



**Indian School Finance Company Private Limited 26th Annual Report
2019-20**

CORPORATE INFORMATION

CORPORATE IDENTITY NUMBER

U65921AP1994PTC065392

REGISTERED OFFICE

Unit no. 8-2-269/2/52, Plot No. 52, Sagar
Society, Road No. 2, Banjara Hills,
Hyderabad-500 034

Website: www.isfc.in

CORPORATE OFFICE

346/347, DLF Towers,
3rd Floor, 15 Shivaji Marg

DEBENTURE TRUSTEE

Catalyst Trusteeship Limited Mittal Tower, B Wing., Nariman Point, Mumbai-400021, India

BOARD OF DIRECTORS

Mr. Rakesh Rewari
Mr. Sandeep Wirkhare (Managing Director and CEO)
Ms. Erika Y Norwood

STATUTORY AUDITORS

M/s S.R. Batliboi & Associates LLP
Chartered Accountants New Delhi-110015

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DIRECTOR'S REPORT

TO THE MEMBERS

The Board of Directors of your Company is pleased to present the 26th Annual Report and Audited Financial Statement of Accounts for the year ended on March 31, 2020.

1. FINANCIAL RESULTS:

Your Company's performance during the financial year 2019-20 is summarized below:

(Rs. In lacs)

Particulars	Year ended 31.03.2020	Year ended 31.03.2019
Total Income	9,576.12	11,182.79
Financial Charges	5,153.92	5,805.08
Personnel and Other Expenses	2,140.74	2,537.78
Depreciation	166.91	84.91
Provisions & Write-Offs	1,491.50	1,081.82
Profit / (Loss) Before Tax	623.05	1,673.20
Less: Tax Expense	187.35	468.12
Profit/ (Loss) After Tax	435.69	1205.08
Other Comprehensive Income	17.49	8.90
Total Comprehensive Income for the year	453.18	1,213.98
Add balance brought forward from previous year	1,556.69	566.01
Transfer to Reserve Fund under section 45-IC of the RBI Act, 1934	90.65	223.43
Balance Carried to Balance Sheet	1,919.29	1,556.69
Paid up Capital	508.21	506.21

IMPLEMENTATION OF INDIAN ACCOUNTING STANDARDS ("IND AS")

Your Company has prepared the Financial Statements in accordance with Indian Accounting Standards ("IND AS") notified under the Companies (Indian Accounting Standards) Rules, 2015. The Company adopted IND AS from 01 April, 2019 and accordingly Financial Statements together with the Financial Statements for the comparative reporting period are prepared with the recognition and measurement principles stated therein, prescribed under Section 133 of the Companies Act, 2013 read with relevant Rules issued thereunder and the other accounting principles generally accepted in India.

Further, the Company has also complied with instructions and guidelines relating to specific prudential aspects of Ind-AS implementation by NBFCs issued by the RBI vide its circular dated March 13, 2020 on Implementation of Indian Accounting Standards by NBFCs.

2. BUSINESS PERFORMANCE:

The company has followed INDAS as the accounting standard for the first time in the FY 19-20, basis which FY 18-19 comparative numbers have also been incorporated in the audited financials. During the year the company has been able to maintain its profitability with PAT of Rs.453.2 Lakhs. Revenue of the organization reduced by 14.37% as compared to the FY 18-19. Disbursement in FY 19-20 has declined to Rs. 18.5 Crore as compared with Rs. 229 Crore in FY 18-19 due to longer-than-expected delay of the planned equity raise by ISFC

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and hence reduced financial flexibility. There is rundown of portfolio from Rs.562 Crore to Rs.389 Crore due to lower disbursement during FY 19-20.

RATIO ANALYSIS:

Sr.no	Particulars	Units	2019-20	2018-19
1	NIM to Avg. AUM*	In %	9.30%	9.91%
2	Operating Expenses % to NIM	In %	52.18%	48.77%
3	Return on Avg. AUM (On books)	In %	0.99%	2.61%
4	NPA - 90dpd on AUM	In %	10.24%	3.77%
5	Average AUM	In Lacs	47,575	54,248

3. SHARE CAPITAL

As on March 31, 2020, the Company has an authorized share capital of Rs.12,00.00 Lakhs consisting of 80,00,000 equity shares and 40,00,000 Preference Shares and issued and paid-up capital of Rs. 508.21 Lakhs.

4. DIVIDEND

The board has decided not to declare any dividend for the financial year 2019 - 20.

5. COMPLIANCE WITH NBFC REGULATIONS

The Company has complied with all the applicable rules, regulations & guidelines as prescribed by the Reserve Bank of India from time to time and as are applicable to Non-deposit accepting, Systematically Important NBFC's.

6. CAPITAL ADEQUACY RATIO

The Capital Adequacy Ratio (CAR) of the Company stood at 25.06% as at 31st March 2020 [Previous Year 21.02%] which is well above the minimum prescribed limit of 15% prescribed by the Reserve Bank of India.

7. RESERVES AND PROVISION

As per section 45IC of RBI Act, 1934 the Company has transferred Rs.90,65,170 in reserve fund i.e. aggregating of 20% of its Net Profit.

TRANSFER TO INVESTOR EDUCATION AND PROTECTION FUND

The Company is not required to transfer the unclaimed funds to Investor Education and Protection Fund.


8. DEPOSITS

The Company is registered as a "Non-Deposit Taking NBFC" with the Reserve Bank of India, hence your Company has neither invited nor accepted any deposits from public within the meaning of Section 73 of the Companies Act, 2013 read with Companies (Acceptance of Deposits) Rules, 2014 during the period under review.

9. DEBENTURES AND COMMERCIAL PAPERS

During the financial year under review 2019-20, your Company has/has not raised any money through debentures and commercial papers.

Outstanding borrowings at any time were within the respective limits set by the Board and shareholders from time to time

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Further, during Financial Year 2019-20, the Company has redeemed below NCDs

ISIN	Date (Maturity)	Amount (INR Cr.)
INE471Q07042	15 May 2019	15.53
INE471Q07075	27 September 2019	3.75
INE471Q07059	7 November 2019	20.1
INE471Q07067	24 February 2020	17

The aggregate outstanding as on March 31, 2020 was Rs. 89.7 cr in form of privately placed secured Subordinated Non-Convertible Debentures and no commercial papers were outstanding as on March 31, 2020. The break up for the outstanding NCDs program as on March 31, 2020 is given below:

ISIN	Amount (INR Cr.)
INE471Q07083	25.7
INE471Q07091	6.4
INE471Q07109	32
INE471Q07117	25.6

DEBENTURE TRUSTEES

The details of the Debenture Trustee are available on the website of the Company at the link: www.isfc.in

The Company is in compliance with all the disclosure requirements prescribed for listed companies under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as applicable to Non-Convertible Debt Securities.

10. ISFC EMPLOYEES STOCK OPTION SCHEME

During the year no fresh ESOP Scheme were approved by the Board or shareholders. Below are the details from the ESOP scheme 2013.

- Options Granted: 1,673,893 were granted under ESOP Scheme 2013
- options vested as on 31st March, 2020: 5,44,000
- options exercised during the year 20,000
- the total number of shares arising as a result of exercise of option; 20,000
- options lapsed during the year: 19500
- the exercise price (for shares issued during the year) : 19 per share
- variation of terms of options; No
- money realized by exercise of options during the year: Rs. 3,80,000
- total number of options in force; 544000
- employee wise details of options granted to; -
 - key managerial personnel; During the year no options were granted to KMPs.
 - any other employee who receives a grant of options in any one year of option amounting to five percent or more of options granted during that year.: During the year no options were granted.
 - identified employees who were granted option, during any one year, equal to or exceeding one percent of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant; During the year no options were granted.

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11. CREDIT RATINGS

The Company's credit ratings by various agencies at March 31, 2020 are given below:

Type of Borrowing	Rating Agency	Amount (Rs. Crore)	Rating
NCD	ICRA Ltd.	89.7	BBB-
Bank Loan ratings	ICRA Ltd.	40	BBB-

12. CHANGE IN THE NATURE OF BUSINESS, IF ANY:

There is no change in the nature of the business of the company.

13. MATERIAL CHANGES AND COMMITMENTS, IF ANY, AFFECTING THE FINANCIAL POSITION OF THE COMPANY WHICH HAVE OCCURRED BETWEEN THE END OF THE FINANCIAL YEAR OF THE COMPANY TO WHICH THE FINANCIAL STATEMENTS RELATE AND THE DATE OF THE REPORT

Post March 31, 2020, the Company has raised additional equity of 5 million dollar from Gray Matters Capital Inc. in the month of May, 2020. On 11 June, 2020, the Company allotted 31,85,106 Compulsory Convertible Preference Shares with face value of Rs. 10/- each at a premium 107.50 to Gray Matters Capital Inc. pursuant to private placement.

14. SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNALS IMPACTING THE GOING CONCERN STATUS AND COMPANY'S OPERATIONS IN FUTURE:

During the year under review there has been no such significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and company's operations in future.

15. DETAILS OF SUBSIDIARY/JOINT VENTURES/ASSOCIATE COMPANIES

Company does not have any subsidiary/Joint venture/Associate Company.

16. VIGIL MECHANISM / WHISTLE BLOWER POLICY:

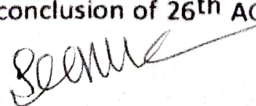

The Company has a vigil mechanism named Whistle Blower Policy to deal with instance of unethical practices, fraud and mismanagement, actual or suspected fraud or violation of the Company's code of conduct or ethics policy and any leak/suspected leak of Unpublished Price Sensitive Information or gross misconduct by the employees of the Company, if any, that can lead to financial loss or reputational risk to the organization. The detail of the Whistle Blower Policy has been posted on the website of the Company & can be accessed through the link www.isfc.in

During the year under review, no complaint pertaining to the Company was received under the Whistle Blower mechanism.

17. STATUTORY AUDITORS

In the Annual General Meeting of the Company held on 23 September, 2015 Shareholders of the company by passing an ordinary resolution had appointed M/s M/s S R Botliboi and LLP, Chartered Accountants (Firm Registration No.: No101049W/E300004) as the Statutory Auditors of the Company to hold office for a period of five consecutive years commencing from the financial year 2015-16 i.e. from the conclusion of 21st Annual General Meeting until the conclusion of the 26th Annual General Meeting of the Company to be held in the year 2020, (subject to ratification by the Members at every Annual General Meeting).

The Board has recommended the re-appointment of M/s S R Botliboi and LLP (Firm Registration No. No101049W/E300004), Chartered Accountants, as Statutory auditors of the Company for a term of five consecutive years from the conclusion of 26th AGM of the Company scheduled to be held in the year 2020 till

the conclusion of 31st AGM of the company to be held in year 2025, for approval of shareholders of the Company, based on the recommendation of the Audit Committee. The Company has received letter from M/s S R Botliboi and LLP to the effect that their appointment, if made, would be within the prescribed limits of the Section 143(1)(g) of the Companies Act, 2013 ("Act") and that they are not disqualified from being re-appointed as Statutory Auditors of the Company.

The Company has received the eligibility certificate from them they are eligible to be appointed as auditor of the Company under Section 143 of the Companies Act, 2013

18. AUDITORS' REPORT

The observations of the M/s S R Batliboi and LLP (Firm Registration No. No101049W/E300004), Statutory Auditors in the Auditors' Report together with the relevant notes to Accounts in Schedules are self - explanatory and without any qualification, reservation or adverse remark and therefore, in the opinion of the Directors, do not call for any further explanation.

DETAILS OF FRAUD REPORTABLE BY AUDITOR TO AUDIT COMMITTEE OR BOARD

The Statutory Auditor of the Company has not disclosed any amount of fraud lesser to the amount of fraud which is reportable to the Central Government under Section 143 (12) of the Act either to the Audit Committee or the Board. Hence, the provision related to disclosure of fraud under section 134(3) (ca) are not applicable to the Company and hence not reported any fraud in this report.

19. THE DETAILS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO ARE AS FOLLOWS:

A) Conservation of energy:

The Company is in the business of extending loans to its customers and does not employ any heavy energy consumption equipment for the purpose. Further, the company promotes usage of latest technology and low energy consumption products in its offices.

B) Technology absorption:

The company uses modern technology solutions like Emails, Cloud Sharing, Loan Management software for its internal communication and process management. All endeavors are made to adopt paperless methods and eco-friendly technology solutions for enhanced productivity and cost efficiencies.

C) Foreign exchange earnings and Outgo:

Foreign Exchange earned and spent by the company during the year under review as given hereunder:

(Amount in Rupees)

Party Name	Foreign Currency Inflow	Foreign Currency Outgo
Interest payment on CCDs to Blayfort Limited	-	1,52,25,456
Net Inflow/Outgo		1,52,25,456

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20. DIRECTORS AND KEY MANAGERIAL PERSONNEL:

As on March 31, 2020, the Company has 4 Directors. Of the 4 Directors, 1 is executive and 3 are non-executive Directors. As on March 31, 2020, the Company has two Independent Directors. The composition of the Board is in conformity with the Act. Composition of Board of Directors as on March 31, 2020 is as follows:

Name	Designation
Neeraj Sharma	Managing Director and CEO
Amit Ratanpal	Non-Executive Director, Nominee GGV
Rakesh Rewari	Independent Director
Vibha Batra	Independent Director

Key Managerial Personnel: In terms of Section 203 of the Act, following are the KMPs of the Company as on March 31, 2020:

Mr. Neeraj Sharma	Managing Director and Chief Executive Officer
Mr. Ankur Aggarwal	Chief Financial and Operating Officer
Ms. Priya Goel	Company Secretary

Changes in Directors and Key Managerial Personnel during FY 2019-20

Particulars	Appointment	Resignation
Amit Ratanpal	14 May, 2019	
Vibha Batra	14 May, 2019	-
Robert Alexander Pattillo	-	23 May, 2019
Ragini Bajaj	-	05 Feb, 2020

Changes among Directors and KMP since end of financial year to which financial statements belong and date of this Report are as follows:

- Ms. Vibha Batra resigned as Independent Director from the Board w.e.f. 02 April, 2020.
- Mr Raunak Singhvi was appointed as Whole Time Director of the Company w.e.f. 03 April, 2020.
- Mr Neeraj Sharma resigned as Managing Director and CEO from the Board w.e.f. 15 May, 2020.
- Mr Ankur Aggarwal resigned as Chief Financial and Operating Officer w.e.f. 15 May, 2020.
- Mr Sandeep Wirkhare was appointed as Independent Director of the Company w.e.f. 11 May, 2020.
- Mr Sandeep Wirkhare was redesignated as Managing Director and CEO of the Company w.e.f. 12 August, 2020.
- Mr Raunak Singhvi resigned from the Board of the Company w.e.f. 16 September, 2020.
- Ms. Erika Norwood appointed as Additional Director as Nominee of Gray Matters Captial AIF. w.e.f. 16 September, 2020.
- Mr. Amit Ratanpal resigned from the Board of the Company w.e.f 19 Nov, 2020

I. Declaration by Independent Directors

All the independent directors have given declaration regarding their compliance of conditions of sub-section 6 of Section 149 of the Act in the first board meeting of the FY 2019-20 as per the provisions of sub-section 7 of Section 149 of the said Act. No independent director has been reappointed for second term on passing of a special resolution by the Company.

II. Company's policy on directors' appointment and remuneration including criteria for determining qualifications, positive attributes, independence of a director and other matters provided under subsection (3) of section 178;

Section 178 is not applicable to Company.

21. DIRECTORS' RESPONSIBILITY STATEMENT

To the best of their knowledge and belief and according to the information and explanations obtained by them, your Directors make the following statements in terms of Section 134(3) (c) of the Act:

- (a) that in preparation of the annual financial statements for the year ended March 31, 2020, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- (b) that appropriate accounting policies have been selected and applied consistently and judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year ended March 31, 2020;
- (c) that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Act, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (d) that the annual accounts have been prepared on a going concern basis; and
- (e) the Company has an established internal financial control framework including internal controls over financial reporting, operating controls and for the prevention and detection of frauds and errors. The framework is reviewed periodically by Management and tested by the internal audit team appointed by the Management to conduct the internal audit. Based on the periodical testing, the framework is strengthened from time to time to ensure the adequacy and effectiveness of internal financial controls;
- (f) that systems to ensure compliance with the provisions of all applicable laws were in place and that such systems were adequate and operating effectively.

22. NUMBER OF MEETINGS OF THE BOARD OF DIRECTORS

The Board meets at regular intervals to discuss and decide on Company / business policy and strategy apart from other Board business.

The notice of Board meetings is given well in advance to all the Directors. The Agenda for the Board and Committee meetings includes detailed notes on the items to be discussed at the meeting to enable the Directors to take an informed decision.

The Board met six times during the financial year 2019-20 viz.:

- 25th May, 2019
- 18 July, 2019
- 06 August, 2019
- 30 September, 2019
- 11 December, 2019
- 31 March, 2020

The maximum interval between any two meetings did not exceed 120 days.

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Details of attendance of Directors at Board Meetings and at last Annual General Meeting held in FY 2019-20 are given below:

Name	Category	Number of Board Meetings held during his/her tenure	Attendance	
			Number of Board Meetings Attended	Last AGM 30 August, 2019
Mr. Neeraj Sharma	Executive	6	6	No
Mr Rakesh Rewari	Independent	6	6	No
Ms. Ragini Chaudhar	Nominee, Non- Executive	5	-	No
Mr Amit Ratanpal	Nominee, Non-Executive	6	5	Yes
Ms. Vibha Batra	Independent	6	4	No

23. Board Committees

Audit Committee

Composition of Audit Committee as on March 31, 2020 was as follows:

- Amit Ratanpal
- Vibha Batra
- Rakesh Rewari

The Audit Committee met two times during the financial year 2019-20 viz.:

- 25th May, 2019
- 11th December, 2019

Details of attendance of Directors at Audit Committee meeting held in FY 2019-20 are given below:

Name	Category/Position	Number of Audit Committee meetings held during his/her tenure	Attendance
Mr. Neeraj Sharma	Executive	2	2
Mr Rakesh Rewari	Independent	2	2
Ms. Ragini Chaudhary	Nominee, Non- Executive	2	1
Mr Amit Ratanpal	Nominee, Non-Executive	2	2
Ms. Vibha Batra	Independent	2	2

Risk Management Committee:

Composition of Risk Management Committee as on March 31, 2020 was as follows:

- Neeraj Sharma
- Rakesh Rewari
- Vibha Batra

Risk Management Committee meeting of the Company was held on 30th March, 2020.



Details of attendance of Directors at Risk Management Committee meeting held in FY 2019-20 are given below:

Name	Category	Number of Risk Management Committee meetings held during his/her tenure	Attendance
Neeraj Sharma	Managing Director and CEO	1	1
Rakesh Rewari	Independent Director	1	1
Vibha Batra	Independent Director	1	1

Nomination and Remuneration Committee

Composition of Nomination Committee as on March 31, 2020 was as follows:

- Amit Ratanpal
- Vibha Batra
- Rakesh Rewari

There was no committee meeting for Nomination and Remuneration in FY 2019-20.

Corporate and Social Responsibility Committee

Composition of Corporate Social Responsibility Committee as on March 31, 2020 was as follows:

- Neeraj Sharma
- Ragini Chaudhary
- Rakesh Rewari

There was no committee meeting for Corporate Social Responsibility in FY 2019-20.

24. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS UNDER SECTION 186

The Company, being an NBFC, is exempted from the provisions of Section 186 [except sub-section (1)] of the Act. Accordingly, details of particulars of loans, guarantees or investments as required to be provided as per Section 134(3)(g) of the Act are not provided.

25. PARTICULARS OF EMPLOYEES

The information as required in accordance with Section 197 of the Act read with Rule 5 of The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 read with the Companies (Appointment and Remuneration of Managerial Personnel) Amendment Rules, 2016, as applicable, is appended herewith as **Annexure – A** and forms an integral part of this Report.

26. PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES:

All related party transactions that were entered into during the financial year were on an arm's length basis and were in the ordinary course of business. There are no materially significant related party transactions entered by the Company with related parties which may have a potential conflict with the interest of the Company.

All Related Party Transactions are placed before the Audit Committee for approval as per the Related Party Transactions Policy of the Company as approved by the Board. The policy is also uploaded on the website of the Company & can be accessed through the link www.isfc.in

Since all related party transactions that were entered into during the financial year were on an arm's length basis and were in the ordinary course of business and there was no material related party transaction entered by the Company during the year as per Related Party Transactions Policy, no details are required to be provided in Form AOC-2 prescribed under clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014.

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The details of the transactions with related parties are provided in the notes to accompanying standalone financial statements.

27. BUSINESS RISK MANAGEMENT:

Business risk evaluation and management is an ongoing process within the Company covering the entire gamut of business operations and the Board was informed of the same.

In view of the activities of the company the board has opinion that the company has two major inherent risks which may threaten the existence of the company are "default in payment of loans by the customers" and "liquidity risk". However, the company has followed the principal of assessing the risk and accordingly managing the business.

28. CORPORATE SOCIAL RESPONSIBILITY (CSR)

In compliance with Section 135 of the Act read with the Companies (Corporate Social Responsibility Policy) Rules, 2014, the Company has established a Corporate Social Responsibility ("CSR") Committee. The CSR Committee has formulated and recommended to the Board, a CSR Policy indicating the activities to be undertaken by the Company, which has been approved by the Board.

The complete Policy of the company is placed at its website: www.isfc.in and Annual Report on CSR in the format prescribed in Companies (Corporate Social Responsibility Policy) Rules, 2014 is attached as "Annexure B".

29. EXTRACT OF THE ANNUAL RETURN

Pursuant to section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014, the details forming part of the extract of the Annual Return in form MGT-9 is annexed herewith as "Annexure C".

30. SECRETARIAL AUDIT REPORT

The Board had appointed M/s Vinita Rani, Practicing Company Secretaries, Delhi as Secretarial Auditor pursuant to the provisions of Section 204 of the Act. The Report of the Secretarial Auditor is annexed to the Report as per Annexure 'D'. Secretarial Audit Report is without any qualification, reservation or adverse remark and self-explanatory and therefore, in opinion of the Board, does not call for any response.

31. DISCLOSURE UNDER SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013

Internal Complaints Committee (ICC) has been set up to redress complaints received regarding sexual harassment. There were no complaints received from any employee during the financial year 2019- 2020 and hence no complaint is outstanding as on 31.03.2020 for redressal.

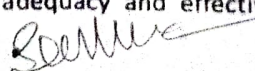

32. CORPORATE GOVERNANCE

Your Company has been practicing the principle of good Corporate Governance, which is a continuous and ongoing process.

33. INTERNAL FINANCIAL CONTROLS:

The Company has proper and adequate system of internal control geared towards achieving efficiency in its operations, safeguarding assets, optimum utilization of resources and compliance with statutory regulations. Your company has instituted various preventive or control measures in the loan process to mitigate the risk of extending loans to nonexistent borrowers or fictitious borrowers.

The Company has continued its efforts to align its processes and controls with best practices and has put in place a process wise internal control framework across the Company. The Internal Auditors of the company conduct audits of various departments based on an annual audit plan covering key area of operations. Internal Audit reviews and evaluates the adequacy and effectiveness of internal controls, ensuring adherence to

operating guidelines and systems and recommending improvements for strengthening them. There was no material event recorded subsequent to the date of financial statements.

34. COMPLIANCE WITH SECRETARIAL STANDARDS

The Board of Directors affirm that the Company has complied with the applicable Secretarial Standards issued by the Institute of Company Secretaries of India (SS1 and SS2) respectively relating to Meetings of the Board, its Committees and the General Meetings.

35. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Management's Discussion and Analysis Report for the year under review as stipulated under the Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 is presented in a separate section under Annexure - E and forms an integral part of this Report.

36. The COVID -19 Pandemic and its impact on the Company

On March 11, 2020, the World Health Organization declared the novel coronavirus (COVID-19) as a pandemic. This pandemic disrupted the social, economic and financial structures of the entire world. The Government of India (GOI) declared a national lockdown in India with effect from March 25, 2020 restricting the movement of the entire population of the country as a preventive measure against the spread of COVID-19 during which only defined essential services were operating with limited capacity. Government has taken several proactive preventives and mitigating measures including restrictions on travel, issuing advisories for the members of the public, setting up quarantine facilities and various social distancing measures. The lockdown is being lifted in a phased manner. However, there remains an uncertainty regarding the time required for life and business operations to normalize and determine the impact of COVID-19 on the economy and business operations which is dependent upon the various factors such as duration of the pandemic, regulatory announcements / guidelines and the responses of various businesses and consumers across industries. The extent to which the COVID-19 pandemic may impact the Company's business and financial results including the expected credit loss on financial assets is dependent on future developments.

Given the macro-economic challenges and adopting a forward-looking approach, a COVID-19 Stress Testing exercise of the Company's assets and liabilities was conducted for March 2020 and various scenarios were studied to forecast the March 2021 stock summary and incremental provisioning/ECL impact applicable thereto.

With the onset of the pandemic various relief measures were announced by the Government and the Central Bank. One such measure was the grant of **moratorium on instalment repayments** for the months of March, April and May in phase I and June, July and August in phase II. ISFC has offered moratorium to its customers on suo-moto basis.

The Company immediately took steps to manage this *force majeure* situation, some of which have been: has taken various steps to ensure safety and health of its employees and borrowers which include the following:

- a) In view of the lockdown declared by various States and Union Territories across the Country, the operations in various locations being served by the Company were required to remain closed in adherence to the directives issued in this regard. The Company activated its Business Continuity Plan for critical processes with critical response team put in place to ensure employee health & safety and continuity of business operations including customer service.
- b) The Company adopted 'Work from Home' in offices across India, thereby leveraging the digital productivity tools.
- c) In order to stay in touch with the borrowers and keep them updated about developments, Company used digital communication tools such as emails, SMS, tele-calls, posting it on our website etc.

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- attending the office.
- e) From May 13, 2020; in accordance with the relaxations announced by various States and Union Territories, Company has started opening offices in gradual manner, keeping the safety of its employees and esteemed customers in mind. Through rostering, Company is ensuring that office strength does not go beyond the stipulations of the local administrative guidelines.
 - f) The Company shall continue to monitor government directives and act accordingly.
 - g) 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, the Company has provided a moratorium on payment of installments to eligible borrowers as permitted by the Reserve Bank of India norms which has affected its liquidity.

Based on the information available, the Company has used the principles of prudence in applying judgement, estimates and scenarios to assess and provide for the impact of pandemic on the financial statements specifically while assessing the expected credit loss on financial assets. While the basic methodology for determining Expected Credit Losses (ECL) / Impairment loss allowance remains unchanged, the Company has additionally considered factors specific to the impact of the COVID-19 pandemic and the associated support packages in the measurement of ECL / impairment loss allowance. The subsequent actual results may differ from these estimates. The Company has also evaluated the recoverability and carrying value of its non – financial assets including property plant and equipment, right of use assets and other assets as March 31, 2020. Based on its review, consideration of internal and external information up to the date of approval of these financial results, current indicators of future economic conditions relevant to the Company's operations and other market factors and information, no further adjustments are required to be made at this time.

The Company has recorded an expected credit loss provision of Rs. 175.83 Million as at 31 March 2020 in respect of its loans and advance. In accordance with the guidance from ICAI, extension of the moratorium to borrowers by the Company pursuant to the RBI guidelines relating to COVID 19 Regulatory Package dated March 27, 2020, April 17, 2020 and May 22, 2020 by itself is not considered to result in a significant increase in credit risk of a borrower, however the company will evaluate whether the borrowers to which moratorium is granted will remain regular, once the moratorium period gets over. The Company has recorded a macroeconomic Covid overlay of Rs.38.19 Million as part of its ECL (being 1% of stage 1 and stage 2 portfolio).

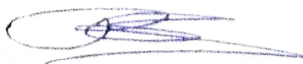
The situation is still evolving, and it is not possible to hazard a guess on how this pandemic will evolve. On its part, ISFC is focusing on capital preservation, Balance Sheet protection, conservative liquidity management, operating expenses management and strengthening collections.

37. ACKNOWLEDGEMENTS

Your Directors take this opportunity to thank Regulatory and Government Authorities, the Company's shareholders, investors, customers, bankers, and other stakeholders for their continued support to the company. Your Directors express their deep sense of appreciation towards all the employees and staff of the company and wish the management all the best for achieving greater heights in the future.

For Indian School Finance Company Private Limited


Sandeep Wirkhare
Managing Director & CEO
DIN: 02407395
Mumbai


Rakesh Rewari
Director
DIN: 00286853
Delhi

(A) Details pertaining to remuneration as required under section 197(12) of the Companies Act, 2013 read with rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

The information required under Section 197 of the Act read with rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are given below:

- i) The ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the financial year 2019-20: 21.96:1
- ii) percentage increase in remuneration of each Director, Chief Financial Officer and Company Secretary during the financial year 2019-20:

Executive Directors/KMP	% increase in remuneration in the financial year
Mr. Neeraj Sharma	-
Mr. Ankur Aggarwal, Chief Financial Officer	-
Ms. Priya Goel, Company Secretary	-

- iii) The percentage increase in the median remuneration of employees in the financial year 2019-20: NIL
- iv) The number of permanent employees on the rolls of company: 303 as on March'20
- v) The explanation on the relationship between average increase in remuneration and company performance: there was no increase in remuneration of the Employees.
- vi) average percentile increases already made in the salaries of employees other than the managerial personnel in the last financial year is 8% and percentile increase in the managerial remuneration is NIL
- vii) The company affirms that the remuneration paid is as per the remuneration policy of the company.

(B) Statement in pursuant to section 197(12) of companies Act, 2013 read with Rule 5(2) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 forming part of the Director's Report for the year ended March 31, 2020.

- A) Personnel who are in receipt of remuneration aggregating not less than Rs. 1,02,00,000 p.a. and employed throughout the financial year: NIL
- B) Personnel who are in receipt of remuneration aggregating not less than Rs. 8,50,000 per month and employed for part of the financial year: NIL

Sharma

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(C) the names of the top ten employees in terms of remuneration drawn:

Name	Age	Designation	Gross Remuneration (Rs.)	Qualification	Experience (years)	Date of Commencement of Employment	Last Employment
1. Neeraj Sharma	48	CEO & MD	95,55,827	CA	26 yrs	19-Sep-12	Fullerton
2. Ankur Aggarwal	42	Chief Financial Officer	59,66,461	MBA, IIT	18 yrs	02-Jan-13	Fullerton
3. Samir Mehra	43	Senior Vice President - Sales	46,12,682	PGDM	18yrs	10-Aug-09	Kotak Mahindra Bank (Ltd.)
4. Sundeep Munta	41	Deputy Vice President- Collections	21,96,064	B Sc	20yrs	12-Mar-09	Cholamandalam DBS
5. Bhasker Shetty	40	Deputy Vice President- Operations	21,25,278	MBA	16yrs	07-May-09	Karvy Computer share
6. Suman Kadyan	49	Deputy Vice President- Finance	18,73,133	CA	23yrs	01-Jun-18	Global Healthline Private Limited
7. D P Sukanya	37	Deputy Vice President- Operation	22,78,160	PGDM	16yrs	23-Mar-09	-
8. Nishi Sharma	39	Senior Vice President- Credit Head	16,05,210	CA	15yrs	30-Oct-19	Religare
9. Jayashree Shankar	52	Senior Vice President- Strategy	7,93,960	B Sc	35yrs	16-Jan-17	-
10. Rajesh Ramanathan	48	Vice President- Sales	7,98,752	B Com	30yrs	05-Jan-11	Capital Float Financials Services

For & On Behalf of Board of Directors,
For Indian School Finance Company Pvt. Ltd.



Sandeep Wirkhare
Managing Director & CEO
DIN: 02407395
Mumbai



Rakesh Rewari
Director
DIN: 00286853
Delhi

ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES

Annexure 1

A brief outline of the company's CSR Policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR Policy and projects or programs.

The company has its CSR Policy within broad scope laid down in Schedule VII to the Act, as projects/programmes/activities, excluding activities in its normal course of business. The policy is approved by the Board of Directors. The detailed policy is available at company's website www.isfc.in.

1. Composition of CSR Committee:

Mr. Rakesh Rewari, Independent Director as Chairman
 Ms. Ragini Chaudhary, Non-Independent Director as Member Mr Neeraj Sharma, Managing Director and CEO

2. Average Net Profit and Prescribed Expenditure:

The average net profit and prescribed CSR expenditure is as detailed below:

Particulars	(Rs./Lac)
Average net Profits for Last Three Years	1245.33
Prescribed CSR Expenditure	24.90

3. Details of CSR spent during the financial year.

- Total amount to be spent for the financial year: Rs. 24.90Lakhs
- Amount unspent, if any: Rs. 24.90Lakhs
- Manner in which the amount spent during the financial year is detailed below

S. No	CSR project or activity identified	Sector in which the project is covered	Projects or programme: (i) Local area or other (ii) Specific State or District where the project programmes was undertaken	Amount outlay (Budget) project or programme wise (Amount in Rs.)	Amount spent on project or programs: Sub head: 1. Direct expenditure on project or programme; 2. Overhead (Amount in Rs.)	Cumulative expenditure up to the date of reporting (Amount in Rs.)	Amount spent: Direct or through implementing agencies*
1	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Total							

In case the company has failed to spend the two per cent of the average net profit of the last three financial years or any part thereof, the company shall provide the reasons for not spending the amount in its Board report.

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Company did not make any CSR Expenditure during FY 2019-20 because the Company was not able to identify a suitable project in the focus areas of CSR mandate. The unspent amount has been carried forward for utilization in current year.

4. Responsibility Statement:

CSR Committee hereby confirms that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and CSR Policy of the Company.

For & On Behalf of Board of Directors,
For Indian School Finance Company Pvt. Ltd.



Sandeep Wirkhare
Managing Director & CEO
DIN: 02407395
Mumbai



Rakesh Rewari
Director
DIN: 00286853
Delhi

FORM NO. MGT 9

EXTRACT OF ANNUAL RETURNas on financial year ended on **31.03.2020**

Pursuant to Section 92 (3) of the Companies Act, 2013 and rule 12(1) of the Company (Management & Administration) Rules, 2014.

I REGISTRATION & OTHER DETAILS

i	CIN	U65921AP1994PTC065392
ii	Registration Date	09/05/1994
iii	Name of the Company	Indian School Finance Company Pvt. Ltd.
	Category/Sub-category of the Company	Other Credit Granting
v	Address of the Registered office & contact details	First Floor, 8-2-269/2/52, Plot No. 52, Sagar Society Road No. 2, Banjara Hills, Hyderabad- 500 034 Tel: 011-47572697 Email: priya.goel@isfc.in Harsha.joshi@isfc.in
vi	Whether listed company	Yes (Debentures of the Company are listed)
vii	Name, Address, contact details of the Registrar & Transfer Agent, If any.	Link Intime India Private Limited C-13, Pannalal Slik Mills Compounded, L.B.S Marg Bhandup(west), Mumbai, Maharashtra

II PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

The principal business activity of the Company includes carrying on the business of finance Company, money lending and securitization business etc.

SL. No.	Name & Description of main products/services	NIC Code of the product/Service	% to total turnover of the company
i)	Other Credit Granting	99711390	100%

III PARTICULARS OF HOLDING, SUBSIDIARY & ASSOCIATE COMPANIES

Company does not have any holding, Subsidiary and Associate Company




IV SHAREHOLDING PATTERN

i) Category wise shareholding

Sl. No.	Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% change during the year
		Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A.	Promoters & Promoter Group	0	0	0	0	0	0	0	0	0.00
	(1) Indian	0	0	0	0	0	0	0	0	0.00
	a) Individual/HUF	10	819893	819903	35.91%	10	819893	819903	35.91%	0%
	b) Central Govt or State Govt	0	0	0	0.00%	0	0	0	0.00%	0.00
	c) Bodies Corporates	0	0	0	0.00%	0	0	0	0.00%	0%
	d) Bank/FI	0	0	0	0.00%	0	0	0	0.00%	0.00
	e) Any other	0	0	0	0.00%	0	0	0	0.00%	0.00
	SUB TOTAL-(A) (1)	10	819893	819903	35.91%	10	819893	819903	35.91%	0%
	(2) Foreign	0	0	0	0.00%	0	0	0	0.00%	0.00
	a) NRI Individuals	0	0	0	0.00%	0	0	0	0.00%	0.00
	b) Other Individuals	0	0	0	0.00%	0	0	0	0.00%	0.00
	c) Bodies Corp.	0	0	0	0.00%	0	0	0	0.00%	0%
	d) Banks/ FI	0	0	0	0.00%	0	0	0	0.00%	0.00
	e) Any other	0	0	0	0.00%	0	0	0	0.00%	0.00
	SUB TOTAL (A) (2)	0	0	0	0.00%	0	0	0	0.00%	0%
	Total Shareholding of Promoter (A) = (A)(1)+(A)(2)	10	819893	819903	35.91%	10	819893	819903	35.91%	0%
B.	PUBLIC SHAREHOLDING	0	0	0	0.00%	0	0	0	0.00%	0.00
	(1) Institutions	0	0	0	0.00%	0	0	0	0.00%	0.00
	a) Mutual Funds	0	0	0	0.00%	0	0	0	0.00%	0.00
	b) Banks/ FI	0	0	0	0.00%	0	0	0	0.00%	0.00
	c) Central Govt.	0	0	0	0.00%	0	0	0	0.00%	0.00
	d) State Govt.	0	0	0	0.00%	0	0	0	0.00%	0.00
	e) Venture Capital Fund	0	0	0	0.00%	0	0	0	0.00%	0.00
	f) Insurance Companies	0	0	0	0.00%	0	0	0	0.00%	0.00
	g) PFI	0	0	0	0.00%	0	0	0	0.00%	0.00
	h) Foreign Venture Capital Funds	0	0	0	0.00%	0	0	0	0.00%	0.00
	i) Others (specify)	0	0	0	0.00%	0	0	0	0.00%	0.00
	SUB TOTAL (B)(1)	0	0	0	0.00%	0	0	0	0.00%	0.00
	(2) Non Institutions	0	0	0	0.00%	0	0	0	0.00%	0.00
	a) Bodies corporate	0	0	0	0.00%	0	0	0	0.00%	0.00
	i) Indian	548546	0	548546	24.03%	548546	0	548546	24.03%	0.00
	ii) Overseas	851050	0	851050	37.28%	851050	0	851050	37.28%	0.00
	b) Individuals	0	0	0	0.00%	0	0	0	0.00%	0.00
	i) Holding shares upto Rs 1 Lakh	7500	36000	43500	1.91%	57500	6000	63500	2.78%	
	ii) Holding shares above Rs. 1 Lakh	0	0	0	0.00%	0	0	0	0.00%	0.00
	c) Others (NRI & clearing)	0	0	0	0.00%	0	0	0	0.00%	0.00
	SUB TOTAL (B)(2)	1407096	36000	1443096	63.21%	0	0	0	0.00%	0.00
	Total Public Shareholding (B) = (B)(1)+(B)(2)	0	0	0	0.00%	0	0	0	0.00%	0.00
C.	Shares held by Custodian for GDRs & ADRs	0	0	0	0.00%	0	0	0	0.00%	0.00
	Grand Total (A+B+C)	1407106	856893	2262999	100.00%	1457106	826893	2282999	100.00%	0.00

ii) Shareholding of Promoters

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year		Shareholding at the end of the Year		% change in shareholding during the year
		No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company	
1	Neeraj Sharma	5,72,403	25.29%	5,72,403	25.07%	0.22%
2	Ankur Aggarwal	2,47,500	10.94%	2,47,500	10.84%	0.10%
	Total	8,19,903	36.23%	8,19,903	35.91%	0.32%

Note: Percentage of shareholding includes only equity shares and changes is due to exercise of ESOP by one employee

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iii) Change in Promoter's shareholding

S. No	Particulars	Shareholding at the beginning of the year		Cumulative shareholding during the year	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
1.	Neeraj Sharma				
	At the beginning of the year	5,72,403	25.29	5,72,403	25.29
	Date wise increase/ decrease	NIL	0.22%	NIL	-
	in shareholding during the year				
	At the end of the year	5,72,403	25.07	5,72,403	25.07
2.	Ankur Aggarwal				
	At the beginning of the year	2,47,500	10.94	2,47,500	10.94
	Date wise increase/ decrease	NIL	0.10	NIL	-
	In shareholding during the year				
	At the end of the year	2,47,500	10.84	2,47,500	10.84

There was no change in promoter's shareholding. However, shareholding has been decreased due to exercise of ESOP by the employees of the company during the period under review. ESOP were exercised by one Employee Mr. Tenzing Bhuta on 7 Nov, 2020.

iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters & Holders of GDRs & ADRs)

Shareholder's Name	No. of Shares	%
GGV School Financing Co. Ltd	851,040	37.28%
Caspian Impact Investment Adviser Pvt. Ltd	398,536	17.46%
ISFC Employee Welfare Trust	150,000	6.57%
Tarun Rummalla	30,000	1.31%
Tenzing Bhutia	20000	0.88%
Manjunath C	6,000	0.26%
C Pavan Kumar	5,000	0.22%
B Ramesh	2,500	0.11%
Blayfort Ltd	10	0.00%
Gray Matters Capital Alf	10	0.00%

Note: Above shareholding represents only equity shareholders.

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v) Shareholding of Directors and Key Managerial Personnel

S I N O	Shareholder's Name	Shareholding at the beginning of the year		Shareholding at the end of the year		% change in shareholding during the year
		No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company	
1	Neeraj Sharma	5,72,403	25.29%	5,72,403	25.07%	0.22%
2	Ankur Aggarwal	2,47,500	10.94%	2,47,500	10.84%	0.10%

V INDEBTEDNESS

Amount in Rs.

Indebtedness of the Company including interest outstanding/accrued but not due for payment				
Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebted
Indebtedness at the beginning of the financial year				
i) Principal Amount	4,63,57,93,202	22,14,30,958	-	4,85,72,24,159
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	4,71,32,692	22,12,658	-	4,93,45,349
Total (i+ii+iii)	4,68,29,25,893	22,36,43,616	-	4,90,65,69,509
Change in Indebtedness during the financial year				
Additions	-	-	-	-
Reduction	1,53,95,96,210	93,64,377	-	1,54,89,60,587
Net Change	1,53,95,96,210	93,64,377	-	-1,54,89,60,587
Indebtedness at the end of the financial year				
i) Principal Amount	3,09,61,96,992	21,20,66,581	-	3,30,82,63,572
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	3,10,21,748	21,99,259	-	3,32,21,008
Total (i+ii+iii)	3,12,72,18,740	21,42,65,840	-	3,34,14,84,580

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VI REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole time director and/or Manager:

Name of MD and CEO: Mr. Neeraj Sharma

S. No.	Particulars of Remuneration	
1	Gross salary	
(a)	Salary as per provisions contained in section 17(1) of the Income Tax, 1961.	9,358,612
(b)	Value of perquisites u/s 17(2) of the Income tax Act, 1961	-
(c)	Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961	-
2	Stock option (No. of Shares)	301,500
3	Sweat Equity	-
4	Commission as % of profit, others (specify)	-
5	Others, please specify	-
	Ceiling as per the Act	Not Applicable

B. Other payments to other directors

S. No	Particulars of Payments	Name of the Directors	Total Amount (Sitting Fees) for the period ending 31.03.20
1	Independent Directors	Vibha Batra	2,07,000/-
		Rakesh Rewari	2,73,000/-
2	Other Non Executive Directors	-	-
	Overall Ceiling as per the Act.		Rs. 1,00,000 per meeting

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C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER/WTD


Gross Salary	CFO	CS
(a) Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961.	5,840,824	709,248
(b) Value of perquisites u/s 17(2) of the Income Tax Act, 1961	-	-
(c) Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961	-	-
Stock Option (No. of Shares)	132,500	-
Sweat Equity	-	-
Commission as % of profit others, specify	-	-
Others, please specify	-	-

VII PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES
NIL

For & On Behalf of Board of Directors,
For Indian School Finance Company Pvt. Ltd.



Sandeep Wirkhare
Managing Director & CEO
DIN: 02407395
Mumbai



Rakesh Rewari
Director
DIN: 00286853
Delhi

A. Industry Structure & Development:

Non-banking financial companies (NBFCs) in India hold a significantly large portfolio. In the present economic system, NBFCs are playing a significant role in fuelling the growth of the small enterprises and providing accessible and affordable financial services, indirectly boosting the economy. NBFCs have become an integral part of the Indian financial system. India's NBFC sector continues to remain at the forefront in driving new credit disbursements for the country's underserved retail and MSME market and has been on an upward growth trajectory over the past few years.

Innovation in the Fintech space has rapidly changed the lending ecosystem in the past two years by leveraging data available from credit bureaus, asset reconstruction companies, Goods and service tax network, Central Registry of Securitisation Asset Reconstruction and Security Interest (CERSAI) and Ministry of Corporate Affairs' portal (MCA). With advancement of technology, the gap between fintech companies and financial institutions is slowly disappearing. Alternate lending includes marketplace platforms, Peer to peer (P2P) lending and digital lending platforms targeting specific needs of customers and MSME businesses that are underserved by financial institutions. Alternate lending also caters to specific market segments such as e-merchants and internet-enabled businesses. The alternate lending fintech model enables highly efficient customer onboarding and servicing within lighter regulatory environment. In contrast, most traditional financial institutions' operating model includes branch banking, stringent regulatory environment, collections and recovery of loan book. One of the major trends in the alternate lending business is API (Application Programming Interface) banking. API banking enables third-party providers to develop solutions that can be integrated easily with banking platforms. This integration helps in maintaining confidentiality and data security along with providing complete support to fintech firm in reinventing consumer services.

The NBFC pace of expansion was lower than in 2018-19 mainly due to rating downgrades and liquidity stress in a few large NBFCs in the aftermath of the IL&FS event. This slowdown was witnessed mainly in the NBFCs- ND-SI category, whereas, NBFCs-D broadly maintained their pace of growth. However, in 2019-20 (up to September) growth in balance-sheet size of NBFCs-ND-SI as well as NBFCs-D moderated due to a sharp deceleration in credit growth.

B. Industry Opportunities & Threats:

Opportunities:

The company constantly identifies the potential areas of growth that will enhance the market share and the brand prominence:

Process excellence:

1. Through its services, ISFC looks to convert its current transaction model into a relationship- building one, where the company's Relationship Managers would not only cater to the current product but also extend their support in acquiring and fulfilling other loan requirements that the school owners, students, or teachers may have. To turn this into a reality, the company has already initiated talks with various larger banks, NBFCs, and Fintechs as its potential partner to expedite the loan disbursement process and capture a larger market share.

2. With government-introduced policy interventions to strengthen the education system in India, ISFC is all set to open new avenues for learning through digital platforms by extending credit to Edtech players as well.
3. ISFC aims to connect 10,000 educational institutions by providing much needed financial products in the geographies that are underserved by large financial institutions in next 5 years there by influencing the quality of education to 5 million semi urban and rural families.


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4. Ministry of Finance has issued a notification dated February 24, 2020, stating therein that the registered non-banking financial companies (NBFCs') with assets worth INR 100 crore or more now qualify as 'financial institutions' under SARFAESI, and are entitled to enforce security under SARFAESI for secured debts of Rs. 50 lakhs and above. This has significantly widened the Company's scope to use SARFAESI for enforcement of security in relation to the secured debt.

Threats: The company on continuous basis assesses potential threats that can hamper the growth owing to evolving macroeconomic factors and consumer perceptions. The outlook for the coming year due to the impact of closure of schools on account of COVID is expected to be extremely demanding. In the current situation of Covid, lending business is facing the following daunting challenges of

- (i) Stretched Liquidity
- (ii) Reduction in credit capability of customers due to loss of jobs and closure of business for longer time
- (iii) Reduction in new opportunities to NBFCs due to Covid impact.
- (iv) Education sector has been hit very hard due to closure of schools for indefinite period and lower collection of fees.

C. Business and Industry Outlook:

Market segment and size

There are about 1.55 Mn schools in India – 0.33 Mn (21%) of which are unaided private schools. These unaided private schools enroll over 81 Mn students annually - which is 1/3rd of the total student enrolment. It is estimated that 80% of the unaided private schools are Affordable Private Schools i.e. schools having annual fees less than INR 25,000. Given the poor quality of the government schools, parents in India across income levels have a significance preference for private schools over government schools.

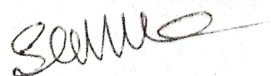
Education financing is a large business opportunity primarily driven by 260,000+ affordable private schools, which account for 80% of unaided private schools in the country enrolling 81 million students, as well as the increasing preference of private schools over public schools. The market is at a relatively early stage and there is no major competition as of now.

Since inception, our company has been funding schools and helping them to meet their growing infrastructural requirements. More particularly company funded affordable private schools, however the company has also been funding other education institutions such as Colleges, play schools, coaching centers and vocational colleges. All these products are very less in percentage terms to overall AUM, however the company believes that over a period we need to cover the overall spectrum of activities related to education.

Though funding to affordable private schools constitutes major portions of our AUM, catering to high end school still is a challenge in terms of meeting their rates expectations. For high end schools rate of interest on lending is the key issues as they are well fed by either banks or bigger NBFCs, though the company has started funding schools who are not affordable and are either in mid segment or in higher end segment, in our opinion in next one to two year we will be able to start lot of transaction in this category.

D. Risks and concerns

The Company is exposed to variety of risks such as credit risk, economy risk, interest rate risk, liquidity risk and cash management risk, among others. The Company has Enterprise Risk Management Framework which involves risk identification, risk assessment and risk mitigation planning for the Company. The Board of Directors has constituted a Risk Management Committee consisting majority of Directors. The terms of reference of the Risk Management Committee include periodical review of the risk management policy, risk management plan, implementing and monitoring of the risk management plan and mitigation of the key risks. The Risk owners are accountable to the Risk Committee for identification, assessment, aggregation, reporting and monitoring of the risk related to their respective areas/ functions.



4. Ministry of Finance has issued a notification dated February 24, 2020, stating therein that the registered non-banking financial companies (NBFCs') with assets worth INR 100 crore or more now qualify as 'financial institutions' under SARFAESI, and are entitled to enforce security under SARFAESI for secured debts of Rs. 50 lakhs and above. This has significantly widened the Company's scope to use SARFAESI for enforcement of security in relation to the secured debt.

Threats: The company on continuous basis assesses potential threats that can hamper the growth owing to evolving macroeconomic factors and consumer perceptions. The outlook for the coming year due to the impact of closure of schools on account of COVID is expected to be extremely demanding. In the current situation of Covid, lending business is facing the following daunting challenges of

- (i) Stretched Liquidity
- (ii) Reduction in credit capability of customers due to loss of jobs and closure of business for longer time
- (iii) Reduction in new opportunities to NBFCs due to Covid impact.
- (iv) Education sector has been hit very hard due to closure of schools for indefinite period and lower collection of fees.

C. **Business and Industry Outlook:**

Market segment and size

There are about 1.55 Mn schools in India – 0.33 Mn (21%) of which are unaided private schools. These unaided private schools enroll over 81 Mn students annually - which is 1/3rd of the total student enrolment. It is estimated that 80% of the unaided private schools are Affordable Private Schools i.e. schools having annual fees less than INR 25,000. Given the poor quality of the government schools, parents in India across income levels have a significance preference for private schools over government schools.

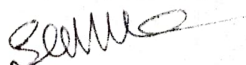
Education financing is a large business opportunity primarily driven by 260,000+ affordable private schools, which account for 80% of unaided private schools in the country enrolling 81 million students, as well as the increasing preference of private schools over public schools. The market is at a relatively early stage and there is no major competition as of now.

Since inception, our company has been funding schools and helping them to meet their growing infrastructural requirements. More particularly company funded affordable private schools, however the company has also been funding other education institutions such as Colleges, play schools, coaching centers and vocational colleges. All these products are very less in percentage terms to overall AUM, however the company believes that over a period we need to cover the overall spectrum of activities related to education.

Though funding to affordable private schools constitutes major portions of our AUM, catering to high end school still is a challenge in terms of meeting their rates expectations. For high end schools rate of interest on lending is the key issues as they are well fed by either banks or bigger NBFCs, though the company has started funding schools who are not affordable and are either in mid segment or in higher end segment, in our opinion in next one to two year we will be able to start lot of transaction in this category.

D. **Risks and concerns**

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Further, the COVID-19 pandemic has resulted in slow down of business which in return has impacted the cash flows of the businesses. The moratorium announced by the Government and Central bank in two phases – Phase 1 (01 March 2020 to 31 May 2020) and Phase 2 (01 June 2020 to 31 August 2020) provided an interim relief to the businesses for not paying the instalments, but in the longer run it will lead to increased NPAs across the industry.

The NBFC sector continued to grow its share in the financial services industry. Credit growth of scheduled commercial banks (SCBs) continued to moderate throughout FY2020. On 31 March 2019, growth in advances of SCBs was 13.2%. By 30 September 2019, this had reduced to 8.7% and on 27 March 2020, it was further down to 6.1%. SCBs also continued to face asset quality challenges in FY2020.

E. Internal Control Systems and their adequacy

The Company has proper and adequate system of internal control geared towards achieving efficiency in its operations, safeguarding assets, optimum utilization of resources and compliance with statutory regulations. Your company has instituted various preventive or control measured in the loan process to mitigate the risk of extending loans to nonexistent borrowers or fictitious borrowers.

The Company has continued its efforts to align its processes and controls with best practices and has put in place a process wise internal control framework across the Company. The Internal Auditors of the company conduct audits of various departments based on an annual audit plan covering key area of operations. Internal Audit reviews and evaluates the adequacy and effectiveness of internal controls, ensuring adherence to operating guidelines and systems and recommending improvements for strengthening them. There was no material event recorded subsequent to the date of financial statements.

F. Financial Performance & Operational Performance

(Rs. In lacs)

Particulars	Year ended 31.03.2020	Year ended 31.03.2019
Total Income	9,576.12	11,182.79
Financial Charges	5,153.92	5,805.08
Personnel and Other Expenses	2,140.74	2,537.78
Depreciation	166.91	84.91
Provisions & Write-Offs	1,491.50	1,081.82
Profit / (Loss) Before Tax	623.05	1,673.20
Less: Tax Expense	187.35	468.12
Profit/ (Loss) After Tax	435.69	1205.08
Other Comprehensive Income	17.49	8.90
Total Comprehensive Income for the year	453.18	1,213.98
Add Balance Brought forward from previous year	1,556.69	566.01
Transfer to Reserve Fund under section 45-IC of the RBI Act, 1934	90.65	223.43
Balance Carried to Balance Sheet	1,919.29	1,556.69
Paid up Capital	508.21	506.21

Seema

B

Company has its foot print in 15 states of India where approx. 90% of the country's population resides. During 2019-20 we disbursed 782 loans as compared to 2491 loans during 2018-19. Disbursement in FY 19-20 has declined to Rs. 18.5 Crore as compared with Rs. 229 Crore in FY 18-19 due to longer-than-expected delay of the planned equity raise by ISFC and hence reduced financial flexibility. There is rundown of portfolio from Rs.562 Crore to Rs.389 Crore due to lower disbursement during FY 19-20.

G. Portfolio quality

Credit risk is the risk of loss that may occur from defaults by our Borrowers under our loan agreements. In order to address credit risk, the company has stringent credit assessment policies for client selection. Measures such as verifying client details, online documentation and the usage of credit bureau data to get information on past credit behavior also supplement the efforts for containing credit risk.

We also follow a systematic methodology in the opening of new branches, which takes into account factors such as the demand for credit in the area; income and market potential; and socio-economic and law and order risks in the proposed area. Further, our client due diligence procedures encompass various layers of checks, designed to assess the quality of the proposed group and to confirm that they meet our criteria.

Delinquencies in the portfolio has increased due to stressed credit environment in the market since September 2018 owing to IL&FS event. GNPA percentage had increased due to rundown of portfolio owing to huge reduction in disbursement. Gross NPA as on 31st March-20 was 10.24%, as compared to GNPA of 3.77% for FY 18-19. At static pool GNPA ratio is 6.98% as compared to 2.98% for FY 18-19. It clearly shows that due to lower disbursement, GNPA ratio has gone up during FY 19-20.

H. Liquidity, borrowing cost and capital adequacy:

Liquidity for the company is comfortable and we are receiving good support from our lenders. During FY 2019-20, the Company raised approx. Rs. 40 Crores from various lenders compared to Rs. 183 Crores during last FY 2018-19. The average cost of borrowing in FY 19-20 has remained within the same range of 12.00% to 13.00% compared to FY 18-19. Capital adequacy of the company is at a comfortable level of 25.06%.

Cautionary Statement:

Statements in the management discussion and analysis describing the company's objectives, expectations or predictions may be forward looking within the meaning of applicable securities, laws and regulations. Important factors that could influence the company's operations include change in government regulations, tax, laws, economic & political developments within and outside the country and such other factors.

