneration of the Directors shall, in so far as it consists of a monthly payment, be deemed to accrue from day-to-day.”

General Powers of the Board

Article 62 provides that, “The Board shall exercise powers as are enumerated in section 179(3) of the Act, as amended from time to time, only by way of resolutions passed at meetings of the Board.

However, the Board may, by a resolution passed to this effect, delegate to any Committee of Directors, the Managing Director, the manager or any other principal Officer of the Company, its powers to borrow monies, to invest the funds of the Company and to grant loans, give guarantees or provide security in respect of loans, on such conditions as may be specified by the Board in writing.”

Article 63 provides that:

(i) “Subject to the relevant provisions of the Act and the 1949 Act, the Board may borrow moneys and may generally raise and secure the payment of such sum or sums in such manner and upon such terms and conditions in all respects as it thinks fit and in particular by the issue of bonds, perpetual or redeemable debentures or debenture stock or any mortgage or charge or other security on the undertaking or the whole or any part of the property of the Company (both present and future).

(ii) Any bonds, debenture stock or other Securities issued or to be issued by the Company shall be under the control of the Board, who may issue them upon such terms, and conditions and in such manner and for such consideration as they shall consider to be for the benefit of the Company.

(iii) Any debentures, debenture-stock, bonds or other securities may be issued, allot or dispose at a discount, premium or otherwise, if permissible under the Act, and may be issued on the condition that they shall be convertible into Shares of any denomination and with any privileges and conditions as to redemption, surrender, drawings, allotment of Shares, attending (but not voting) at General Meetings, appointment of Directors and otherwise. Debentures with the rights to conversion into or allotment of Shares shall not be issued except with the sanction of the Company in General Meeting by a special resolution and subject to the provisions of the Act and Applicable Law.

(iv) The Company shall maintain a proper register in accordance with the provisions of Section 85 of the Act of all mortgages and charges specifically affecting the property of the Company and shall duly comply with the requirements of the Act in regard to registration of mortgages and charges and in regard to inspection to be given to creditors or members of the register of charges and of copies of instruments creating charges. Such sum as may be prescribed by the Act shall be payable by any person other than creditor or member of the Company for each inspection of the register of charges.

(v) Subject to the provisions of the Act, 1949 Act, the Articles and other provisions of the Applicable Law, the Company may opt to get the debt securities issued by it listed on any Recognized Stock Exchange and may carry out consolidation and re-issue of such securities, as and when required."

Proceedings of the Board

Article 64 provides that:

(i) "The Board of Directors may meet for the conduct of business, adjourn and otherwise regulate its meetings, as it thinks fit and from time to time, such that the number of meetings does not fall below the minimum number of meetings as prescribed by the Act and the Rules thereto.

(ii) A Director may, and the Secretary on the requisition of a Director shall, at any time, summon a meeting of the Board."

Article 65 provides that, "Subject to Applicable Law, at least seven days' written notice of each meeting of the Board shall be given to every Director in the manner specified in the Act.

Meetings of the Board may be called at shorter notice subject to the provisions of the Act in this regard.

The members of the Board shall also be provided with an agenda setting out the business proposed to be transacted at the meeting along with relevant supporting documents."

Article 67 provides that, "The quorum for a Board meeting shall be as provided in the Act."

Article 70 provides that, "If the quorum is not present within 1 (one) hour from the time appointed for the meeting of the Board, the meeting of the Board shall adjourn to the same place and time not later than seven days thereafter as the Chairman may determine. At such adjourned meeting of the Board, the Directors present shall, subject to their constituting a valid quorum under the Act."

Article 75 provides that, "The minutes of the proceedings of every meeting of the Board shall be prepared, recorded and signed in accordance with the provisions of the Act. Save as otherwise expressly provided in the Act, a resolution in writing, signed by all the members of the Board or of a committee thereof, for the time being entitled to receive notice of a meeting of the Board or committee, shall be valid and effective as if it had been passed at a meeting of the Board or committee, duly convened and held."

Article 76 provides that:

(i) "The Board shall constitute such statutory committees of Directors as may be required under the Act and Applicable Law and such other committees as it deems necessary from time to time.

(ii) The Directors may, subject to the provisions of the Act and the 1949 Act, delegate any of their powers to the committees and they may from time to time revoke such delegation. The committees shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed on it by the Directors.

(iii) The participation of directors in a meeting of the committee may be either in person or through video conferencing or audio-visual means or teleconferencing, as may be prescribed by the Rules or permitted under law.

(iv) A committee may elect a chairperson of its meetings unless the Board, while constituting a committee, has appointed a chairperson of such committee.

(v) The meetings and proceedings of any such committee of the Board shall be governed by the provisions herein contained for regulating the meetings and proceedings of the Board, so far as the same are applicable thereto and are not superseded by any other Articles herein contained."

General Meetings

Article 79 provides that, "All general meetings other than Annual General Meeting shall be called Extraordinary General Meeting."

Article 80 provides that, "The Board may, whenever it thinks fit, call an Extraordinary General Meeting in accordance with the provisions of the Act."

Proceedings at General Meetings

Article 93 provides that, "Subject to any rights or restrictions for the time being attached to any class or classes of shares:

(i) on a show of hands, every member present in person shall have 1 (one) vote; and

(ii) on a poll, the voting rights of members shall be in proportion to his share in the paid-up Equity Share capital of the Company.

Provided however that the voting rights associated with the shareholding of each Shareholder shall be subject to the limit permitted by the RBI, the Guidelines, the 1949 Act or other Applicable Laws."

Article 94 provides that:

(i) "Member not personally present shall not be entitled to vote on a show of hands unless such member is represented by an attorney or unless such member is a body corporate present by a representative duly authorised under Section 113 of the Act in which case such attorney or representative may vote on a show of hands as if he were a member of the Company.

(ii) In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members.

(iii) A body corporate (whether a company within the meaning of the Act or not) may, if it is duly authorised by a resolution of its Directors or other governing body, appoint a person to act as its representative at any general meeting in accordance with the provisions of Section 113 of the Act.

(iv) A copy of such resolution duly certified by any one director of such body corporate or by a member of its governing body as being a true copy of the resolution passed shall be accepted by the Company as sufficient evidence of the validity of his appointment as an authorised representative.

(v) A member of unsound mind, or in respect of whom an order has been made by any court having jurisdiction in lunacy, may vote, whether on a show of hands on a poll, by his committee or other legal guardian and any such committee or guardian may, on a poll, vote by Proxy."

Article 95 provides that, "No member shall be entitled to vote at any general meeting unless all calls or other sums presently payable by him in respect of shares in the Company have been paid or where the Company has exercised any right of lien."

Dividends and Reserve

Article 102 provides that, "The Company in general meeting may declare dividends, but no dividend shall exceed the amount recommended by the Board; however, the Company in general meeting may declare a lesser dividend.

No dividend shall be declared or paid by the Company for any financial year, unless the requirements of Sections 15, 17 and other applicable provisions, if any, of the 1949 Act are complied with."

Article 103 provides that, "Subject to the provisions of the Act, the Board may from time to time pay to the members such interim dividends of such amount on such class of shares and at such times as it may think fit."

Article 104 provides that, "No dividend shall be paid otherwise than out of profits of the year or any other undistributed profits or otherwise than in accordance with the provisions of Section 123 of the Act or any other Applicable Law for the time being in force and no dividend shall carry interest as against the Company unless required by Applicable Law. The declaration of the Board as to the amount of the net profits of the Company shall be conclusive."

Article 106 provides that, "All dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid but if any share is issued on terms providing that it shall rank for dividends as from a particular date such shares shall rank for dividend accordingly."

Article 109 provides that, "Where the Company has declared a dividend but which has not been paid or claimed within 30 (thirty) days from the date of declaration, the Company shall, within 7 (seven) days from the date of expiry of the 30 (thirty) day period, transfer the total amount of dividend which remains so unpaid or unclaimed, to a special account to be opened by the Company in that behalf in any scheduled bank, to be called "Suryoday Small Finance Bank Unpaid Dividend Account". Any money transferred to the unpaid dividend account of the Company which remains unpaid or unclaimed for a period of 7 (seven) years from the date of such transfer, shall be transferred by the Company to the Investor Education and Protection Fund established under the Act. Further, there shall be no forfeiture of unclaimed or unpaid dividend before the claims become barred by law."

Winding Up

Article 122 provides that, "For winding up of the Company, the provisions contained in the 1949 Act shall apply and provisions of the Act, shall apply to the extent to which they are not inconsistent with the 1949 Act."

Article 123 provides that:

(i) "If the Company shall be wound up, the liquidator may, with the sanction of a special resolution of the Company and any other sanctions required by the Act, divide amongst the members, in specie or kind, the whole or any part of the assets of the Company, whether they shall consist of property of the same kind or not.

(ii) For the purpose aforesaid, the liquidator may set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members.

(iii) The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the contributories if he considers necessary, but so that no member shall be compelled to accept any shares or other Securities whereon there is any liability."

Indemnity

Article 124 provides that:

(i) "Every officer or agent for the time being of the Company shall be indemnified out of the funds of the Company against any liability incurred by him in defending any proceedings, whether civil or criminal, in which judgment is given in his favour or in which he is acquitted or in connection with any application under Section 463 of the Act in which relief is granted to him by the court.

(ii) Subject to the provisions of Section 197 of the Act no Director, MD& CEO or whole time Director or other officer of the Company shall be liable for the acts, receipts, neglects or defaults of any other Director or officer or for joining in any respect of other act for conformity or for any loss or expenses happening to the Company through the insufficiency or deficiency of title to any property acquired by order of the Directors in or upon which any of the moneys of the Company shall be invested or for any loss or damage arising from the bankruptcy, insolvency or tortuous act of any person, company or corporation with whom any moneys, securities or effects shall be entrusted or deposited or for any loss occasioned by any error of judgment, omission or default or oversight on his part or for any other loss or damage or misfortune whatever which shall happen in the execution of the duties of his office or in relation thereto unless the same happens through his own dishonesty."

PART B

1.	**DEFINITIONS** Unless defined elsewhere under these Articles (including Part-A), the words capitalized in this Article 1 of Part B shall have the meaning set forth below: Any capitalized term not defined herein shall have the meaning ascribed to it in the Act.	
i)	"**1949 Act**" shall mean the Banking Regulation Act, 1949 and includes any statutory modifications or re-enactment thereof for the time being in force and rules, regulations, directives, guidelines, notifications, orders thereunder;	**"1949 Act"**
ii)	"**Act**" shall mean the Companies Act, 2013 and includes the rules framed there under, any statutory modification or re-enactment thereof for the time being in force;	**"Act"**
iii)	"**Affiliate Deed of Adherence**" shall be the deed of adherence in the form agreed amongst the Company, the Promoters and the Investors;	**"Affiliate Deed of Adherence"**
iv)	"**Affiliates**" of a Person (the "Subject Person") means (i) in the case of any Subject Person other than a natural Person, any other Person that, either directly or indirectly through one or more intermediate Persons, Controls, is Controlled by or is under common Control with the Subject Person, and (ii) in the case of any Subject Person that is a natural Person, any other Person that, either directly or indirectly through one or more intermediate Persons, is Controlled by or that is a Relative of the Subject Person.	**"Affiliates"**
v)	"**Annual General Meeting**" shall mean meeting of the Shareholders, convened under and held pursuant to Section 96 of the Act;	**"Annual General Meeting"**

vi)	"**Agreement**" shall mean the shareholders' agreement dated March 20, 2019 entered into amongst the Company, the Promoters and the Investors together with its Annexures and Schedules and all instruments supplemental to or amending, modifying or confirming such agreement in accordance with the provisions of such agreement;	**"Agreement"**
vii)	"**Applicable Law**" or "**Law**" shall mean any law, treaty, code, regulation, ordinance, rule, judgment, order, decree, bye-law, approval of any Government Authority, directive, guideline, policy, requirement or other governmental restriction or any similar form of decision of or determination by, or any interpretation or administration having the force of law of any of the foregoing, by any Government Authority having jurisdiction over the matter in question that are applicable to the Company, including but not limited to the provisions of the Act, 1949 Act, RBI Act and Guidelines and any license, permit or other authorizations granted from or by the RBI;	**"Applicable Law" or "Law"**
viii)	"**Articles**" shall mean these articles of association of the Company, as amended from time to time;	**"Articles"**
ix)	"**Auditors**" shall mean the independent, external auditors of the Company;	**"Auditors"**
x)	"**Authorization**" shall mean any consent, registration, filing, agreement, notarization, certificate, license, approval, permit, authority or exemption from, by or with any authority, whether given by express action or deemed given by failure to act within any specified time period and all corporate, creditors' and Shareholders' approvals or consents;	**"Authorization"**
xi)	"**Beneficial Owner**" shall mean beneficial owner as defined in the Depositories Act, 1996;	**"Beneficial Owner"**
xii)	"**Board**" shall mean the collective body of the directors of the Company;	**"Board"**
xiii)	"**Business**" shall mean accepting, for the purpose of lending or investment, of deposits of money from the public, repayable on demand or otherwise, and withdrawable by cheque, draft, order or otherwise, and any other small finance business activities permitted by the RBI and Applicable Law as an eligible activity for small finance banks;	**"Business"**
xiv)	"**Business Day(s)**" shall mean a day on which banks are open for business in Mumbai and Chennai, India;	**"Business Day(s)"**
xv)	"**Certificate of Incumbency and Authority for IFC**" shall mean a certificate provided to IFC by the Company substantially in the form set forth in the Agreement;	**"Certificate of Incumbency and Authority for IFC"**
xvi)	"**Certificate of Incumbency and Authority for DEG**" shall mean a certificate provided to DEG by the Company substantially in the form set forth in the Agreement;	**"Certificate of Incumbency and Authority for DEG"**
xvii)	"**Chairman**" shall mean the chairman of the Board who shall be appointed with the prior approval of the Reserve Bank of India in accordance with the Applicable Law;	**"Chairman"**
xviii)	"**Charter Documents**" shall mean and include the Memorandum and these Articles of the Company;	**"Charter Documents"**
xix)	"**Commencement Date**" shall mean January 23, 2017, the date of commencement of the banking business by the Company pursuant to grant of the final approval under the 1949 Act and other Applicable Laws;	**"Commencement Date"**
xx)	**"Control"** shall mean the power to direct the management or policies of a Person, whether through the ownership of over 50% (fifty per cent) of the voting power of such Person, through the power to appoint over half of the members of the board of directors, through contractual arrangements or otherwise. **In addition, in relation to the any Investor, as applicable, Affiliate shall also include funds and investment vehicles Controlled, sponsored, or managed, or advised by the Investor or its investment manager or investment advisor or its Affiliate or corporations, companies, partnerships, trusts, joint ventures, or other Persons which**	**"Control"**

	are Controlling, Controlled by or are under the common Control with the relevant Investor, its Affiliates, or the aforementioned funds and investment vehicles;	
xxi)	"**Deed of Adherence**" shall mean the deed of adherence in the form agreed amongst the Company, the Promoters and the Investors in the Agreement, for the purpose of agreeing to be bound by the terms of the Agreement;	**"Deed of Adherence"**
xxii)	"**DEG**" shall mean DEG – Deutsche Investitions – Und Entwicklungsgesellschaft Mbh, a financial institution incorporated and existing as a limited liability company under the laws of the Federal Republic of Germany;	**"DEG"**
xxiii)	"**DEG Prohibited Lists**" include the Specially Designated Nationals and Blocked Persons list and any other publicly available list of terrorists, terrorist organizations, narcotics traffickers or other similarly proscribed parties, maintained by the U.S. Department of the Treasury's Office of Foreign Assets Control or by any other department or agency of the government of the United States of America or the European Union;	**"DEG Prohibited Lists"**
xxiv)	"**DEG Prohibited Person**" means any Person that is named on the DEG Prohibited Lists;	**"DEG Prohibited Person"**
xxv)	"**Depositories Act**" shall mean the Depositories Act, 1996 and any statutory modification or re- enactment thereof for the time being in force in India;	**"Depositories Act"**
xxvi)	"**Determined Price**" shall mean fair market value of each Security being sold/bought back (as applicable), as determined by an Independent Valuer appointed (i) jointly by the Investors whose Securities are being sold / bought back; or (ii) by the relevant Investor, when only one Investor's Securities are being sold / bought back;	**"Determined Price"**
xxvii)	"**Director**" shall mean a director appointed on the Board from time to time in accordance with the provisions of Applicable Law and the Articles of the Company;	**"Director"**
xxviii)	"**Encumbrance**" shall mean: (i) any mortgage, charge (whether fixed or floating), pledge, lien (statutory or other), hypothecation, assignment, security interest or other encumbrances of any kind securing or conferring any priority of payment in respect of any obligation of any Person and includes without limitation any right granted by a transaction which, in legal terms, is not the granting of security but which has an economic or financial effect similar to the granting of security in each case under any Applicable Law; (ii) any voting agreement, interest, option, right of first offer, refusal or Transfer restriction in favour of any Person; and (iii) any adverse claim as to title, possession or use;	**"Encumbrance"**
xxix)	"**Equity Shares**" shall mean the equity shares of par value of INR 10 (Rupees Ten only) each of the Company and carrying 1 (one) vote each;	**"Equity Shares"**
xxx)	"**ESOP**" shall mean employee stock options of the Company;	**"ESOP"**
xxxi)	"**ESOP Scheme**" shall mean the Suryoday Employees Stock Option Scheme 2010 and any other scheme formulated by the Company and approved by the Board and shareholders in accordance with the terms of these Articles;	**"ESOP Scheme"**
xxxii)	"**Extraordinary General Meeting**" shall mean meeting of the Company's Shareholders, which is not an Annual General Meeting;	**"Extraordinary General Meeting"**
xxxiii)	"**FEMA**" shall mean the Foreign Exchange Management Act, 1999, read with the rules and regulations prescribed thereunder;	**"FEMA"**
xxxiv)	"**FEMA Regulations**" shall mean the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations 2017, as amended from time to time;	**"FEMA Regulations"**

xxxv)	"**Financial Statement**" shall mean the financial statements of the Company for the relevant Financial Year, which shall include: (i) the balance sheet as at the end of the relevant Financial Year; (ii) the profit and loss account as at the end of the relevant Financial Year, (iii) the cash flow statement for the relevant Financial Year;	**"Financial Statement"**
xxxvi)	"**Financial Year**" shall mean the accounting year of the Company commencing each year on 1st April and ending the following 31st March, or such other period as the Company from time to time designate as its accounting year in accordance with the provisions of the Act;	**"Financial Year"**
xxxvii)	"**General Meeting**" shall mean an Extraordinary General Meeting or Annual General Meeting;	**"General Meeting"**
xxxviii)	"**Governmental Authority**" shall mean any federal/central, state or municipal government, regulatory authority, governmental department, agency, instrumentality, commission, board, tribunal, or court or other law, rule or regulation making entity or Person having or purporting to have jurisdiction on behalf of any nation, or province or state or other subdivision thereof or any municipality, district or other subdivision thereof, including any Securities regulator in any relevant jurisdiction;	**"Governmental Authority"**
xxxix)	"**Guidelines**" shall mean the 'Guidelines for Licensing of Small Finance Banks in the Private Sector' dated November 27, 2014, read with the clarifications to the queries on the Guidelines for Licensing of Small Finance Banks in the Private Sector dated January 1, 2015, issued by the RBI, Operating Guidelines for Small Finance Banks dated October 06, 2016, Compendium of Guidelines for Small Finance Banks –Financial Inclusion and Development dated July 06, 2017, and such other relevant rules and regulations issued by RBI in relation to small finance banks including any statutory modifications or re-enactment thereof for the time being in force;	**"Guidelines"**
xl)	"**IFC**" shall mean International Finance Corporation, an international organization established by Articles of Agreement among its member countries including the Republic of India;	**"IFC"**
xli)	"**Independent Director**" shall mean an 'independent director'(i) as per the requirements of the RBI; (ii) as defined under the Act and rules made thereunder; and (iii) who meets the following criteria: (a) is not, and has not been in the past 5 (five) years, employed by the Company or its Affiliates; (b) does not have, and has not had in the past 5 (five) years, a business relationship with the Company or its Affiliates (either directly or as a partner, shareholder (other than to the extent to which shares are held by such Director pursuant to a requirement of Applicable Law relating to directors generally), and is not a director, officer or senior employee of a Person that has or had such a relationship); (c) does not receive and has not received in the past 5 (five) years, any additional remuneration from the Company or its Affiliates other than his or her director's fee and such director's fee does not constitute a significant portion of his or her annual income; (d) does not participate in any share option plan or pension plan of the Company or any of its Affiliates; (e) is not employed as an executive officer of another company where any of the Company's executives serve on that company's board of directors; (f) is not, and has not been at any time during the past 5 (five) years, affiliated with or employed by a present or former auditor of the Company or any of its Affiliates; (g) is identified in the annual report of the Company distributed to the Shareholders of the Company as an independent director; and (h) has not served on the Board for more than 10 (ten) years;	**"Independent Director"**
xlii)	"**Independent Valuer**" shall mean KPMG, PricewaterhouseCoopers, Ernst & Young, Deloitte Touche Tohmatsu, BMR and Grant Thornton, or such Indian firm of chartered accountants associated with any of them, and their respective successors, any other reputed auditing firm as agreed in accordance with these Articles, or any other chartered accountant as agreed to between the Promoters and Investors as per Applicable Law;	**"Independent Valuer"**
xliii)	"**Investment Amount**" shall mean in respect of each Investor, the amounts paid or as may be paid by such Investor for the subscription or acquisition of the Shares of the Company from time to time.	**"Investment Amount"**
xliv)	"**Investors**" shall mean (i) Aravind Srinivasan, (ii) Ask Pravi Private Equity Opportunities Fund, (iii) Americorp Ventures Limited, (iv) DWM (International) Mauritius Ltd, (v) Evolvence India Fund II Ltd, (vi) Gaja Capital Fund II Limited,(vii) Gaja Trustee Company	**"Investors"**

	Private Limited, (viii) Lok Capital Growth Fund, (ix) HDFC Holdings Limited, (x) HDFC Life Insurance Company Limited, (xi) IDFC FIRST Bank Limited, (xii) International Finance Corporation, (xiii) Jhelum Investment Fund I, (xiv) Kiran Vyapar Limited, (xv) Polaris Banyan Holding Private Limited, (xvi) Responsability Participations Mauritius, (xvii) Sarva Capital LLC, (xviii) TVS Sriram Growth Fund, (xix) DEG - Deutsche Investitions Und Entwicklungsgesellschaft Mbh, (xx) Kotak Mahindra Life Insurance Company Limited, (xxi) TVS Shriram Growth Fund 3, a scheme of TVS Sriram Growth AIF Trust, and such Persons who will invest or have invested in the shares of the Company and who are or will be signatories to the Agreement either directly or through a Deed of Adherence, an Affiliate Deed of Adherence or a Subscriber Deed of Adherence;	
xlv)	"**Investor Directors**" shall have the meaning set forth in Article 13(iv);	**"Investor Directors"**
xlvi)	"**Investor Inter-se Share**" shall mean with respect to an Investor (and its respective Affiliates), such number of Equity Shares as are arrived at by multiplying the number of Equity Shares held by the relevant Investor with a fraction, the numerator of which is the number of Promoter Offer Securities and the denominator is the total number of Equity Shares then held by the Promoters and their Affiliates, in each case on a fully diluted basis;	**"Investor Inter-se Share"**
xlvii)	"**Investor Securities**" shall mean, as the context requires, Securities held by the Investors and any and all such Securities of the Company held or acquired by the Investors and/or their Affiliates from time to time, either through subscription, conversion, Transfer, bonus issues, stock-splits etc.;	**"Investor Securities"**
xlviii)	"**Key Committees**" shall mean Audit Committee, Nomination and Remuneration Committee, Corporate Social Responsibility Committee, Stakeholders' Relationship Committee and any other committees and subcommittees of the Board formed by the Board in relation to issue of further Equity Shares by the Company from time to time, and "Key Committee" shall mean any one of them, as the case may be;	**"Key Committees"**
xlix)	**"Key Promoter"** shall mean a reference to Mr. R. Baskar Babu;	**"Key Promoter"**
l)	"**Liquidation Event**" shall mean (i) any liquidation, dissolution, winding up, composition with creditors, bankruptcy or other analogous insolvency proceeding, of the Company, whether voluntary or involuntary; (ii) any merger or other similar form of corporate reorganization in which the Shareholders do not own majority of the outstanding assets of the surviving entity; (iii) any sale of 50% (fifty per cent) or more of the assets of the Company;	**"Liquidation Event"**
li)	"**Managing Director**" shall mean a Director who, by virtue of the Articles or an agreement with the Company or a resolution passed in the General Meeting, or by the Board, is entrusted with substantial powers of management of the affairs of the Company and includes a Director occupying the position of Managing Director, by whatever name called;	**"Managing Director"**
lii)	"**Material Adverse Effect**" shall, in respect of the Company, mean any event, occurrence, fact, condition, change, development or effect that is, or may reasonably be, materially adverse to the valuation, Business, operations, prospects, results of operations, condition (financial or otherwise), properties or assets (whether tangible or intangible) or liabilities of the Company or any violations of foreign exchange laws or foreign direct investment policy in India or any event or occurrence that is, materially adverse to the ability of the Company and the Key Promoter to comply with the obligations undertaken by them under these Articles;	**"Material Adverse Effect"**
liii)	"**Member**" shall mean the duly registered holder, from time to time of the shares of the Company and includes the subscribers to the Memorandum and Beneficial Owner(s);	**"Member"**
liv)	"**Memorandum**" shall mean the Memorandum of Association of the Company, as originally framed and as altered from time to time;	**"Memorandum"**
lv)	"**Non-resident**" shall mean a 'person resident outside India' as defined in FEMA;	**"Non-resident"**

lvi)	"**Office**" shall mean the registered office of the Company for the time being;	**"Office"**
lvii)	"**Ordinary Course of Business**" shall mean (i) any business function or practice permitted to be undertaken by the Company or as conducted in the normal course of business of a small finance bank, or (ii) any function or practice undertaken or discarded in the ordinary course of business consistent with past custom or practice (including with respect to quantity and frequency) of the Company and/or the custom or practice of entities engaged in the same business as the Business of the Company;	**"Ordinary Course of Business"**
lviii)	"**Person**" shall include an individual, an association, a corporation, a partnership, a limited liability partnership, a joint venture, a trust, Hindu undivided family, an unincorporated organization, a joint stock company or other entity or organization, including a government or political subdivision, or an agency or instrumentality thereof and any other legal entity;	**"Person"**
lix)	*"**Promoters**" shall mean collectively Mr. Baskar Babu Ramachandran, Mr. P Surendra Pai, Mr. P.S. Jagdish and Mr. G.V. Alankara and any other Person as approved by the Reserve Bank of India to act as Promoter of the Company subject to Applicable Law and 'Promoter' shall refer to any one of them."	**"Promoters"**
lx)	"**Promoter Securities**" shall mean, as the context requires, the Securities of the Company held or acquired by the Promoters (either solely or jointly, either as a first holder or a second holder if held or acquired on a joint basis) and includes such Securities obtained either through subscription, conversion, bonus issues, stock-splits, etc. It is clarified that the Securities held by Ms. Shilpa Bhaskar Babu (either solely or jointly, either as a first holder or a second holder if held or acquired on a joint basis) shall also constitute Promoter Securities;	**"Promoter Securities"**
lxi)	"**Proxy**" shall mean an instrument whereby any Person is authorised to vote for a Member at a General Meeting on a poll;	**"Proxy"**
lxii)	"**QIPO**" shall mean a public offering of the shares of the Company on a Recognized Stock Exchange in India in accordance with Applicable Law upon the consummation of which 100% (hundred per cent) of the Equity Shares of the Company are tradable without restriction (other than any restriction imposed by Applicable Law) on such stock exchange and provided that at least 25% (twenty five percent) of the listed Equity Shares of the Company shall be held by Persons other than the Promoters;	**"QIPO"**
lxiii)	"**Qualifying Investor**" shall mean any Investor who together with its Affiliates holds at least 3% (three percent) of the total issued and paid-up share capital of the Company at any given point of time, provided that any shares issued pursuant to the exercise of ESOPs or exercise of the right provided to Key Promoter under Article 43 at any time after June 13, 2016. shall not be taken into account for calculating the total issued and paid-up share capital of the Company for the purposes of this definition; Further, for the purposes of this definition, (i) the shares held by HDFC Holdings Limited, HDFC Life Insurance Company Limited and their respective Affiliates ("**HDFC Entities**") shall be considered collectively for the purposes of determining if the HDFC Entities is a Qualifying Investor; (ii) the shares held by Gaja Capital India AIF Trust, Gaja Capital Fund II Limited and their respective Affiliates ("**Gaja Entities**") shall be considered collectively for the purposes of determining if the Gaja Entities is a Qualifying Investor; (iii) the shares held by TVS Shriram Growth Fund, TVS Shriram Growth Fund 3 and their respective Affiliates ("**TVS Entities**") shall be considered collectively for the purposes of determining if the TVS Entities is a Qualifying Investor.	**"Qualifying Investor"**

lxiv)	"**RBI**" or "Reserve Bank of India" shall mean the Reserve Bank of India established under RBI Act;	**"RBI"**
lxv)	"**RBI Act**" shall mean the Reserve Bank of India Act, 1934, including any statutory modification or re- enactment thereof;	**"RBI Act"**
lxvi)	"**RBI Approval**" shall mean the in-principle approval dated October 7, 2015 issued to the Company by the RBI, including any supplements or further approvals (including the final approval) issued by the RBI, in relation to the Company carrying on the Business;	**"RBI Approval"**
lxvii)	"**Recognized Stock Exchange**" shall refer to the BSE Limited and the National Stock Exchange of India Limited;	**"Recognized Stock Exchange"**
lxviii)	"**Related Party**" shall have the meaning ascribed to it in the Act;	**"Related Party"**
lxix)	"**Relative**" shall have the meaning ascribed to it in the Act;	**"Relative"**
lxx)	"**Relevant Capacity**" shall mean for its, his or her own account or as principal, partner, agent, employee, officer, director, consultant, or shareholder or equity owner of any other Person or in any other manner and whether through the medium of any company, directly or indirectly, Controlled by it, him or her;	**"Relevant Capacity"**
lxxi)	"**Relevant Party**" shall mean all Shareholders other than IFC;	**"Relevant Party"**
lxxii)	"**Securities**" shall mean Equity Shares and any preferred shares, bonds, debentures, loans, warrants, options or other similar instruments or securities which are convertible into or exercisable or exchangeable for, or which carry a right to subscribe for or purchase, Equity Shares of the Company or any instrument or certificate representing a beneficial ownership interest in the Equity Shares of the Company, including global depositary receipts or American depositary receipts;	**"Securities"**
lxxiii)	"**Shareholders**" shall mean and include the shareholders of the Company not limited to the Promoters, the Persons holding Promoter Securities as joint owners with the Promoters, the Investors and any other Person who has become the holder of Securities and who has agreed to be bound by the terms and conditions of these Articles;	**"Shareholders"**
lxxiv)	"**Subscriber Deed of Adherence**" shall be the deed of adherence in the form agreed amongst the Company, the Promoters and the Investors in the Agreement;	**"Subscriber Deed of Adherence"**
lxxv)	"**Third Party**" shall mean any Person other than the Company, Promoters, and the Investors;	**"Third Party"**
lxxvi)	"**Transfer**" shall mean to transfer, sell, convey, assign, pledge, hypothecate, create a security interest in or lien on, place in trust (voting or otherwise), transfer by operation of law or in any other way subject to any Encumbrance or dispose of, whether or not voluntarily, and "Transferring" and "Transferred" have corresponding meanings.	**"Transfer"**
2.	**INTERPRETATION**	
	Except where the context requires otherwise, these Articles will be interpreted as follows: (i) Headings are for convenience only and shall not affect the construction or interpretation of any provision of these Articles; (ii) Words importing the singular shall include plural and vice versa; (iii) Any reference to Articles in Part B are to Articles of Part B of these Articles; (iv) A reference to any agreement, is a reference to that agreement and all schedules, appendices and the like incorporated therein, as the same may be amended, modified, supplemented, waived, varied, added to, substituted, replaced, renewed or extended from time to time;	

	(v) All words (whether gender-specific or gender neutral) shall be deemed to include each of the masculine, feminine and neuter genders; (vi) Any reference in these Articles to a statute or statutory provision includes that provision and any regulation made in pursuance thereof, as from time to time modified or re-enacted, whether before or after the date of these Articles; (vii) Any reference to "writing" or "written" shall include printing, typing, lithography, transmissions by facsimile or in electronic form (including e-mail) and other means of reproducing words in visible form. (viii) The words "including" and "inter alia" shall be deemed to be followed by "without limitation" or "but not limited to" whether or not those words are followed by such phrases or words of like import; (ix) A reference to any Person in these Articles shall, where the context permits, include such Person's executors, administrators, heirs, legal representatives and successors in interest and permitted assigns; (x) References to INR, Rupees and Rs. are references to the lawful currency of India; (xi) Any reference to a document in agreed form is to a document in a form agreed in their discretion between the Investors, the Company and the Promoters initialed for the purpose of identification by or on behalf of each of them (in each case with such amendments as may be agreed by or on their behalf); (xii) In calculations of share numbers, references to a "fully diluted basis" mean that the calculation should be made assuming that all outstanding options, warrants and other Securities convertible into or exercisable or exchangeable for Equity Shares (whether or not by their terms then currently convertible, exercisable or exchangeable), have been so converted, exercised or exchanged; (xiii) When any number of days is prescribed in these Articles, same shall be reckoned exclusively of the first and inclusively of the last day unless the last day does not fall on a Business Day, in which case the last day shall be the next succeeding day which is a Business Day; and (xiv) Where a wider construction is possible, the words "other" and "otherwise" shall not be construed *ejusdem generis* with any foregoing words.	
3.	**Overriding Effect**	
	Notwithstanding anything contained in these Articles: (i) All actions under these Articles shall be carried on in abidance with Applicable Laws. (ii) The provisions of the Act shall apply to the Company except in so far as the said provisions are inconsistent with the provisions of the 1949 Act or the Guidelines. In case of any inconsistency between the provisions of the Act and 1949 Act or the Guidelines, the provisions of 1949 Act or the Guidelines, as the case may be, will prevail. In the event of any inconsistency between the provisions of these Articles and the Act, the provisions of the Act shall prevail, unless the Act itself permits these Articles to prevail or to have different or more stringent requirements than those of the Act. (iii) In the event of any inconsistency between Part A and Part B of these Articles, the provisions of this Part B shall prevail. (iv) In the event the exercise of rights by 1 (one) or more Members to Transfer, purchase or subscribe to any Securities under any agreement or these Articles require approval or permission pursuant to Applicable Law (including the Guidelines and the RBI Approval), then the Key Promoter and the Company shall provide all	

	reasonable cooperation and assistance to the relevant Members to Transfer, purchase or subscribe to such Securities. (v) Subject to Article 3(v) above, and unless otherwise specifically provided in these Articles, in the event the exercise of rights by one or more Members under these Articles or any other arrangement between the Members is not permitted under the Guidelines, the RBI Approval or any other Applicable Law, then the maximum number of Securities that may be transferred, purchased or subscribed to shall be: (a) in the event that a single Member is exercising its rights, such number of Securities as permitted by the Guidelines, RBI Approval and Applicable Law; (b) in the event that more than 1 (one) Member is exercising its rights, the maximum number of Securities that may be Transferred, purchased or subscribed to by such Members in compliance with the Guidelines, RBI Approval and Applicable Law shall be apportioned between such Members in proportion to their inter-se Equity Shareholding in the Company, provided however that this condition will not apply to a transfer of Securities by a Member who is a Non-resident to another Non-resident to the extent such Member is permitted under the Applicable Law to transfer its Securities to Non-residents.	
	RIGHTS OF INVESTORS	
4.	The Company and the Key Promoter shall, to the maximum extent permissible by Applicable Law, ensure that: (i) The Investors and/or their Affiliates shall not be considered or represented as a "promoter" for any purpose whatsoever; and (ii) Unless otherwise required by Applicable Law or these Articles, none of the Investor Securities shall be subject to any restriction of any nature.	
5.	The Company and the Key Promoter shall ensure that the Company is at all times compliant with the minimum capitalization requirements under Applicable Law in respect of its Business considering the level of Non-resident shareholding in the Company. The Company and the Key Promoter shall ensure that the Business is operated and conducted in material compliance with Applicable Law including in relation to the establishment and operation of the small finance bank, the RBI Approval and the license issued by the RBI in relation to the small finance bank.	
6.	The Investors and/or their Affiliates shall not be required to pledge the Investor Securities as and by way of security for any loans or indebtedness of the Company or provide any guarantee, letter of comfort or any other support to any Third Party, including, without limitation, to the lenders of the Company.	
7.	In the event of any investment by a Future Investor(s) in the Company: (i) Each of the Investors and Promoters shall be a party to any agreement executed with such Future Investor(s) in relation to the rights of such Future Investor as a shareholder; and (ii) All concerns, issues and conditions raised by the legal, financial and business due diligence exercise by any such Future Investor(s) shall be resolved to the satisfaction of each of the Investors.	
8.	Without prejudice to the rights of the Investors contained herein, the Company along with the Key Promoter shall provide each of the Investors any rights granted to any Future Investor(s) which are more favourable than those provided to the Investors under these Articles.	
9.	As long as IFC and/ or DEG are Shareholders in the Company or holds Securities, the Company shall not make an offer or issue any shares in the Company or Securities to any	

	DEG Prohibited Person, or any of the individuals or entities named on (a) lists promulgated by the United Nations Security Council or its committees pursuant to resolutions issued under Chapter VII of the United Nations Charter; or (b) the list, as updated from time to time, of Persons of entities ineligible to be awarded a World Bank Group-financed contract or otherwise sanctioned by the World Bank Group sanctions board for the period indicated on the list because they were found to have violated the fraud and corruption provisions of the World Bank Group anti-corruption guidelines and practices (this list may be found at www.worldbank.org/debarr or any successor website or location).	
10.	The Company shall not issue any Securities of the Company to any Third Party, unless such Third Party: (i) executes a Subscriber Deed of Adherence confirming that it shall be bound by the Agreement and these Articles as a Shareholder Investor in respect of all Securities in the Company held or to be held by such Person and promptly provides copies of such executed Subscriber Deed of Adherence to each of the other Investors, Promoters and the Company; and (ii) delivers to each of the other Investors, Promoters and the Company: (a) a Certificate of Incumbency and Authority for IFC; (b) a Certificate for Incumbency and Authority for DEG and (c) a copy of the applicable corporate documentation of such Person authorizing the execution of the Subscriber Deed of Adherence and the subscription of the applicable Securities in the Company. It is clarified that the following are exempt from the applicability of this provision: (a) issue of shares under an approved ESOP Scheme of the Company, and (b) issue of shares to a Third Party ("**New investor**") such that the total shareholding of the New Investor does not exceed 1% (one percent) of the total paid-up share capital of the Company.	
11.	No Investor or Promoter shall transfer any Securities of the Company to any Person unless such Person delivers to each of the other Investors, Promoters and the Company: (i) a Certificate of Incumbency and Authority for IFC; (ii) a Certificate of Incumbency and Authority for DEG and (iii) a copy of the applicable corporate documentation of such Person authorizing the execution of the Affiliate Deed of Adherence or Deed of Adherence as the case may be and the subscription or purchase of the applicable Securities in the Company.	
12.	IFC and DEG Related Parties: The Company shall ensure it does not enter into any transaction with the Related Party without obtaining the prior written approval of IFC and DEG, in this regard. *"Explanation*: For the purposes of this Article, the term "**Related Party**" shall mean any Person: (i) that holds a material interest in the Company; (ii) in which the Company holds a material interest; (iii) that is otherwise an Affiliate of the Company; (iv) who serves (or has within the past 12 (twelve) months served) as a director, officer or employee of the Company; or (v) who is a member of the family of any individual included in any of the foregoing. For the purpose of this definition, "material interest" shall mean a direct or indirect ownership of shares representing at least 5% (five per cent) of the outstanding voting power or equity of the Company.	
13.	The Company and each of the Promoters and Investors shall exercise all such rights and powers as are available to it to take, or cause to be taken, such actions, and do, perform, execute and deliver, or cause to be done, performed, executed and delivered, all acts, deeds and documents necessary, proper or advisable to ensure compliance with and to fully and effectually implement the provisions of these Articles as promptly as reasonably possible. Without limiting the generality of the foregoing, the Key Promoter and the Company shall exercise all such rights and powers as are available to it to cause the Company to take all actions required to be taken by them hereunder.	
	BOARD OF DIRECTORS	
14.	Until otherwise determined by the General Meeting, and subject to Applicable Law, the Board shall constitute of not less than 3 (three) and not more than 15 (fifteen) Directors at any time.	**Number of Directors**

15.	Subject to the approval of the RBI and the provisions of Article 13(v), the Board shall consist of such number of Directors, which shall be appointed in the following manner: (i) Majority of the Board members shall be Independent Directors. Such Independent Directors shall include Persons with professional and other experience as required under the 1949 Act. The Company shall appoint such number of Independent Directors and woman Director as may be required under the Act, 1949 Act or any other Applicable Law for the time being in force. (ii) Without prejudice to Article 13 (iii), the Promoters of the Company shall, collectively, have the right to appoint 1 (one) Director on the Board of the Company ("**Promoter Director**"). Further, any such appointment shall, to the extent required by Applicable Laws, be subject to the consent of the RBI. In the event any Director nominated by the Promoters to the Board of the Company are not accepted by RBI, the same will not be appointed to the Board and the Promoter will be entitled to seek appointment of another Person as Promoter Director. Further, notwithstanding anything contained herein, (a) the Promoter Director shall be the Managing Director of the Company subject to the approval of the Board and prior approval of the RBI and (b) the right of the Promoters to make such appointment shall not supersede the requirement of having majority of Independent Directors on the Board. Subject to receipt of approvals, the Managing Director shall be Mr. R. Baskar Babu. (iii) Until such time Mr. P. Surendra Pai holds such number of Securities which constitutes at least 7.5% (seven point five per cent) of the issued and paid up share capital of the Company, he shall be entitled to appoint and maintain in office 1 (one) Director on the Board ("**Pai Director**"). Pai Director (or its Alternate Director) shall not be bound to hold any qualification shares. However, such entitlement shall not supersede the requirement of having majority of Independent Directors on the Board. (iv) Subject to Article 13(v) and Applicable Law, each of the Qualifying Investors shall be entitled to appoint a maximum of 1 (one) Director ("**Investor Director**") to the Board. However, such entitlement shall not supersede the requirement of having majority of Independent Directors on the Board. (v) In the event there are more than 3 Qualifying Investors, then the Qualifying Investors will, collectively, nominate 3(three) Investor Directors to the Board as per the voting process set out in Article 14. It is clarified that at no point shall the number of Investor Directors be greater than the number of Qualifying Investors. An Investor Director (or its Alternate Director) shall not be bound to hold any qualification shares. **The Shareholders shall exercise all rights and powers available to them, including the exercise of votes at General Meeting, to procure that effect is given to any nominations made by the Promoters and Qualifying Investors as the case may be.**	**Promoter Director, Pai Director, Investor Director**
16.	In order to appoint the Investor Directors in accordance with Article 13(iv), the Qualifying Investors shall follow the procedure prescribed below: (i) Each Qualifying Investor shall be entitled to nominate 1(one) individual to be considered as its nominee, or 2 (two) or more Qualifying Investors may choose to jointly nominate 1 (one) individual as their nominee. In the event the individual jointly nominated by the Qualifying Investors gets elected as an Investor Director, then such Investor Director shall, by way of a written statement declare if he/ she is a partner, officer, employee, or an adviser in any of the Qualifying Investors that nominated him/ her under this Article 14(i) ("**Nominating Qualifying Investors**") or their Affiliates. Further, for the purposes of Article 15, subject to the elected Investor Director not being a partner, officer, employee, or an adviser of a Nominating Qualifying Investor or its Affiliate(s),	**Procedure for appointing Investor Directors**

	each such Nominating Qualifying Investor shall be entitled to appoint an Observer." (ii) The Qualifying Investors shall vote for the nominees to be appointed as Investor Directors ("**Investor Candidates**") in proportion of their shareholding on the basis of the Equity Shares held by such Qualifying Investors. (iii) The Investor Candidates receiving the first, second and third highest number of votes (as determined in accordance with the proportionate shareholding of each Qualifying Investor voting for the relevant Investor Candidate) shall be nominated by the Qualifying Investors ("**Nominated Investor Candidates**") for appointment to the Board.	
17.	Each of the Qualifying Investors (except IFC), that have not appointed an Investor Director to the Board in accordance with Article 13 (iv), or whose nominee under Article 14 (i) has not been appointed as an Investor Director under Article 13 (v), or who is entitled to appoint an observer to the Board **("Observer")** under Article 14 (i) may appoint 1 (one) Observer each.	**Appointment of Observer**
18.	(i) The Observers shall be entitled to attend such meetings of the Board in which (1) annual Financial Statement are being approved and adopted, or (2) any matter relating to an issue of further Equity Shares or such Securities which are convertible into Equity Shares by the Company is being approved, or (3) any of the matters set out in Article 90 is being put for approval. However, the right of the Observers to attend meetings of the Board shall be limited to the aforesaid matters and such right shall not extend to attending meetings of the Board in which matters set out in Article 88 are proposed or considered. Provided that nothing contained in this Article 16 shall restrict the rights of the Independent Directors to propose, consider, discuss, deliberate or decide any of the matters as set out in this Article 16(i). (ii) Such Observer(s) shall have the rights to receive, (1) in respect of the meetings they are entitled to attend in accordance with Article 16(i), all the relevant information as any Directors of the Company attending such Board meetings shall have, including the agenda in accordance with Articles 24 and 25 below for the meeting and finalised minutes for such Board meeting within 30 (thirty) days from the meeting; and (2) in respect of all other Board meetings, the agenda for such meetings and finalised minutes for such meetings, both within 30 (thirty) days from the meeting. (iii) The Observers (1) shall only observe; (2) may participate with the approval of the Chairman; and (3) shall have no right to vote. (iv) The Observer so appointed shall be bound by confidentiality obligations of the Company. (v) It is clarified that any such appointment of the Observers, shall to the extent required by the Applicable Law, be subject to the consent of the RBI. Name of the Observer as approved by the Qualifying Investor in writing shall be communicated to the Company on or before the date of the meeting which they propose to attend. It is hereby further clarified that at no point shall the number of Observers be greater than the number of Qualifying Investors entitled to appoint Observer under Article 15.	**Rights of Observers**
19.	Mr. P.S. Jagdish shall be entitled to appoint an observer to the Board until such time as the Securities held by him are locked-in in accordance with these Articles ("**Promoter Observer**"). The Promoter Observer shall be entitled to attend all meetings of the Board and shall have the right to receive (1) all the relevant information as any Directors of the Company	**Promoter Observer**

	attending such Board meetings shall have; and (2) the agenda and finalised minutes for each Board meeting. The Promoter Observer shall only observe and but shall have no right to vote. The Promoter Observer so appointed shall be bound by confidentiality obligations of the Company. It is clarified that any such appointment of the Promoter Observer, shall to the extent required by the Applicable Law, be subject to the consent of the RBI.	
20.	The Board may constitute such Committees of Directors as may be required under the Applicable Law from time to time. If required by Applicable Law, the Company shall constitute and maintain Key Committee(s), which shall look into such matters as delegated by the Board to the said Committee. Unless specifically required otherwise by Applicable Law, each Key Committee shall have 1 (one) Investor Director and the decisions of the Key Committees shall be made by way of a simple majority.	**Key Committees**
21.	Subject to Applicable Law, each Director shall be entitled to nominate, by written notice to the company secretary of the Company or in the absence of a company secretary, to the Board, a Person who will be appointed by the Board to act as that Director's alternate at any meeting of the Board in which such Director is absent and the Board shall appoint such Person as the relevant Director's alternate provided that appointment of an alternate Director to an Investor Director shall be made with the written consent of (i) the relevant Qualifying Investor who appointed such alternate Director, if such appointment was individually by such Qualifying Investor; or (ii) the Qualifying Investors who appointed such alternate Director, if such appointment was collectively made by such Qualifying Investors. Upon such nomination, approval and appointment, an alternate Director shall be entitled to be counted for the purpose of constituting the quorum, vote, issue consent and sign a written circular resolution and exercise all such rights as the relevant Director for whom such Person has been appointed as an alternate Director. It is clarified that any such appointment of the alternate Directors, shall to the extent required by the Applicable Law, be subject to the consent of the RBI.	**Alternate Director to Investor Director**
22.	The Qualifying Investor or the Qualifying Investors, as the case may be, shall be entitled to remove the Investor Director(s) nominated by them on the Board, provided that, subject to Applicable Law, the removal of an Investor Director shall always require the consent of 75% (seventy-five per cent) of the Qualifying Investors as determined in accordance with the shareholding of each Qualifying Investor. Any vacancy occurring in the Board by reason of the death, disqualification, resignation, removal or the inability of any Investor Director to act as a Director for such reason whatsoever shall be filled only by another Investor Director following the voting mechanism provided in Article 14.	**Removal of Investor Director**
23.	The Investor Directors shall be non-executive directors. The Investor Directors shall not be responsible for the day-to-day management of the Company and shall not be liable for any failure by the Company to comply with Applicable Laws.	**Investor Director to be Non- Executive Director**
24.	To the maximum extent permitted by Applicable Law, the Investor Directors shall not be liable for any default or failure of the Company in complying with the provisions of any Applicable Law, including but not limited to, defaults under the Act, taxation and labour laws of India. Subject to the provisions of the Act, the Company shall indemnify and hold harmless to the fullest extent permitted by Applicable Law, the Investor Directors from and against any and all threatened pending or completed actions, suits, claims or proceedings and any and all costs, liabilities, damages, judgments, amounts paid in settlement and expenses which such Director may directly or indirectly incur, suffer, and/or bear due to the failure of the Company to comply with any of the provisions of any Applicable Law, or these Articles or by reason of their activities as Directors or the fact that such individual is or was a Director.	**Liability of Investor Director to be limited**
	BOARD MEETINGS	
25.	The Directors may meet together at a Board meeting for the dispatch of business from time to time, and at least 4 (four) such meetings shall be held in every year with a time gap of not more than 120 (one hundred and twenty) days. The Directors may adjourn and otherwise	**Number of Board Meetings**

	regulate their meetings and proceedings as they may think fit. All meetings of the Board or any Committee thereof shall be conducted in English.	
26.	The Chairman may at any time and the secretary or such other officer of the Company as authorised, shall, upon the request of any Director, convene a meeting of the Board. Subject to Applicable Law, at least 15 (fifteen) days written notice of every meeting of the Board shall be given to every Director and, to the extent required under Article 16 (ii), Observer at his usual address in India and, in the case of any Director or Observer residing abroad, such notice shall also be given by email and where available, by facsimile to such Director's email address and facsimile number, as applicable abroad. A notice of the Board meeting may also be served by other electronic means. Any meeting of the Board convened with a lesser than 15 (fifteen) days written notice shall be valid only if consented in writing by at least 1 (one) Investor Director and the Promoter Director.	**Notice of Meeting**
27.	The notice of each meeting of the Board shall include an agenda setting out the business proposed to be transacted at the meeting (including identifying in reasonable detail the issues to be considered by the Directors at such meeting along with relevant supporting documents). None of the Directors (excluding the Independent Directors) or the Persons in charge of the management of the Company shall propose, consider, discuss, deliberate or decide any of the matters set out in the Articles 88 and 90 unless such matter was included in the agenda for the meeting. It is clarified that in the event an Independent Director proposes or initiates discussion on any of the matters set out in the Articles 88 or 90, without such matter having been included in the agenda for the meeting, then all Directors present at such meeting shall be entitled to discuss, consider, deliberate and decide on such matters proposed or initiated by the Independent Directors.	**Agenda for Board Meetings**
28.	(i) Subject to Section 174 of the Act and Applicable Law, the quorum for a meeting of the Board shall be 1/3rd (one third) of its total strength excluding Directors, if any, whose place may be vacant at that time and any fraction contained in that 1/3rd (one third) being rounded-off as 1 (one), or 2 (two) Directors, whichever is higher, provided that where at any time the number of interested Directors exceeds or is equal to 2/3rd (two third) of the total strength of the number of the remaining Directors, that is to say, the number of Directors who are not interested and present at the meeting being not less than 2 (two), shall be the quorum during such time. Provided that subject to sub-clause (ii) below the presence of at least 1 (one) Investor Director shall also be required to constitute the quorum for a Board meeting, unless waived in writing by all Investor Directors. Subject to the Act, participation of the Directors by video conferencing or by other audio-visual means shall also be counted for the purposes of quorum. (ii) If any of the Investor Director confirms his presence in writing for a meeting within 5 (five) days of receiving such notice, then the Directors present at such meeting shall, subject to their constituting a valid quorum under the Act, constitute a valid quorum even if such Investor Director is not present at the meeting. However, if none of the Investor Directors confirms his availability, then the meeting shall not be held.	**Quorum for Board Meeting**
29.	If the quorum as required by Article 26 is not present within 1 (one) hour from the time appointed for the meeting of the Board, the meeting of the Board shall adjourn to the same place and time not later than 7 (seven) Business Days thereafter as the Chairman (or, if applicable, the chairman of the Committee) may determine. At such adjourned meeting of the Board, the Directors present shall, subject to their constituting a valid quorum under the Act, constitute a valid quorum even if the Investor Directors are not physically present at such adjourned meeting of the Board. Provided that: (i) written notice of the adjournment was given to the Investor Directors at their usual address for service of notices of meetings of the Board not less than 3 (three) Business Days before the date of the adjourned meeting of the Board; and	**Adjournment of Board meeting**

	(ii) no items may be considered at the adjourned meeting of the Board which were not specifically set out on the agenda for the meeting of the Board which was so adjourned.	
30.	Subject to Article 30 and the applicable provisions of the Act, a decision shall be validly made, and/or a resolution validly passed at a meeting of the Board only if passed at a validly constituted meeting of the Board and by a simple majority of the Directors present at voting at the relevant meeting of the Board. Each Director shall be entitled to cast 1 (one) vote. It is clarified that the Chairman shall not have a casting vote.	**Decisions at Board Meetings**
31.	Any Director may participate in and vote at a meeting of the Board in accordance with Applicable Laws by means of a telephone, video conferencing or similar communications equipment which allows all Persons participating in the meeting to hear each other and record the deliberations. Where any Director participates in a meeting of the Board by any of the means stated hereinabove, the Company shall ensure that such Director is provided with a copy of all documents to be referred to during such meeting of the Board before the meeting commences. For the sake of clarity, subject to the Applicable Law, for holding of meetings of the Board by means of a telephone, video conferencing or similar communications equipment in place of holding physical meetings of the Board, the notice and quorum provisions set out in Articles 23 and 24 shall apply *mutatis mutandis* to such meetings of the Board.	**Participation of Directors at Board Meetings**
32.	No resolution shall be deemed to have been passed by the Board or by a committee thereof by circulation, unless (i) the resolution has been circulated in draft together with the necessary papers, if any, including through such electronic means to all the Directors or to all the members of the committee at their usual address in India, and in the case of any Director residing abroad, such papers shall also be transmitted to such Director's email address and where available, fax number abroad, and (ii) the resolution has been approved by majority of Directors or members of the committee who are entitled to vote on the resolution.	**Passing of Resolutions by Circulation**
33.	The Company shall cause the company secretary to prepare minutes of the proceedings of every meeting of the Board and of every committee of the Board to be recorded in accordance with the relevant provisions of Section 118 of the Act, within 30 (thirty) days of the conclusion of every such meeting and the minutes shall contain the matters specified in the said section. The Directors may comment on the minutes of the meeting within 7 (seven) Business Days of receipt of the minutes. If no comments are made within the time limit set out in this Article, the minutes shall be deemed to be accepted. The minutes shall be signed at the commencement of the next meeting of the Board.	**Minutes of Board Meetings**
34.	Subject to the relevant provisions of the Act, the Company shall pay the Investor Directors all out of pocket expenses (including all air fares) incurred in order to attend Board, committee and other meetings of the Company or otherwise perform his/her duties and functions as a Director, or member of any committee of the Company.	**Sitting fees and Reimbursements of expenses**
35.	The Company shall procure and maintain the D&O insurance policy in favour of the Investor Director from a reputable insurance company in respect of claims or liabilities resulting from the actions or omissions of the Directors in performing their duties as Directors for an amount of USD 1,000,000 (United States Dollar One Million only).	**D&O Insurance**
	GENERAL MEETINGS	
36.	General Meetings of the Company shall be called at least such times as may be required by the Act. Subject to the provisions of the Act, at least 21 (twenty-one) Business Days written notice of every General Meeting shall be given to every Shareholder, at their usual address whether in India or abroad, and to the Auditors of the Company, provided always that a meeting may be convened by a shorter notice than 21 (twenty-one) Business Days. Subject to Applicable Law, any General Meeting convened with a lesser than 21 (twenty-one) Business Days written notice shall be valid only if consented in writing by the Qualifying Investors.	**Notice of General Meetings**
37.	Every notice of a General Meeting shall specify the place, date and hour of the meeting and shall contain a statement of the business to be transacted thereof and where any such business consists of special business, as defined under the Act, there shall be annexed to the	**Contents of Notice**

	notice an explanatory statement in accordance with the Act. No business shall be transacted at any General Meeting duly convened and held other than that specified in the notice without the prior consent of the Investors. The Board shall provide the Company's previous Financial Year's Audited Financial Statements to all Shareholders at least 21 (twenty-one) Business Days before the General Meeting which is held to approve and adopt such Audited Financial Statements. The reasonable costs incurred by any representative of the Investors in attending a General Meeting or a meeting of any class of Shareholders (including the reasonable costs of travel) shall be reimbursed by the Company.	
38.	The quorum for the General Meeting shall be as provided in Section 103 of the Act provided that the presence of the representative of at least 1 (one) Qualifying Investor shall be required to constitute a valid quorum in a General Meeting (other than an adjourned meeting held in accordance with Article 38), unless the requirement of such presence is waived in writing by all the Qualifying Investors. No business shall be transacted at any General Meeting unless the requisite quorum is present at the commencement of the meeting.	**Quorum for General Meetings**
39.	Subject to Applicable Law, the Chairman shall be appointed only with the prior approval of the RBI and shall be entitled to take the chair at every General Meeting. If there be no such Chairman or if at any meeting he is not present within 15 (fifteen) minutes after the time appointed for holding such meeting or is unwilling to act, the Directors present may choose one of the Directors present to be chairman of such meeting and in default of their doing so, the Members present shall choose a Director as Chairman of such meeting and if no Director is present or if all the Directors present decline to take the chair, the Members present shall choose one of themselves to be Chairman of such meeting. If a poll is demanded on the election of the Chairman of such meeting, it shall be taken forthwith in accordance with the provisions of this Article, the chairman elected on a show of hands exercising all the powers of the Chairman for the purpose of conducting the poll, under the said provisions. If some other Person is elected Chairman of such meeting as a result of the poll, he shall be Chairman for the rest of the meeting.	**Chairman**
40.	If within 30 (thirty) minutes of the time appointed for holding a General Meeting, the quorum as stipulated in Article 36 is not present, the meeting shall be adjourned and reconvened at the same time and place not later than 7 (seven) Business Days thereafter as the Chairman may determine. If at such rescheduled meeting, the quorum as stipulated in Article 36 is not present within 30 (thirty) minutes of the time appointed for the meeting, then the Shareholders present shall constitute a valid quorum even if the representative of none of the Qualifying Investors is present at such adjourned General Meeting. Provided that: (i) written notice of the adjournment was given to each Qualifying Investor at least 7 (seven) Business Days before the date of the adjourned Shareholders meeting; and **(ii)** items which were not specified in the agenda for the original General Meeting shall not be considered at such adjourned General Meeting.	**Adjournment of meeting**
41.	In the event a resolution is passed contrary to the provisions of Articles 34 to 42, then the Company, each of the Promoters and Investors shall ensure that such resolution is not given effect to and all such resolutions shall be considered to be null and void. Unless required by Applicable Law to the contrary, or as set out in the Article 37, every question or matter submitted to a General Meeting shall be decided by way of poll and the Shareholders shall have, subject to sub-clause below, a right to vote to the extent of their shareholding in the Company in proportion to the actual number of Equity Shares held by such Shareholder in the share capital.	**Effect of resolutions**
42.	In case a Shareholder's shareholding in the Company exceeds 15% (fifteen per cent), the voting rights of such Shareholder shall be restricted to 15% (fifteen per cent) of the paid-up share capital or such other limit as may be permitted by the RBI from time to time under the 1949 Act, the Guidelines or other Applicable Laws.	**Limit on Voting Rights**
43.	Subject to the provisions of the Act and the 1949 Act, votes in a General Meeting may be given either personally or by an attorney or by Proxy or, in the case of a body corporate, by a representative duly authorised under Section 113 of the Act.	**Voting by Proxy**

44.	The Company shall hold a meeting of all Investors within 30 (thirty) days from the Board meeting held at the end of each quarter of a Financial Year to discuss such matters as may be considered necessary by the Investors including changes in Applicable Law. Such meetings of the Investors may be held physically or by electronic means. The Investors shall have the right to receive a management information report for the relevant quarter prior to such meeting of Investors.	**Investors' Meeting**
	RIGHTS OF THE KEY PROMOTER TO SUBSCRIBE TO EQUITY SHARES	
45.	Subject to Applicable Law, the Key Promoter shall have a right exercisable at his discretion to (i) subscribe to such number of Securities having a beneficial value which is equivalent to a maximum number of 4,500,000 (Four Million Five Hundred Thousand Only) Equity Shares having a value of INR 140 (Rupees One Hundred and Forty only) for each Equity Share, assuming that such Securities are subscribed to and paid for, in or more tranches on or before the QIPO Date; and (ii) further subscribe to such number of Securities having a beneficial value which is equivalent to a maximum number of 5,000,000 (Five Million Only) Equity Shares having a value of INR 180 (Rupees One Hundred and Eighty only) for each Equity Share, assuming that as many of such Securities as maybe required are subscribed to and paid for, in one or more tranches on or before the QIPO Date, solely for the purposes of adhering to the regulatory requirement of maintaining 26% (twenty six percent) promoter shareholding in the Company as per the Guidelines or the requirement of maintaining 20% (twenty percent) shareholding under the SEBI (ICDR) Regulations post the QIPO. Further, the Key Promoter may relinquish his rights to subscribe to these Securities to any or all other Promoters to adhere to the Guidelines and/or Regulations.	
	RESTRICTIONS ON TRANSFER OF SECURITIES BY THE PROMOTERS	
46.	The Promoters Securities shall constitute minimum of 26% (twenty-six per cent) of the total paid-up equity capital of the Company. The Promoter Securities aggregating to such number of Equity Shares which is equivalent to a minimum of 26% (twenty-six per cent) of the total paid-up equity capital of the Company shall be locked in for a period of five years from the Commencement Date ("**Promoter Locked-in Securities**") unless otherwise permitted by the RBI. Provided that in the event the Promoters are required to lock-in a higher threshold of Promoter Securities pursuant to the Applicable Law or the directions or regulations of RBI, such excess Promoter Securities shall be deemed to be a part of the Promoter Locked-in Securities.	**Promoter locked-in securities**
47.	(i) In case the Promoters' shareholding exceeds the lock in requirement as stipulated by Applicable Law, the Promoters' lock in on transferability of shares to non-Promoters, shall apply in priority to the Shares of the Key Promoter unless notified otherwise by the Key Promoter to the remaining Promoters. (ii) The Promoters shall not create any Encumbrance on the Promoter Locked-in Securities provided that, this restriction shall not apply to a Promoter creating Encumbrance on or transferring the Promoter Locked-in Securities in favour of the other Promoter(s). (iii) It is clarified that notwithstanding any of the foregoing, a minimum of 1,050,000 (one million fifty thousand) Equity Shares held by the Key Promoter shall not be encumbered at any point in time except any Encumbrance in favour of any Person for the purposes of raising money to subscribe to the Securities of the Company.	**Promoter not to create Encumbrance**

48.	Notwithstanding anything contained in these Articles, if any change in shareholding of the Promoters is required to be carried out solely on account of ensuring compliance with Applicable Law then such change in shareholding of the Promoters shall be permitted to ensure compliance with Applicable Law. It is further clarified that notwithstanding anything contained in these Articles but subject to Article 45, any Security acquired by the Promoters other than the Promoter Locked-in Securities shall, subject to Applicable Law, not be subject to a lock-in.	**Change in Promoters' shareholdings**
	TRANSFER OF SECURITIES BY INVESTORS	
49.	(i) As long as IFC and/or DEG is a Shareholder in the Company or holds Securities, no Party shall Transfer any shares in the Company or Securities to any DEG Prohibited Person or any of the individuals or entities named on (a) lists promulgated by the United Nations Security Council or its committees pursuant to resolutions issued under Chapter VII of the United Nations Charter; or (b) the list, as updated from time to time, of Persons of entities ineligible to be awarded a World Bank Group-financed contract or otherwise sanctioned by the World Bank Group sanctions board for the period indicated on the list because they were found to have violated the fraud and corruption provisions of the World Bank Group anti-corruption guidelines and practices (this list may be found at www.worldbank.org/debarr or any successor website or location); and (ii) As long as IFC and/or DEG is a Shareholder in the Company or holds Securities, the Shareholders shall cause the Company to, and the Company shall, refuse to recognize any purported Transfer of shares in the Company or Securities in violation of this Article 47 or record or register any such Transfer of shares in the Company or Securities in its share registry. Any Transfer made in breach of this Article 47 shall be null and void.	**Overall restriction on Transfers**
50.	All Securities held by the Investors shall be freely transferable. Each of the Investors shall be entitled to Transfer their Securities (including Equity Shares) to any Person (including to their respective Affiliates) at any time and in any manner in accordance with and subject to the terms of these Articles.	**Transfer of securities by Investors**
51.	Notwithstanding anything contained herein, no Shareholder whose shareholding constitutes shareholding by a "person resident in India" as per FEMA Regulations shall transfer any Securities (including to Affiliates) held by it to a "person resident outside India" or to the Company pursuant to a buy-back if such transfer would result in violation of Applicable Law. It is clarified that the above restriction shall not restrict the exercise of a right by a Non-resident Shareholder under these Articles to transfer its Securities to another Non-resident.	**Transfer as per FEMA Regulations**
52.	Each of the Investors shall be entitled to Transfer any or all of the rights and/or obligations hereunder to any proposed transferee of Securities, subject to the provisions of these Articles and Applicable Law: (i) the proposed transferee executes the Deed of Adherence or Affiliate Deed of Adherence contemplated in Articles 51 or 52 below, as the case may be; and (ii) Upon the execution of the Deed of Adherence / Affiliate Deed of Adherence, the transferee shall be deemed to be an Investor and be entitled to all of the rights of the Investor under the Articles, provided that: (a) the transferee shall be entitled to the information rights under these Articles including but not limited to right to receive notice, agenda, minutes and the rights under Articles 23 to 33 only in the event the transferee holds equal to or more than 50% (fifty per cent) of the shares held by the transferring Investor as of the date on which the Agreement became effective in respect of that Investor in accordance with the terms of the Agreement or the transferee holds more than 2% (two per cent) of the total issued and paid up share capital of the Company after such Transfer; and (b) the transferee shall not be entitled to the rights of a Qualifying Investor unless such transferee satisfies the conditions of a Qualifying Investor. It is clarified that if transfer of Securities by the Investors and/or their Affiliates (Transferors) to any Person (Transferee) does not, in aggregate exceed 1.99% of the total	**Investors' Right to Transfer**

	paid-up share capital of the Company, the proposed Transferee will not be required to execute the Deed of Adherence. Further, the aggregate limit for transfer of securities by all Investors cumulatively without the Transferee(s) becoming a signatory to the Agreement should not exceed 20% of the paid-up share capital of the Company.	
53.	In the event that any of the Investors and/or their Affiliates propose to Transfer any of their Securities to any Person, subject to Article 50 above, such Investor and/or such Affiliate shall cause the proposed transferee to execute a Deed of Adherence and the Company (and the Key Promoter shall ensure that the Company shall) at the request of such Investor be required to promptly countersign the Deed of Adherence presented to it by the proposed transferee.	**Deed of Adherence**
54.	In the event that any of the Investors proposes to Transfer any of their Securities to their respective Affiliate, such Investor shall cause its Affiliate to execute and deliver to the Company the Affiliate Deed of Adherence. The Company shall execute the Affiliate Deed of Adherence on the date it is presented to the Company by the concerned Affiliate.	**Affiliate Deed of Adherence**
	TAG ALONG RIGHTS	
55.	Subject to Articles 44 to 47, in the event of Transfer of any of the Promoter Securities ("**Promoter Offer Securities**") by the Promoter(s) ("**Concerned Promoter**") to any Person ("**Limited Tag Purchaser**"), each Investor shall have the option (but not the obligation) to require the Concerned Promoter to include in the proposed sale, such number of Equity Shares owned by the Investors and their respective Affiliates, which is up to their respective Investor Inter-se Share, at the relevant time, at the same price and on the same terms as have been offered to the Concerned Promoter ("**Limited Tag Along Right**"). Provided that if (a) following the exercise of the Limited Tag Along Right by any of the Investors, the equity shareholding of an Investor along with its Affiliates falls below 3% (three per cent), or (b) even prior to the exercise of the Limited Tag Along Right, the equity shareholding of an Investor along with its Affiliates stands below 3% (three per cent), then such Investor along with its Affiliates shall have the option (but not the obligation) to require the Concerned Promoter to include in the proposed sale all of the Investor Securities held by such Investor and its Affiliates.	**Limited Tag along right**
56.	Furthermore, if pursuant to any Transfer by any Shareholder(s) ("**Concerned Seller**") of any Securities held by them ("**Seller Offer Securities**") to any Person ("**Accelerated Tag Purchaser**"), including pursuant to the exercise of Limited Tag Along Right, it is likely that there is a change in Control of the Company, then all the Investors and their Affiliates, shall have a right but not an obligation, exercisable at their sole discretion, to Transfer to such Accelerated Tag Purchaser all of the Investor Securities held by them at the same price and on the same terms as those offered by such Accelerated Tag Purchaser to the Concerned Seller (the "**Accelerated Tag Along Right**"; and together with the Limited Tag Along Right, hereinafter referred to as the "**Tag Along Right**"). The Concerned Promoter and/or the Concerned Seller, as the case may be, shall be referred to as the "**Tag Seller**". The Promoter Offer Securities and/or the Seller Offer Securities, as the case may be, shall be referred to as the "**Tag Offer Securities**". The Limited Tag Purchaser and/or the Accelerated Tag Purchaser, as the case may be, shall be referred to as the "**Tag Purchaser**". For the purpose of this Article, a 'change in control' shall mean a change in the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of the Company, whether through the ownership of voting securities or by contract, and includes (a) ownership directly or indirectly of more than 50% (fifty per cent) of the Equity Shares of the Company, (b) possession directly or indirectly of more than 50% (fifty per cent) of the voting rights in the Company, or (c) a change in the Person directing the management and policies of the Company.	**Accelerated Tag Along Right**
57.	Prior to the Tag Seller Transferring the Tag Offer Securities to the Tag Purchaser, the Tag Seller shall first give a written notice (hereinafter referred to as the "**Tag Along Notice**") to each of the Investors. The Tag Along Notice shall provide the following: (i) the number of the Tag Offer Securities; (ii) the name and address of the Tag Purchaser;	**Tag Along Notice**

	(iii) the proposed price per Tag Offer Security that the Tag Purchaser has agreed to pay to the Tag Seller for the Tag Offer Securities; (iv) the proposed date of consummation of the proposed Transfer; and (v) a representation that the proposed transferee of the Tag Offer Securities has been informed of the Tag Along Right of the Investors and has agreed to purchase all the Equity Shares required to be purchased in accordance with the terms of this Article. Notwithstanding anything contained in this Article 55, the consideration payable pursuant to exercise of the Tag Along Right by any Investor shall be cash consideration only, unless otherwise agreed by such Investor.	
58.	Each of the Investors, who is entitled to exercise the Tag Along Right under the Articles 53 and 54, may respond to the Tag Along Notice by serving a written notice on the Tag Seller ("**Response Notice**") prior to the expiry of 30 (thirty) Business Days of receipt of the Tag Along Notice ("**Tag Along Period**") specifying therein the number of Securities which the relevant Investor and/or its Affiliate (who are entitled to exercise the Tag Along Right under Article 53 and 54) intends to Transfer to the Tag Purchaser pursuant to the exercise of its Tag Along Right (the "**Tagged Securities**") and require the Tag Seller to ensure that the Tag Purchaser also purchases the Tagged Securities which is mentioned in the Response Notice(s), at the same price and on the same terms as are mentioned in the Tag Along Notice.	**Tag Along Period**
59.	The Tag Seller shall, forthwith but not later than 30 (thirty) Business Days from the expiry of the Tag Along Period, take all necessary steps to Transfer the Tag Offer Securities along with Tagged Securities to the Tag Purchaser. The closing of the sale and purchase of the Tag Offer Securities and the Tagged Securities shall be held at the principal office of the Company at 11:00 a.m. local time, not later than 30 (thirty) Business Days from the expiry of the Tag Along Period, if no approval pursuant to Article 62 is required (provided that if any approval is required pursuant to Article 62, then such period shall be the 55th (fifty fifth) Business Day after the expiry of the Tag Along Period) or at such other time and place as the parties to the transaction (the Tag Purchaser, Tag Seller and the relevant Investor) may agree. At such closing, the Tag Seller and the relevant Investors who proposes to sell their Tagged Securities shall deliver to the Tag Purchaser identified in the Tag Along Notice, certificates representing the Tag Offer Securities and the Tagged Securities respectively, accompanied by duly executed instruments of Transfer or duly executed Transfer instructions to the relevant depository participant. The Tag Purchaser shall deliver at such closing full payment in respect of the Tag Offer Securities and the Tagged Securities to the Tag Seller and the relevant Investors (who has sold the Tagged Securities), respectively. It is clarified that the Investors shall not be liable to pay any stamp duty applicable in relation to the said Transfers.	**Sale of Tag offer Securities**
60.	It shall be the responsibility and liability of the Tag Seller to ensure that, along with the Tag Offer Securities, the Tag Purchaser also acquires the Tagged Securities for the same consideration and upon the same terms and conditions as applicable to the Tag Offer Securities. If the Tag Purchaser fails to purchase the Tagged Securities from the Investor(s) and/or its Affiliate (who are entitled to exercise the Tag Along Right under this Article), such Tag Seller shall not make the proposed Transfer, and if purported to be made, such Transfer shall be null and void.	**Transfer of Tagged Securities**
61.	None of the Investors and/or their respective Affiliates shall be required to provide any representations or warranties or indemnities to the Tag Purchaser except for a representation of clear title to their respective Tagged Securities being Transferred.	**Representation by Tag Seller**
62.	The Tag Along Right set forth in Articles 53 and 54 shall apply in each case of a proposed Transfer by the Promoters of their Securities subject to the terms of these Articles.	**Applicability of Tag along Rights**
63.	In the event that none of the Investors deliver Response Notice(s) to the Tag Seller prior to the expiry of the Tag Along Period, then, upon the expiry of the Tag Along Period, the Tag Seller shall subject to restrictions in Articles 44 to 47 be entitled to sell and Transfer the Tag Offer Securities to the Tag Purchaser mentioned in the Tag Along Notice on the same terms and conditions and for the same consideration as is specified in the Tag Along Notice. If completion of the sale and Transfer to the Tag Purchaser by the Tag Seller does not take	**Expiry of Tag along period**

	place within a period of 120 (one hundred twenty) days following the expiry of the Tag Along Period, the right of the Tag Seller to Transfer the Tag Offer Securities to such Tag Purchaser shall lapse and the provisions of the Articles 53 to 64 shall once again apply to the Tag Offer Securities.	
64.	Where any of the Investors requires prior legal, governmental, regulatory or Shareholder approval for Transfer of the Equity Shares (the "**Relevant Investor**") then, notwithstanding any other provision of these Articles, the Relevant Investor(s) shall only be obliged to sell the Equity Shares once such approval is obtained, and the relevant Shareholder(s) shall reasonably cooperate to obtain any such required approvals. The period within which a Transfer of such Equity Shares by the Relevant Investor to the Tag Purchaser has to be completed shall be extended by such further period as is necessary for the purpose of obtaining the above approvals, provided however that such extension shall not be beyond a period of 120 (one hundred twenty) days from the date of expiry of the Tag Along Period.	**Extension of Tag Along period**
65.	For the avoidance of doubt, the Tag Along Right of the Investors' (who are entitled to exercise the Tag Along Right under Article 53 & 54) shall apply regardless of whether the Tagged Securities are of the same class or type of the Tag Offer Securities, provided that, to the extent such a difference in class or type exists, the consideration payable to the Investors for the Tagged Securities shall be calculated as if all shares of the Company and Securities held by the applicable seller and Investors which will be subject to a Transfer under Articles 53 & 54 (assuming the Investors exercises their tag-along rights in full) had been converted into Equity Shares of the Company on the date immediately prior to the date of the Tag Along Notice (to the extent not already in the form of common shares of the Company) at the conversion price which would be applicable on such date had such conversion occurred on such date.	**Consideration for Tagged Securities**
66.	If the number of Equity Shares that a Tag Purchaser is permitted to purchase under Applicable Law is less than the total number of Equity Shares intended to be transferred by the Tag Seller and the Investor exercising their Tag Along Right, then the number of Equity Shares that may be transferred by the Tag Seller and the Investor exercising their Tag Along Right shall be reduced in proportion to their inter-se shareholding in the Company to comply with the Applicable Law. Provided that the Investor shall have the option (at their sole discretion) to not Transfer their Equity Shares in reduced numbers than their entitlement pursuant to the exercise of their Tag Along Right. Provided further that, this Article 64 shall not restrict a Transfer of Equity Shares by a Member who is a Non-resident to another Non-resident that is permitted under the Applicable Law.	**Proportional reduction of Tagged Securities**
	PRE-EMPTION AND ANTI-DILUTION RIGHTS OF INVESTORS	
67.	Subject to compliance with the procedure set out in Articles 65 to 73, the Company may raise funds by way of fresh issue of Securities, other than issue of Securities through a rights issuance under Section 62(1)(a) of the Act ("**Fresh Issue**" and such Securities, the "**New Securities**"), to any Person who is a not a Shareholder of the Company at the time of the Fresh Issue of Securities ("**Future Investor**"). Notwithstanding anything contained anywhere in these Articles, each of the Investors shall at all times be entitled to have the first right to participate in the Fresh Issue to the extent required to maintain their respective percentage shareholding in the Company on the basis of the Equity Shares actually held by them and on the same terms and conditions (including price) as the Fresh Issue.	
68.	The Company shall offer proportionate number of the New Securities to each of the Investors by delivery of a written notice to the Investor which notice shall state (i) the number of New Securities proposed to be issued; (ii) the terms of such Fresh Issue; and (iii) the proposed purchase price per New Security proposed to be issued. Each of the Investors shall have the right to participate in the Fresh Issue through 1 (one) or more of their Affiliates or such nominees as may be acceptable to the Company.	
69.	(i) Each of the Investors may respond to the Company with a firm letter of offer to buy ("**Acceptance Letter**") up to the pro rata proportion (proportionate to the Equity Shares held by such Investor in the Company at such point of time) of the New Securities (i) in the event that the Fresh Issue is of 15% (fifteen per cent) or more of the share capital of the Company, within 60 (sixty) Business Days; or (ii)	

	in any other case, within 30 (thirty) Business Days of receipt of the notice referred to in Article 66. (ii) If all the Investors decline the offer set out in the said notice or fail to respond to the notice within the stipulated period set out in Article 67(i) above, the Company may within 10 (ten) Business Days of the expiry of the said period, proceed with the Fresh Issue to the Future Investor, in its entirety. However, if one or more of the Investors sends the Acceptance Letter, the Company may only proceed with Fresh Issue subject to the Investor that has sent the Acceptance Letter receiving its share entitlement simultaneously with the Future Investor on the same terms and conditions (including price) as provided to the Future Investor. (iii) In the event that an Acceptance Letter has been sent by any of the Investors, the Company shall ensure that such issuance to the Future Investor and the accepting Investor is completed within 3 (three) months from the date of receipt of the last Acceptance Letter by the Company.	
70.	The Company and the Key Promoter shall cooperate in all things necessary or appropriate under Applicable Law to consummate the transactions contemplated hereby, including without limitation, the performance of such further acts or the execution and delivery of any additional instruments or documents as may be reasonably requested or required in order to carry out the execution of the necessary documents proposed to be executed with the Future Investor pertaining to any Fresh Issue of New Securities by the Company.	
71.	In no event whatsoever shall any New Securities be issued by the Company in terms of Article 77(i) on terms and conditions that are more favourable than those set out in these Articles. However, in the event the Future Investor receives certain rights or entitlements that are more beneficial than those granted to the Investors under these Articles, the Company shall have the obligation to confer those rights or entitlements on all the Investors. If the Company decides to Transfer any such more beneficial rights it shall execute any document and/or amend Charter Documents suitably to extend such more favourable rights or entitlements to the Investors.	
72.	Subject to Article 69, if for any reason whatsoever, the Company issues any New Securities at a lower price than the price paid by any Investor for each Investor Securities, then notwithstanding anything contained in these Articles and without prejudice to any other rights of such Investor hereunder, but subject to Articles 44 to 47, such Investor shall be entitled to receive corresponding additional value / Securities from the Company on a "**Weighted Average Price**" in order to maintain their shareholding (on a fully diluted basis) in any manner permitted by the Applicable Law. For the purpose of this Article, the Weighted Average Price shall be determined in accordance with the formula as set out in the Agreement.	
73.	Nothing in Articles 65 to 69 and 72 to73 shall apply to: (i) Equity Shares (or options to purchase Equity Shares) issued or issuable to officers, directors and employees of the Company pursuant to an employee stock plan that has been approved by the Board; (ii) Equity Shares issuable upon the exercise or conversion of any convertible instrument; (iii) Equity Shares issued or issuable in connection with any stock split or stock dividend of the Company. (iv) Equity shares issued or issuable pursuant to Rights of Key Promoter to subscribe for shares pursuant to Article 43.	
74.	Notwithstanding anything contained in Articles 65 to 73, but subject to Articles 44 to 47 , if any Affiliate of the Investors holds any Securities of the Company at the relevant time, such Affiliate shall also have (and the Company shall offer to such Affiliate) the first right to participate in the Fresh Issue to the extent required to maintain its percentage equity	

	shareholding in the Company and on the same terms and conditions (including price) as the Fresh Issue.	
75.	Where any of the Investors requires prior legal, governmental, regulatory or Shareholder approval for subscribing to any Securities pursuant to Articles 65 to 73 then notwithstanding any other provision of these Articles, such Investor shall only be obliged to subscribe to such Securities once such approval is obtained, and the relevant Shareholder(s) shall reasonably cooperate to obtain any such required approvals. The period within which the subscription by such Investor pursuant to the Fresh Issue has to be completed shall be extended by such further period as is necessary for the purpose of obtaining the above approvals, provided however that such extension shall not be beyond a period of 30 (thirty) days from the date of expiry of time period within which such subscription is required to be completed pursuant to Articles 65 to 73.	
	EXIT RIGHTS	
76.	Without prejudice to the provisions of Articles 48 to 52, the Investors shall, until they are provided exit from the Company, have the right to seek an exit from the Company and the Key Promoter with respect to the Investor Securities held by them in accordance with the provisions of Articles 74 to 84.	**Exit Rights**
77.	Until the QIPO Date, the Investors shall (without prejudice to the provisions of Articles 48 to 52) have the right to seek an exit from the Company and the Key Promoter, and the Company and the Key Promoter shall endeavour to provide an exit to the Investors in respect of their entire investment in the Company, either through a sale to a Third Party purchaser as set forth in Articles 76 (i) to 76 (iv) or a secondary sale during a Fresh Issue as set forth in Articles 77(i) to 77(v).	**Exit rights prior to the QIPO Date**
78.	(i) At any time until the QIPO Date, any Investor may by written notice require the Company and the Key Promoter to procure a Third-Party purchaser for the purchase of all or any of the Investor Securities held by such Investor. (ii) Within a period of 30 (thirty) Business Days from the receipt of the notice mentioned in the sub-clause (i) above, the Company and the Key Promoter shall endeavor to procure a *bonafide* Third Party purchaser and provide a written notice ("**Sale Details Notice**") to all Investors setting forth the particulars of the purchaser, the price per Security to be payable by the purchaser, the number of Securities proposed to be purchased and other key terms of the sale. Within a period of 14 (fourteen) Business Days from the receipt of Sale Details Notice ("**Sale Decision Period**"), each Investor ("**Exiting Investor**") may by written notice ("**Sale Decision Notice**") to the Company and the purchaser communicate its willingness to sell all or any Securities held by it to the purchaser at the price and the terms specified in the Sale Details Notice. The Company and the Key Promoter, shall make endeavors to do all such acts as may be required (including obtaining Authorizations, providing the proposed purchaser access to the records of the Company and other assistance and co-operate for conducting a legal diligence and executing such documents as necessary to effect the proposed transfer, including by providing such reasonable representations in relation to the Company as may be requested by the Exiting Investors if any) to complete the Transfer of Securities from the Exiting Investor(s) to the purchaser in accordance with the terms and price specified in the Sale Decision Notice within 7 (seven) Business Days from the expiry of the Sale Decision Period. (iii) Pursuant to the receipt of a Sale Decision Notice from one or more Exiting Investors, in the event the number of Securities proposed to be sold by the Exiting Investors exceeds the number of Securities set forth in the Sale Details Notice, the Company and the Key Promoter shall endeavor that the Third Party purchaser acquires Securities from such Exiting Investors pro-rata to the Equity Shares held by the Exiting Investors in the Company. The Exiting Investor(s) shall not be required to make any representation or warranty to the Third-Party purchaser, other than clear title to the Securities included in the sale and the Exiting Investor's power and authority to undertake the proposed sale.	**Sale to Third Party Purchaser**

	(iv) In the event the (1) sale of Investor Securities is not consummated within the time period specified above for any reason whatsoever; or (2) Third Party purchaser has not been able to provide an exit to Exiting Investors with respect to all Securities held by them, the right of the Investors under this Article 76 (i) to (iv) shall continue to subsist until the QIPO Date.	
79.	(i) In the event the Company proposes to raise additional funds through a Fresh Issue at any time until the Investors are provided complete exit from the Company, the Company shall provide a written notice to the Investors indicating the amount of capital proposed to be raised by the Company ("**Amount**"), the terms of issuance, the price per Security payable by the Future Investor(s) for the subscription of New Securities and the indicative timeframe within which such Fresh Issue will be undertaken ("**Fresh Issue Intimation**"). Within 14 (fourteen) Business Days of the receipt of the Fresh Issue Intimation ("**Decision Period**"), each Investor may by written notice to the Company and the Key Promoter communicate its willingness to participate in the Fresh Issue by way of sale of any or all of the Securities held by such Investors to the Future Investor(s) ("**Fresh Issue Participation Notice**"). (ii) If the Company receives a Fresh Issue Participation Notice from one or more Investors, the Company shall determine the total number of Investor Securities proposed to be sold by such Investors in the Fresh Issue ("**Acquisition Securities**") and endeavour to raise funds in excess of the Amount in order to provide an exit to the Investors who have provided the Fresh Issue Participation Notices. Within a period of 21 (twenty one) Business Days from the expiry of the Decision Period, the Company shall provide a written notice to the Investors who delivered the Fresh Issue Participation Notices ("**Acquisition Notice**") setting out particulars of the Future Investor(s) ("**Acquiring Investor**") who is proposing to invest in the Fresh Issue (through subscription of New Securities) and is willing to acquire the Acquisition Securities, the number of Securities that the Acquiring Investor intends to acquire and the price per Security payable by the Acquiring Investor (which shall not be less than the price of issuance of New Securities as specified in the Fresh Issue Participation Notice) ("**Acquisition Price**"). It is clarified that if the Company is unable to raise funds in excess of the Amount, it shall be entitled to proceed with the Fresh Issue for the Amount. None of the Investors who are selling the Acquisition Securities shall be required to provide any representations in relation to the business of the Company. (iii) Within 30 (thirty) Business Days from the receipt of the Acquisition Notice, the Company and the Key Promoter shall endeavour to consummate the acquisition of Acquisition Securities by the Acquiring Investor(s) on the same terms as mentioned in the Fresh Issue Participation Notice and the Acquisition Price. If the number of Acquisition Securities exceeds the number of Securities that the Acquiring Investor intends to acquire (as set forth in the Secondary Sale Notice), the Acquiring Investor(s) shall acquire such number of Acquisition Securities pro-rata to their shareholding percentage on the basis of the Equity Shares actually held by each Investor. Notwithstanding anything contained herein, the Company shall endeavor that the sale of Acquisition Securities to the Acquiring Investor and the issuance of New Securities to the Future Investor(s) take place simultaneously. (iv) If none of the Investors provide the Fresh Issue Participation Notice within the time period specified above, then the Company may, subject to the rights of Investors set forth in these Articles, proceed with the issuance of New Securities to the Future Investor(s) at the price and terms mentioned in the Fresh Issue Intimation. The provisions of this Article shall apply with respect to every Fresh Issue proposed to be undertaken by the Company at any time until the Investors are provided complete exit from the Company.	**Secondary Sale during a Fresh Issue**
	Exit through QIPO	
80.	The Company and the Key Promoter shall endeavour to cause a QIPO of the Company on or before December 31, 2020, which may be extended by a further period of 90 (ninety) days or such date as may be required under the RBI Approvals("**QIPO Date**"). If a QIPO is	**QIPO Date**

	proposed, the Company and the Key Promoter shall keep each Investor fully informed of all material activities undertaken in connection with the QIPO.	
81.	(i) Each Investor shall have the right to offer all Equity Shares held by such Investor for sale in the QIPO in priority and preference over the other Shareholders (including the Promoters and the Persons holding the Promoter Securities jointly with the Promoters). In the event the number of Equity Shares being offered by the Investors pursuant to this Article is greater than the OFS Size, then the number of Equity Shares to be offered by each Investor shall be pro-rata to its shareholding percentage on the basis of Equity Shares actually held by such Investor. (ii) The Company and the Key Promoter agree and shall ensure that the Investors, shall not, upon listing or sale of the Equity Shares, held by it, be required to give any warranties or indemnities to any underwriter, broker, Recognized Stock Exchange or any other Person other than in relation to title of the Equity Shares held by it. (iii) The Company and the Key Promoter shall ensure that none of the Investors are in any way liable or responsible for the prospectus or any other document or classified as a “promoter” or “promoter group” of the Company for any purpose whatsoever. The Company shall not name the Investors as “promoters of the Company” or as part of the “promoter group” in any prospectus or other document relating to the issuance of any Securities. Nothing herein shall require any Investor to do or omit to do anything that may result in it becoming a “promoter” or “promoter group” of the Company under the Applicable Law including the guidelines issued by the Securities and Exchange Board of India from time to time. (iv) The Company and the Key Promoter shall take all such steps, and extend all cooperation to each other, the Investors and the investment banks, lead managers, underwriters and other Persons as may be required for the purpose of expeditiously making and completing an QIPO, including (1) preparing and signing the relevant offer documents; (2) conducting road shows with adequate participation of senior management; (3) entering into appropriate and necessary agreements; (4) providing all necessary information and documents required to prepare the offer documents; (5) filing of offer documents with Governmental Authorities; and (6) obtaining necessary consents from relevant Persons in relation to such a QIPO, as the case may be. The Company and the Key Promoter shall ensure that the QIPO complies with Applicable Law and listing requirements of the Recognized Stock Exchange. The Company and the Key Promoter further agree that they shall take all steps to ensure that the QIPO complies with all listing requirements. (v) The Company and the Key Promoter shall be responsible for all ongoing listing costs and requirements including, *inter alia*, payment of all present and future costs relating to the listing and sponsorship, underwriting fees, listing fees, merchant bankers fees, bankers fees, brokerage, commission and any other costs that may be incurred due to the changes to the Applicable Law for the time being in force and all intermediaries, agents and managers shall be appointed by the Company in consultation with the Investors and at the cost of the Company. (vi) The Company and the Key Promoter jointly and severally undertake to indemnify the Investors and their respective Affiliates, as well as their officers against any losses arising out of any misrepresentation, inadequate disclosure or incorrect and misleading information contained either in the QIPO prospectus or other publicity material and/or future representation and information or any violation of Applicable Law.	**Offer for sale in QIPO**
	Exit Rights post the QIPO Date	
82.	(i) In the event the Company and the Key Promoter fail to complete the QIPO on or prior to the QIPO Date, then any Investor may by notice to the Company and the Key Promoter (“**Sale Right Trigger Notice**”), (a copy of which shall be provided to the other Investors), require the Company and the Key Promoter to procure a Third Party purchaser to purchase all or some of the Investor Securities, subject to compliance with the pricing requirements under Applicable Laws (“**Sale Right**”). Upon receipt of the Sale Trigger Notice, the other Investors shall also have the right	**Third Party Sale**

	to exercise the Sale Right and shall intimate the Company in writing within 20 (twenty) Business Days of receipt of Sale Right Trigger Notice if they wish to exercise their respective Sale Rights. (ii) Within 30 (thirty) Business Days from the receipt of the Sale Right Trigger Notice, the Company and the Key Promoter shall procure a bonafide Third Party purchaser for those Investors who have chosen to exercise their Sale Right, and provide a written notice ("**Sale Notice**") to all Investors setting forth the particulars of the purchaser, the number of Securities proposed to be purchased by the purchaser and other key terms of the sale. (iii) Within a period of 14 (fourteen) Business Days from the receipt of Sale Notice ("**Sale Acceptance Period**"), each Investor wishing to exercise its Sale Right ("**Selling Investor**") may by written notice ("**Exercise Notice**") to the Company and the Purchaser communicate its willingness to sell all or any Securities held by it to the purchaser on the terms contained in the Sale Notice. The Company and the Key Promoter shall take all steps (including obtaining Authorizations, providing the proposed purchaser access to the records of the Company and other assistance and co-operate for conducting a legal diligence and executing such documents as necessary to effect the proposed transfer, including by providing such reasonable representations as may be requested by the Exiting Investors, if any) required to complete the sale of Securities from the Selling Investor(s) to the Purchaser within a period of 7 (seven) Business Days from the expiry of the Sale Acceptance Period on terms specified in the Sale Notice and at the Determined Price determined by an Independent Valuer appointed by the Selling Investors jointly subject to compliance with the pricing requirements under Applicable Laws. In the event the total number of Securities proposed to be sold by the Investors who have provided the Exercise Notice exceeds the number of Securities specified in the Sale Notice, the Company and the Key Promoter shall ensure that the purchaser acquires Securities from the Selling Investors pro-rata to their shareholding percentage on the basis of Equity Shares actually held by such Selling Investors. (iv) The Selling Investors shall not be required to make any representation or warranty to the Third-Party buyer, other than the title to the Securities and Selling Investor's power and authority to undertake the proposed sale. The Company and the Key Promoter shall provide business representations to the Third-Party buyer. (v) The Sale Right shall be exercisable by the Investors more than once at all times from the QIPO Date until they are provided complete exit from the Company.	
83.	If permitted by Applicable Law: (i) In the event the Company and the Key Promoter fail to complete the QIPO on or prior to the QIPO Date, and if the Company and the Key Promoter propose to raise additional funds through a Fresh Issue at any time after the QIPO Date, the Company and the Key Promoter shall provide a written notice to the Investors setting out the particulars of the Fresh Issue including the amount proposed to be raised through the Fresh Issue and the indicative timeframe for undertaking the Fresh Issue ("**Fresh Issue Notice**"). (ii) Within a period of 14 (fourteen) Business Days from the receipt of Fresh Issue Notice ("**Fresh Issue Exit Notice Period**") and without prejudice to the rights of the Investors under these Articles, any Investor may by written notice ("**Fresh Issue Exit Notice**") require the Company and the Key Promoter to utilize 50% (fifty per cent) of the proceeds of such Fresh Issue for the acquisition of the Investor Securities at a Determined Price subject to compliance with the pricing requirements under Applicable Laws. It is clarified that the remaining 50% (fifty per cent) proceeds of the Fresh Issue shall be used by the Company to issue New Securities to the Future Investor(s) participating in such Fresh Issue. (iii) In the event more than one Investor has provided the Fresh Issue Exit Notice to the Company and the Key Promoter, 50% (fifty per cent) proceeds from the Fresh Issue	**Exit through Fresh Issue**

	shall be used to acquire Securities from the Investors who have provided the Fresh Issue Exit Notice pro-rata to their shareholding percentage on a fully diluted basis. Notwithstanding anything contained in these Articles or otherwise, the Investors' right under Articles 74 to 84 shall be applicable to every Fresh Issue proposed to be undertaken by the Company after the QIPO Date and continue to subsist until each Investor has been provided with an exit with respect to all Securities held by it at a Determined Price subject to compliance with the pricing requirements under Applicable Laws.	
84.	(i) In the event the Company and the Key Promoter fail to (1) complete the QIPO on or prior to the QIPO Date; and (2) provide an exit to the Investors with respect to all Investor Securities held by them in within 1 (one) year from the QIPO Date ("**Second Exit Date**"), the Majority Investors shall have the right to require the Company and the Key Promoter to provide an exit opportunity to the Investors at the Determined Price, subject to compliance with the pricing requirements under Applicable Laws ("**Exit Right**"). (ii) For the purpose of this Article, the term "**Majority Investors**" shall mean such Investors who together hold 75% (seventy-five per cent) of the Equity Shares held by all Investors at the time of calculation of such percentage. For the purpose of exercise of the Exit Right, the Majority Investors shall have the discretion to adopt any or a combination of the methods, as may be available to them under these Articles.	**Exit Rights post Second Exit Date**
85.	If permitted by Applicable Law: (i) The Majority Investors may at their option require the Company to buy-back any or all of the Investor Securities at the Determined Price subject to compliance with the pricing requirements under Applicable Law. The Majority Investors shall exercise the buy-back option by serving a notice on the Company and the Key Promoter ("**Buy-back Notice**") indicating the number of Investor Securities to be bought back by the Company, the particulars of the Investors willing to participate in the buy-back and the time period within which the buy-back shall be undertaken by the Company (which shall not be more than 30 (thirty) days from the date of the Buy-back Notice) ("**Buy-back Date**"). It is clarified that nothing contained in this Article shall result in the Investors being required to tender the Investor Securities in the buy-back by the Company. (ii) The Company and the Key Promoter shall do all such acts and deeds as may be necessary under Applicable Law or otherwise (including voting at the meetings of the Board and General Meetings to cause the Company to undertake the buy-back) to undertake the buy-back of Investor Securities prior to the Buy-Back Date. If all Investor Securities specified in the Buy-back Notice cannot be bought back by the Company due to restrictions under Applicable Law, then the Company shall buy-back Investor Securities from the Investors pro-rata to their shareholding percentage on a fully diluted basis subject to the maximum number of Equity Shares that may be bought-back by the Company under Applicable Law. The Key Promoter shall not and shall ensure that the Shareholders other than the Investors shall not tender the Securities held by them in any buy-back undertaken by the Company pursuant to this Article.	**Buy Back of Investor Securities**
86.	(i) The Majority Investors shall have the right, subject to Applicable Law, to procure the sale of all or any the Promoter Securities to a Third Party purchaser in order to provide an exit to the Investors at the Drag Price in priority and preference to all other Shareholders (including Promoters and the Persons holding the Promoter Securities jointly with the Promoters). The term "**Drag Price**" shall mean the Determined Price, subject to compliance with the pricing requirements under Applicable Law. (ii) Upon the receipt of a firm commitment from the Third Party purchaser, the Majority Investors shall provide a written notice to the Promoters and the Persons holding the Promoter Securities jointly with the Promoters ("**Drag Along Notice**")	**Drag Along Right**

	providing the number of Promoter Securities required to be Transferred by the Promoters and the Persons holding the Promoter Securities jointly with the Promoters ("**Promoter Drag Along Securities**") at the Drag Price, the identity of the Third Party purchaser to whom such Securities are proposed to be Transferred and other material terms of the sale. The receipt of the Drag Along Notice by any one of the Promoters shall be deemed to be a notice to each of the Promoters and the Persons holding the Promoter Securities jointly with the Promoters and the Company. (iii) Within 14 (fourteen) Business Days from the receipt of Drag Along Notice, the Promoters and the Persons holding the Promoter Securities jointly with the Promoters shall have the obligation to Transfer the Promoter Drag Along Securities in accordance with the terms set forth in the Drag Along Notice. (iv) Notwithstanding anything contained in these Articles or otherwise, the Investors shall not be required to sell the Securities held by them to any Third-Party purchaser pursuant to the exercise of the drag along right under this Article. Nothing contained in this Article shall prejudice any Investor's right to exercise the Tag Along Right in accordance with Articles 53 to 64 under Tag Along Right. The Exit Right under this Article shall be exercisable more than once on and from the QIPO Date and continue to subsist until each Investor has been provided with an exit with respect to all Securities held by it at the Determined Price, subject to compliance with the pricing requirements under Applicable Law.	
	UNDERTAKINGS BY THE COMPANY	
87.	The Company shall keep true and fair accounting records of all operations, and such records shall be kept at the registered office of the Company or at such other place as the Board thinks fit and shall be open for inspection by each of the Investors or by their duly authorised representatives at all times during normal business hours and with sufficient notice so as not to disrupt the Company's operations. Provided, however, that the statutory books and registers that are required to be kept at the Office of the Company under the Act shall at all times be in kept as prescribed under the Act.	**Maintenance of Accounting Records**
88.	The Key Promoter and the Company shall provide the following: (i) Within 20 (twenty) Business Days from the end of each month, the Company shall provide monthly financial information in the agreed form to the Investors; (ii) The Company shall also on an annual basis report to the Investors data on social performance metrics, the format of which shall be in the agreed form. The Company would be responsible to collect and compile the data required for such reporting; (iii) As soon as the audited Financial Statements (including a balance sheet, income statement and cash flow statement) become available (and in any case not later than 90 (ninety) Business Days after the end of each Financial Year) the Company shall deliver copies of them to the Investors; (iv) The Company shall provide copies of minutes of meetings of the Board and General Meetings and documents presented at such meetings of the Board and General Meetings post finalisation of the minutes of meetings of the Board and/or General Meetings and not later than 45 (forty-five) days of such meetings, to the Qualifying Investors; (v) The Company shall deliver within 30 (thirty) Business Days of the end of each quarter to the Investors the unaudited quarterly Financial Statements including operational and financial milestones and performance; and (vi) The Company shall deliver to each of the Investors such Financial Statements and information as may be required by them and reasonably requested by them or an	**Providing Financial and Other Information**

		Investor Director (if any) with a minimum notice period of 15 (fifteen) Business Days.	
89.	As long as the Investors remain invested in the Company, each of them (including lawyers, accountants and other professional advisors) shall be entitled to visitation rights, full access to, all books of account, records and the like of the Company during office hours of the Company and upon providing reasonable notice and access to officers, management employees, accountants, legal counsel and investment bankers of the Company in order to discuss, or consult on affairs, finances and accounts of the Company.		**Right of access to records**
90.	Prior to undertaking any of the following matters, Company shall give a prior written intimation/ notice of at least 1 (one) week to the Investor(s) in respect of such matters unless the meeting of the Board or the Shareholders (as the case may be), where any of the matters set out below are proposed to be considered, is duly convened at shorter notice in which case the notice/ intimation will be given within such time as the notice is given for calling such meeting of the Board or the Shareholders and the Company shall endeavour to take into consideration any reasonable comments and inputs that the Investor(s) may have on such matters, as notified in writing to the Company in sufficient detail 1 (one) day prior to such meeting :-		**Matters for which prior intimation to be given to the Investors**
	(i)	Entering of the Company into any transaction with any Related Party or with any Affiliates of the Promoters or the entering into or amendment of any agreement between any Related Party (including any entity Controlled by a Related Party) and the Company, other than in relation to employment agreements with employees and officers of the Company;	
	(ii)	Change of remuneration payable to the Key Promoter, if the total remuneration payable to the Key Promoter exceeds 5% (five per cent) of the annual profit after tax as reflected in audited Financial Statements of the Company for the preceding Financial Year;	
	(iii)	Except in the Ordinary Course of Business, entry of the Company into litigations involving an amount of INR 100,000,000 (Rupees One Hundred Million only);	
	(iv)	Creating, authorising or issuing any Equity Shares or Securities convertible into Equity Shares, except where such creation, authorization and/or issuing of any Securities is carried out to ensure compliance with specific instructions of the RBI or capital adequacy thresholds;	
	(v)	Creating, increasing or authorising Equity Shares allocated towards ESOPs in excess of that agreed upon by virtue of the Agreement; or	
	(vi)	Incorporating or creating a subsidiary of the Company.	
	In the case of any Director/ Investor residing abroad, such notice shall also be given by email and where available, by facsimile, to such Director's /Investor's email address and facsimile number, as applicable abroad.		
91.	(i)	Without prejudice to the provision of Articles 78 and 79, the Company shall provide a prior written notice ("**Listing Proposal Initial Notice**") of at least 1 (one) week to all the Shareholders informing them about the proposed listing of Equity Shares of the Company (including a QIPO) and the material terms of such proposed listing, including price band, issue/ offer price, anchor investor price, size of issue/ offer etc. ("**Listing Proposal**"). The Company shall also give a prior written notice of at least 1 (one) week to all the Investors prior to the appointment of merchant banker, consultant, or advisor in relation to the Listing Proposal.	**Written notice prior to considering proposal for listing of shares of the Company**
	(ii)	Within 15 (fifteen) Business Days of receiving the Listing Proposal Initial Notice provided in sub-clause (i) above if the Investor requires further information from the Company in relation to such Listing Proposal, he shall inform the Company in writing of the additional information he requires. The Company shall make all reasonable endeavors to make available all the relevant information to the Investor as he may require in relation to the relevant Listing Proposal.	

92.	Prior to undertaking any of the following matters, the Company shall give a prior written intimation/ notice of at least 1 (one) week to the Qualifying Investors in respect of such matters unless the meeting of the Board or the Shareholders (as the case may be), where any of the matters set out below are proposed to be considered, is duly convened at shorter notice in which case the notice/ intimation will be given within such time as the notice is given for calling such meeting of the Board or the Shareholders and the Company shall endeavour to take into consideration any reasonable comments and inputs that the Qualifying Investors may have on such matters, as notified in writing to the Company in sufficient detail 1 (one) day prior to such meeting: (i) Sell, take-over, merge or amalgamate any other company into the Company or sell, merge or amalgamate the Company or a substantial part of the Business into any other Company or entity (to the extent not covered under sub-clause (ii) below), enter into any joint venture or strategic partnership or enter into arrangements with any other Company or entity other than in the Ordinary Course of Business; (ii) Any transaction which could result in any merger, reorganization, consolidation, reconstitution or a similar transaction, restructuring or amalgamation of or with the Company, or any demergers, spin-offs, schemes of arrangement and similar transactions, division of shares or modification of their nominal value; (iii) Any declaration of dividend, adoption and alteration of the Company's dividend policy or the passing of any resolution to retain or allocate profits; (iv) Winding up, insolvency or dissolution of the Company; (v) The creation of any Encumbrance on the assets of the Company or the pledging of material assets, other than for operating purposes in the Ordinary Course of Business, including for working capital needs and improvements; (vi) Any arrangement, consolidation, acquisition or the sale, lease or other disposal of all or 50% (fifty per cent) or more of the Company's assets or Business of the Company; (vii) Except in the Ordinary Course of Business, entry into a contract exceeding INR 150,000,000 (Rupees One Hundred Fifty Million only) under a single contract; (viii) Any alteration or change in the rights, privileges or preferences of the Securities held by the Investors; (ix) Entering, causing or allowing the Company to enter into any agreements that impair or violate or could impair or violate the rights of any of the Investors, as the case may be or grant any other investors in the Company any right that may adversely affect the rights of the Investors, as the case may be; (x) Any sale of all or substantially all the intellectual property rights of the Company; (xi) Acquisition by the Company of any share capital of any body corporate of any direct or indirect interest, in any manner whatsoever, in any Person, other than investments in the Ordinary Course of Business; (xii) To amend, change or modify the main objects of the Memorandum as set out in Article III therein, other than in relation to the Company's conversion to a small finance bank; or (xiii) Any reduction of capital or share repurchase, other than any repurchase of shares under employee stock option arrangements. Provided that in the case of an overlap between the matters listed in Article 88 and the matters listed in this Article, the Company shall be required to comply with the provisions of this Article and prior intimation to the Qualifying Investors will be taken to be sufficient compliance for the purposes of this Article, and therefore, no intimation will be required to be specifically given to the Shareholders under this Article.	**Matters for which prior intimation to be given to the Qualifying Investors**

	In the case of any Director / Investor residing abroad, such notice shall be given by email and where available, by facsimile, to such Director's / Investor's email address and facsimile number, as applicable abroad.	
93.	Subject to the procedure set out in these Articles for calling a board meeting, it is hereby clarified that nothing contained in Articles 88 and 90 shall restrict the right of the Independent Directors for proposing, considering, discussing, deliberating or deciding on the matters set out in Articles 88 and 90.	**Rights of Independent Directors with respect to matters covered in Article 88 and 90**
	LIQUIDATION EVENT	
94.	The Investors shall have a liquidation preference right upon the happening of a Liquidation Event in the manner set forth in this Article 92. On the occurrence of a Liquidation Event, the proceeds from such Liquidation Event shall be distributed in the following preference and priority ("**Liquidation Preference**"): (i) Subject to Applicable Law, each of the Investors shall receive, on a *pari passu* basis, prior to and in preference of any other distributions, an amount that provides each Investor with the higher of (a) 100% (one hundred per cent) of their respective Investment Amounts or (b) the Determined Price multiplied by the total Equity Shares held by such Investor; and (ii) Thereafter, the Promoters shall receive: (a) all remaining amounts in a manner pro rata to their shareholding in the Company, on a fully diluted basis, in case the Investors have received 100% (one hundred per cent) of their respective Investment Amount in accordance with sub-clause (i) (a) above; or (b) up to the Determined Price multiplied by the total Equity Shares held by the Promoters, in case the Investors have received amounts in accordance with sub clause (i) (b) above. (iii) Thereafter, any remaining proceeds shall be distributed to the Shareholders pro-rata to their shareholding in the Company on a fully diluted basis. (iv) Any non-cash consideration received on account of any Liquidation Event such as a merger shall be distributed in accordance with the principles set out in this Article 92. In the event that the Liquidation Preference in accordance with the foregoing is not permitted by Applicable Law, then the Company shall make all reasonable efforts to obtain any Authorizations necessary to allow such Liquidation Preference and if required by the Investors, subject to Applicable Law, hold the money for Liquidation Preference in trust for the Investors until such Liquidation Preference such Authorization is received.	**Liquidation Preference**
95.	The Company and the Key Promoter shall ensure that whatever proceeds are generated consequent to the Liquidation Event, the Investors shall, at their sole discretion, have the right to receive, prior to and in preference to any distribution of any of the assets or funds of the Company to any Shareholder or holder of any other class or series of shares or Securities in the manner provided in Article 92. The Company shall provide all reasonable assistance to the Investors in receiving such proceeds.	**Proceeds of Liquidation Event**
96.	In the event of (i) any liquidation, dissolution, winding up, bankruptcy or other analogous insolvency proceeding of the Company, either voluntary or involuntary, the holder of Investor Securities shall, prior to and in preference of any other distributions, receive proceeds (subject to the Applicable Law) from the winding up or liquidation of the Company in such manner that provides the Investors the Liquidation Preference; or (ii) any acquisition of the Company by means of a merger, acquisition or other form of corporate reorganization in which the Shareholders of the Company do not own majority of the outstanding assets of the surviving entity, the Investors shall, prior to and in preference of any other distributions, be entitled to receive shares in the surviving entity in such numbers which provides them the Liquidation Preference.	
97.	If, pursuant to a Liquidation Event, all or 50% (fifty per cent) or more of the assets of the Company are sold, Majority Investors (in their sole desertion) may by written notice require	

	the Company to pay the Investors such amounts to which they are entitled under Article 92. On the receipt of such notice from the Investors, the Company shall, and the Key Promoter shall cause the Company to declare or pay dividend or undertake any other actions permitted under Applicable Law to pay such amounts to the Investors such that each Investor receives, prior to and in preference of any other distributions, an amount that provides Liquidation Preference mentioned in Article 92.	
	GENERAL OBLIGATIONS	
	Company's Obligations	
98.	The Company shall at all times ensure that Securities allocated for ESOP are allotted in accordance with the ESOP Scheme.	**Allocation for ESOP**
99.	The Company shall ensure that the Key Promoter retains his position in the Company until such time as is determined by the Board, and as required by Applicable Law.	**Key Promoter**
100.	The Company confers 'Preferred Business Partner' status to HDFC Life Insurance Company Limited ("**HDFC II**"). Pursuant to the said status, as and when, anytime in future, the Company proposes to tie up or partner with a life insurer for sale / distribution of life insurance solutions / products, including any customised / specific product or solution, Company shall give a right of first refusal to HDFC II for the purpose of sourcing / distribution of such life insurance solutions/ products of HDFC II through its established distribution channels / branches of the Company. The Company can tie up with any other life insurance company or entity only if it has provided 30 (thirty) Business Days prior notice to HDFC II, and HDFC II has conveyed in writing about not exercising its aforesaid right to provide such product / solution. The said 30 (thirty) Business Days' notice period for HDFC II, to confirm / provide the product / solution, shall stand extended to 90 (ninety) Business Days, if HDFC II confirms the approval of the product design and initiating regulatory approval process, from the date of initial notice to meet regulatory / operational requirements, if any. The timeline may be further extended, if necessary, with mutual consent of the Company and HDFC II and they shall endeavour to work in good faith to achieve the purpose. In case of no revert from HDFC II within the above stipulated timeline or extended timeline with mutual consent, the Company can decide to proceed with arranging tie up with any other life insurance company or entity. While HDFC II would make all attempts to be price competitive (to the policyholder), it need not necessarily be the lowest. For the purpose of this Article, the Company and HDFC II shall enter into a relevant agreement / service level agreement recording terms and conditions of the activity and shall also ensure compliance with applicable regulatory requirements including that of Insurance Regulatory and Development Authority.	**Preferred Business Partner**
	Key Promoter's obligations	
101.	So long as the Key Promoter remain as a Shareholder and for 12 (twelve) months thereafter and so long as the Investors hold any Investor Securities in the Company and for 12 (twelve) months thereafter, the Key Promoter shall not, and shall ensure that none of their Affiliates shall, singly or jointly, directly or indirectly, for their own account or as agent, employee, officer, director, consultant, or shareholder or equity owner of any other Person, engage or attempt to engage or assist any other Person to engage in the Business or any similar business, other than through the Company. The Key Promoter further, shall give up, part with and/or cease and desist from carrying on, other than through the Company, any activity or business which is same or similar as that of the Business. He undertakes that any venture or investment, whether directly or indirectly, in the Business shall only be undertaken, carried on, implemented, or held through the Company, unless the Investors give prior written consent to the Key Promoter to do otherwise. The Key Promoter shall also not divulge or disclose to any Person any information (other than information available to the public or disclosed or divulged pursuant to an order of a court of competent jurisdiction) relating to the Business, including but not limited to the identity of clients, finance, contractual arrangements, business or methods.	**Non- compete**

102.	The Key Promoter shall ensure that the Company complies with its obligations under these Articles and shall exercise all rights and powers lawfully available to him to do so.	
103.	The Key Promoter shall notify the Investors within 10 (ten) Business Days of him becoming aware of any breach by the Company of any of its obligations or on occurrence of Material Adverse Effect.	
104.	The Key Promoter shall not at any time in any Relevant Capacity directly or indirectly (a) compete, invest and/or set up any entity which competes with the Business of the Company ; (b) solicit for employment or employ, or assist any other Person to solicit for employment or employ, any individual who is engaged in employment with the Company; or (c) solicit, or assist any other Person to solicit, any current customer, client or account of the Company for any business that is competitive with the Business of the Company.	
105.	Neither the Key Promoter nor its Affiliates shall engage in any transaction with the Company that is less favourable to the Company than the terms that would be available to the Company in a comparable transaction which is conducted on the basis of arm's length dealings with a Third Party.	
106.	The Key Promoter shall ensure that the Company shall at all times conduct its Business in accordance with all Applicable Laws and as per the best business practice prevailing in the industry in which the Company carries on its Business.	
107.	If any shareholding of any of the Promoters is held on a joint basis by such Promoter with any other Person, it shall be deemed to constitute the Securities held by the relevant Promoter for the purposes of these Articles.	
108.	The restrictions on the Key Promoter as contained in Articles 99-109 are no greater than is reasonable and necessary for the protection of the legitimate business interests of the Investors but if any such restriction shall be held to be void but would be valid if deleted in part or reduced in application, such restriction shall apply with such deletion or modification as may be necessary to make it valid and enforceable.	
109.	Each undertaking in Articles 99-109 constitutes an entirely separate and independent undertaking and if one or more of the undertakings is held to be against the public interest or unlawful or in any way an unreasonable restraint of trade, the remaining undertakings shall continue to be binding and in full force and effect.	
110.	If any breach or violation of the provisions of any of Articles 99-109 occurs, the Key Promoter agrees that damages alone are likely not to be sufficient compensation and that injunctive relief is reasonable and is likely to be essential to safeguard the interests of the Investors and/or its Affiliates and that injunctive relief (in addition to any other remedies afforded by a court of equity) may (subject to the discretion of the courts) be obtained. No waiver of any breach or violation shall be implied from forbearance or failure by Investor to take action.	
111.	The Key Promoter further agrees that the Investment Amount of each Investor is an adequate consideration for the non-compete and non-solicit obligations of the Key Promoter under Articles 99 to 109.	
	GOVERNING LAW, DISPUTE RESOLUTION AND JURISDICTION	
112.	The provisions of these Articles as set out in Part-B shall be governed by, and construed in accordance with, the laws of India.	**Governing Law**
113.	Any dispute arising out of or in connection with Part-B of these Articles, including any question regarding its existence, validity or termination shall be referred to and finally resolved by arbitration under the arbitration rules ("**Rules**") of the Singapore International Arbitration Centre ("**SIAC**") in force at the time, which Rules are deemed to be incorporated by reference into Articles 110 to 117.	**Arbitration**
114.	There shall be 3 (three) arbitrators, 1 (one) nominated by the claimant(s) in the notice for arbitration, the second nominated by the respondent(s) within 30 (thirty) days of receipt of the notice for arbitration, and the third arbitrator, who shall act as the presiding arbitrator,	**Arbitral Tribunal**

	shall be nominated by the 2 (two) arbitrators within a period of 15 (fifteen) days of the nomination of the second arbitrator. If any arbitrators are not nominated within these time periods, the SIAC shall make the appointment(s).	
115.	The place of arbitration shall be Singapore.	**Place of Arbitration**
116.	The language of arbitration shall be English.	**Language of Arbitration**
117.	The arbitral tribunal shall not be authorized to take or provide, and neither the Company nor any Relevant Party shall be authorized to seek from any judicial authority, any interim measures of protection or pre-award relief against IFC and/or DEG, any provisions of the Rules notwithstanding. Subject to Applicable Law, IFC and/or DEG may approach any authority for seeking any interim measures against the Company or any Relevant Party, on equitable grounds or otherwise.	**Interim Measures**
118.	The Company and each of the Promoters and Investors acknowledge and agree that no provision of Part-B of these Articles or of the Rules, nor the submission to arbitration by IFC and/or DEG, in any way constitutes or implies a waiver, termination or modification by IFC and/or DEG of any privilege, immunity or exemption of IFC and/or DEG granted in the Articles of Agreement establishing IFC international conventions, or the Applicable Law.	
119.	An arbitral tribunal appointed hereunder or under any other agreement that the Company and any of its Shareholders are a party to, may exercise jurisdiction with respect to both these Articles and such other agreements, including if the Agreement and such other agreements are governed by different laws.	**Jurisdiction of Arbitral Tribunal**
	ASSIGNMENT	
120.	The Promoters and the Company shall not be entitled to assign or transfer or purport to assign or transfer any of its rights or obligations under these Articles except with the prior written consent of the Investors, except to the extent specifically provided for herein. The Investors may assign any or all of its rights and obligations under these Articles in accordance with the terms hereof to any Third Party by providing 7 (seven) days prior written notice to the Company.	

SECTION IX: OTHER INFORMATION

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The copies of the following contracts which have been entered into by our Bank (not being contracts entered into in the ordinary course of business carried on by our Bank or contracts entered into more than two years before the date of the Red Herring Prospectus) which are material have been attached to the copy of the Red Herring Prospectus which has been filed with the RoC and will also be attached to the copy of this Prospectus which shall be delivered to the RoC for filing. Copies of the contracts and also the documents for inspection referred to hereunder, were provided for inspection at the Registered and Corporate Office between 10 a.m. and 5 p.m. on all Working Days from date of the Red Herring Prospectus until the Bid/ Issue Closing Date.

a) **Material Contracts for the Issue**

a) Issue Agreement dated September 30, 2020 between our Bank, the Selling Shareholders, Apneet Kahlon, Chintan Harkantbhai Trivedi and Polaris Banyan Holding Private Limited and the Book Running Lead Managers read with the amendment to the Issue Agreement between our Bank, the Selling Shareholders and the Book Running Lead Managers dated March 3, 2021 read with the IA Termination Letters.

b) Registrar Agreement dated September 30, 2020 between our Bank, the Selling Shareholders, Apneet Kahlon, Chintan Harkantbhai Trivedi and Polaris Banyan Holding Private Limited and the Registrar to the Issue read with the amendment to the Registrar Agreement dated March 3, 2021 between our Bank, the Selling Shareholders and the Registrar to the Issue read with the RA Termination Letters.

c) Cash Escrow and Sponsor Bank Agreement dated March 9, 2021 between our Bank, the Selling Shareholders, the Registrar to the Issue, the Book Running Lead Managers and the Bankers to the Issue.

d) Share Escrow Agreement dated February 25, 2021 between our Bank, the Selling Shareholders, Apneet Kahlon, Chintan Harkantbhai Trivedi and Polaris Banyan Holding Private Limited and the Share Escrow Agent read with the amendment to the Share Escrow Agreement dated March 3, 2021 between our Bank, the Selling Shareholders and the Share Escrow Agent read with the SE Termination Letters.

e) Syndicate Agreement dated March 9, 2021 between our Bank, the Selling Shareholders, the Book Running Lead Managers, and Syndicate Members.

f) Underwriting Agreement dated March 20, 2021 between our Bank, the Selling Shareholders and the Underwriters.

b) **Material Documents**

a) Certified copies of the updated Memorandum and Articles of Association of our Bank as amended from time to time.

b) Certificate of incorporation dated November 10, 2008, and fresh certificates of incorporation dated June 16, 2015 and January 13, 2017 upon change of name.

c) RBI letter dated August 26, 2016 bearing no. DBR.NBD.(SFB-Suryoday) No. 2489/16.13.216/2016-17, pursuant to which the RBI granted license no. MUM:120 to our Bank to carry on the SFB business in terms of Section 22 of the Banking Regulation Act.

d) RBI notification dated July 24, 2017 bearing No.DBR.NBD.(SFB-Suryoday).No. 766/16.13.216/2017-18, published in the Gazette of India (Part III – Section 4) dated September 2, 2017, as per which our Bank was included in the second schedule to the RBI Act.

e) RBI letter bearing no. DBR.Appt.No.7411/29.44.006/2016-17 dated December 30, 2016 approving the constitution of our Board, read with RBI letter bearing no. DBR.Appt.No.5567/29.44.006/2016-17 dated November 17, 2016.

f) E-mail from RBI dated March 19, 2020 approving the appointment of our Part-Time Chairperson.

g) RBI letter bearing no. DoR.Appt.No.5621/29.44.006/2019-20 dated January 14, 2020 approving the re-appointment of our Managing Director and Chief Executive Officer.

h) RBI letter bearing no. DOR.Appt.No.4387/29.44.006/2019-20 dated December 4, 2019 approving the revision in remuneration of our Managing Director and Chief Executive Officer.

i) Employment Agreement dated July 30, 2020 entered into between our Bank and our Managing Director and Chief Executive Officer, Baskar Babu Ramachandran.

j) Report titled "*Report on Small Finance Banks and various loan products*" dated September, 2020, issued by CRISIL.

k) Shareholders' agreement dated March 20, 2019 entered into by and amongst, Sarva Capital LLC, HDFC Holdings Limited, HDFC Life Insurance Company Limited, Jhelum Investment Fund I, International Finance Corporation, DWM (International) Mauritius Ltd, ResponsAbility Participations Mauritius, ASK Pravi Private Equity Opportunities Fund, IDFC FIRST Bank Limited, Polaris Banyan Holding Private Limited, Kiran Vyapar Limited, Dr. Aravind Srinivasan, Gaja Capital India AIF Trust (represented by its trustee, Gaja Trustee Company Private Limited), Gaja Capital Fund II Limited, Evolvence India Fund II Ltd, TVS Shriram Growth Fund, Lok Capital Growth Fund, Americorp Ventures Limited, DEG – Deutsche Investitions – Und Entwicklungsgesellschaft, Kotak Mahindra Life Insurance Company Limited, TVS Shriram Growth Fund 3, a scheme of TVS Shriram Growth AIF Trust, Teachers Insurance and Annuity Association of America, our Promoters and our Bank read along with amendment to the Shareholders' agreement dated December 16, 2019 and the Shareholders' Second Amendment Agreement dated September 28, 2020.

l) Facility agreement dated December 22, 2019 and call option agreement dated December 22, 2019 entered into by and amongst KVL and Baskar Babu Ramachandran, put option agreement dated December 24, 2019 entered into by and amongst P.S. Jagdish, KVL and Baskar Babu Ramachandran.

m) Resolutions of the Board dated July 3, 2020, authorising the Issue and other related matters.

n) Shareholders' resolution dated July 27, 2020, in relation to this Issue and other related matters.

o) Copies of the annual reports of our Bank for the Fiscals 2020, 2019 and 2018.

p) The examination report of the Statutory Auditor dated February 8, 2021, on our Bank's Restated Financial Statements.

q) The statement of special tax benefits dated March 3, 2021 from the Statutory Auditors.

r) Consent letters of the Directors, Selling Shareholders, the Book Running Lead Managers, the Syndicate Members, Legal Counsel to our Bank as to Indian Law, Legal Counsels to the Selling Shareholders as to Indian law, Legal Counsel to the Book Running Lead Managers as to Indian Law, Legal Counsel to the Book Running Lead Managers as to International Law, Selling Shareholders, Registrar to the Issue, Escrow Collection Banks, Public Issue Banks, Refund Banks, Sponsor Bank, Company Secretary and Compliance Officer, to act in their respective capacities.

s) Consent letter dated March 9, 2021 from our Statutory Auditors namely, MSKC & Associates, Chartered Accountants (formerly known as R. K. Kumar & Co., Chartered Accountants), to include their name in the Red Herring Prospectus and this Prospectus as an "expert" as defined under Section 2(38) of the Companies Act, 2013, in respect of the examination report dated February 8, 2021 issued by it on our Restated Financial Statements, and the statement of special tax benefits dated March 3, 2021 included in this Prospectus and such consent has not been withdrawn as on the date of this Prospectus. However, the term "expert" shall not be construed to mean an "expert" as defined under the U.S. Securities Act.

t) Consent letter dated March 4, 2021 jointly from Avendus Finance Private Limited and Kiran Vyapar Limited and consent letter dated March 4, 2021 from Placid Limited for release of pledge on 11,290,000 Equity Shares held by one of our Promoters, Baskar Babu Ramachandran.

u) Board resolution dated September 30, 2020 approving the Draft Red Herring Prospectus.

v) Board Resolution dated March 9, 2021 approving the Red Herring Prospectus for filing with the Registrar of Companies and subsequently with SEBI and the Stock Exchanges and resolution of our Board dated March 20, 2021 approving this Prospectus.

w) Due diligence certificate dated September 30, 2020, addressed to SEBI from the Book Running Lead Managers.

x) In principle listing approvals dated November 13, 2020 and December 10, 2020, issued by BSE and NSE, respectively.

y) SEBI interim observation letters dated October 23, 2020, November 10, 2020, November 20, 2020 and SEBI final observation letter dated December 23, 2020.

z) Agreement dated September 16, 2016 amongst our Bank, NSDL and the Registrar to the Issue.

aa) Agreement dated August 26, 2016 amongst our Bank, CDSL and the Registrar to the Issue.

Any of the contracts or documents mentioned in Prospectus may be amended or modified at any time if so required in the interest of our Bank or if required by the other parties, without notice to the shareholders subject to compliance of the provisions contained in the Companies Act and other relevant laws.

DECLARATION

We hereby certify and declare that all relevant provisions of the Companies Act, 2013 and the guidelines/ regulations issued by the Government of India or the guidelines/ regulations issued by the Securities and Exchange Board of India, established under Section 3 of the SEBI Act, 1992, as the case may be, have been complied with and no statement made in this Prospectus is contrary to the provisions of the Companies Act, 2013, the Securities Contracts (Regulation) Act 1956, the Securities Contracts (Regulation) Rules, 1957, the SEBI Act, 1992 or the rules made or guidelines or regulations issued thereunder, as the case may be. We further certify that all the statements in this Prospectus are true and correct.

SIGNED BY THE DIRECTORS OF OUR BANK

Ramachandran Rajaraman
Part-Time Chairperson and Independent Director ______________________________

Mrutunjay Sahoo
Independent Director ______________________________

Jyotin Kantilal Mehta
Independent Director ______________________________

Meena Hemchandra
Independent Director ______________________________

John Arunkumar Diaz
Independent Director ______________________________

Venkatesh Natarajan
Investor Director ______________________________

Ranjit Shah
Investor Director ______________________________

Aleem Remtula
Investor Director ______________________________

Baskar Babu Ramachandran
Managing Director and Chief Executive Officer ______________________________

SIGNED BY THE CHIEF FINANCIAL OFFICER OF OUR BANK

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Bhavin Damania
(*Chief Financial Officer*)

Place: Navi Mumbai

Date: March 20, 2021

DECLARATION BY INTERNATIONAL FINANCE CORPORATION

International Finance Corporation confirms and certifies that all statements, disclosures and undertakings specifically made or confirmed by it in this Prospectus, about or in relation to itself, as a Selling Shareholder and its portion of the Offered Shares, are true and correct. International Finance Corporation assumes no responsibility for any other statements, including any of the statements made or confirmed by or relating to the Bank, any other Selling Shareholder or any other person(s) in this Prospectus.

SIGNED FOR AND ON BEHALF OF INTERNATIONAL FINANCE CORPORATION

Name: Hemalata Mahalingam

Designation: Regional Industry Manager South Asia, Financial Institutions Group

Place: Mumbai

Date: March 20, 2021

DECLARATION BY GAJA CAPITAL FUND II LIMITED

Gaja Capital Fund II Limited confirms and certifies that all statements, disclosures and undertakings specifically made or confirmed by it in this Prospectus, about or in relation to itself, as a Selling Shareholder and its portion of the Offered Shares, are true and correct. Gaja Capital Fund II Limited assumes no responsibility for any other statements, including any of the statements made or confirmed by or relating to the Bank, any other Selling Shareholder or any other person(s) in this Prospectus.

SIGNED FOR AND ON BEHALF OF GAJA CAPITAL FUND II LIMITED

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Name: Ashraf Ramtoola

Designation: Director

Place: Mauritius

Date: March 20, 2021

DECLARATION BY DWM (INTERNATIONAL) MAURITIUS LTD

DWM (International) Mauritius Ltd confirms and certifies that all statements, disclosures and undertakings specifically made or confirmed by it in this Prospectus, about or in relation to itself, as a Selling Shareholder and its portion of the Offered Shares, are true and correct. DWM (International) Mauritius Ltd assumes no responsibility for any other statements, including any of the statements made or confirmed by or relating to the Bank, any other Selling Shareholder or any other person(s) in this Prospectus.

SIGNED FOR AND ON BEHALF OF DWM (INTERNATIONAL) MAURITIUS LTD

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Name: Peter Johnson

Designation: Director

Place: Stamford, CT

Date: March 20, 2021

DECLARATION BY HDFC HOLDINGS LIMITED

HDFC Holdings Limited confirms and certifies that all statements, disclosures and undertakings specifically made or confirmed by it in this Prospectus, about or in relation to itself, as a Selling Shareholder and its portion of the Offered Shares, are true and correct. HDFC Holdings Limited assumes no responsibility for any other statements, including any of the statements made or confirmed by or relating to the Bank, any other Selling Shareholder or any other person(s) in this Prospectus.

SIGNED FOR AND ON BEHALF OF HDFC HOLDINGS LIMITED

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Name: Satrajit Bhattacharya

Designation: Compliance Officer

Place: Mumbai

Date: March 20, 2021

DECLARATION BY IDFC FIRST BANK LIMITED

IDFC FIRST Bank Limited confirms and certifies that all statements, disclosures and undertakings specifically made or confirmed by it in this Prospectus, about or in relation to itself, as a Selling Shareholder and its portion of the Offered Shares, are true and correct. IDFC FIRST Bank Limited assumes no responsibility for any other statements, including any of the statements made or confirmed by or relating to the Bank, any other Selling Shareholder or any other person(s) in this Prospectus.

SIGNED FOR AND ON BEHALF OF IDFC FIRST BANK LIMITED

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Name: Satish Gaikwad

Designation: Legal Head & Company Secretary

Place: Mumbai

Date: March 20, 2021

DECLARATION BY KOTAK MAHINDRA LIFE INSURANCE COMPANY LIMITED

Kotak Mahindra Life Insurance Company Limited confirms and certifies that all statements, disclosures and undertakings specifically made or confirmed by it in this Prospectus, about or in relation to itself, as a Selling Shareholder and its portion of the Offered Shares, are true and correct. Kotak Mahindra Life Insurance Company Limited assumes no responsibility for any other statements, including any of the statements made or confirmed by or relating to the Bank, any other Selling Shareholder or any other person(s) in this Prospectus.

SIGNED FOR AND ON BEHALF OF KOTAK MAHINDRA LIFE INSURANCE COMPANY LIMITED

Name: Pradeep Kumar Mahapatro	**Name:** Cedric Fernandes
Designation: Executive Vice President	**Designation:** CFO
Place: Mumbai	**Place:** Mumbai
Date: March 20, 2021	**Date:** March 20, 2021

DECLARATION BY GAJA CAPITAL INDIA AIF TRUST

(REPRESENTED BY ITS TRUSTEE, GAJA TRUSTEE COMPANY PRIVATE LIMITED)

Gaja Capital India AIF Trust (represented by its trustee, Gaja Trustee Company Private Limited) confirms and certifies that all statements, disclosures and undertakings specifically made or confirmed by it in this Prospectus, about or in relation to itself, as a Selling Shareholder and its portion of the Offered Shares, are true and correct. Gaja Capital India AIF Trust (represented by its trustee, Gaja Trustee Company Private Limited) assumes no responsibility for any other statements, including any of the statements made or confirmed by or relating to the Bank, any other Selling Shareholder or any other person(s) in this Prospectus.

SIGNED FOR AND ON BEHALF OF GAJA TRUSTEE COMPANY PRIVATE LIMITED (REPRESENTING GAJA CAPITAL INDIA AIF TRUST)

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Name: Abhinav Jain

Designation: Authorised Signatory

Place: Mumbai

Date: March 20, 2021

DECLARATION

We, Americorp Ventures Limited severally and not jointly, confirm and certify that all statements, disclosures and undertakings specifically made or confirmed by us in this Prospectus, about or in relation to ourselves, as a Selling Shareholder and our portion of the Offered Shares, are true and correct. We assume no responsibility for any other statements, including any of the statements made or confirmed by or relating to the Bank, any other Selling Shareholder or any other person(s) in this Prospectus.

Signed on behalf of Americorp Ventures Limited, by its power of attorney holders.

SIGNED BY CHINTAN SHAH AND NARAYAN RAO (as the power of attorney holders for Americorp Ventures Limited)

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Narayan Rao

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Chintan Shah

Place: Mumbai

Date: March 20, 2021