TOYOTA
FINANCIAL SERVICES

TENTH ANNUAL REPORT
2020-21

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CORPORATE INFORMATION
CIN: U74900KA2011FLC058752

REGISTERED OFFICE ADDRESS:
Toyota Financial Services India Limited
No. 21, 1st Floor, 5th Cross, Centropolis
Langford Road, Shanthi Nagar
Bangalore - 560025

STATUTORY AUDITORS:

BSR & Associates LLP
Chartered Accountants
Maruthi Info-Tech Centre
11/12-1, B-Block, 2nd Floor,
Inner Ring Road, Koramangala,
Bangalore – 560071

SECRETARIAL AUDITORS:

V. Sreedharan and Associates
Practicing Company Secretaries
No. 32/33, 1st and 2nd Floor, GNR
Complex, 8th Cross, Wilson Garden,
Bengaluru – 560 027

INTERNAL AUDITORS:

Mr. A P Alagarsamy
Internal Auditor (In house)

DEBENTURE TRUSTEE:

Vistra ITCL (India) Ltd.
IL & FS Financial Centre,
Plot No C – 22, G Block Bandra
Kurla Complex,
Bandra (East) Mumbai – 400 051

CHIEF FINANCIAL OFFICER

Mr. Anupam Vasdani

COMPANY SECRETARY & COMPLIANCE OFFICER:

Mr. Nithya Prabhu R.

DIRECTORS REPORT

Dear Members,

Your Directors are pleased to present the performance and affairs of your Company for the financial year ended March 31, 2021.

Report on the Performance and Financial Position:

The summary of financial results of your Company for the financial year ended March 31, 2021 is hereunder:

(Amount in INR Millions)

Particulars	**Year ended March 31, 2021**	**Year ended March 31, 2020**
Total Income	6,900.62	7,349.50
Total Expenditure (excluding depreciation)	6,060.42	7,794.88
Profit / (Loss) Before Depreciation & Tax	840.20	(445.38)
Less: Depreciation	109.04	109.49
Profit / (Loss) before tax	731.16	(554.87)
Less: Tax Expense	209.68	(57.38)
Profit / (Loss) after tax	521.48	(497.49)
Other comprehensive income (net of tax)	1.69	(0.40)
Total comprehensive income after tax	523.17	(497.89)
Appropriations from profit after tax		
Transfer to Special Reserve under section 45-IC of RBI Act, 1934	104.30	-
Balance carried forward to Balance Sheet	418.87	(497.89)

Summary of financial and operational performance of your Company is reported in detail in the Management's Discussion and Analysis Report appended hereto as **Annexure - 1**.

Share Capital:

During the reporting period, there are no changes in Authorized share capital and Paid-up share capital of your Company. The present Authorized share capital and Paid-up capital is INR. 9,579,729,570 (Rupees Nine Billion Five Hundred Seventy-Nine Million Seven Hundred Twenty-Nine Thousand Five Hundred Seventy Only).

Amount carried to Reserves:

Statutory reserve represents the reserve fund created under Section 45-IC of the Reserve Bank of India Act, 1934. Under Section 45-IC, the Company is required to transfer sum not less than twenty percent of its net profits every year. The statutory reserve can be utilized for the purposes as specified by the Reserve Bank of India from time to time.

For FY 2020-21 INR 104.30 Million has been transferred from surplus of profits towards Statutory Reserve fund in terms of Section 45-IC of the Reserve Bank of India Act, 1934.

Dividends:

Your Board of Directors do not recommend any dividend this year in pursuit of expanding the business.

Transfer of Unclaimed Dividend to Investor Education and Protection Fund:

As there is no unpaid/unclaimed dividend, the Company was not required to transfer any amount to Investor Education and Protection Fund.

Material changes affecting the financial position:

There have been no material changes and commitments, affecting the financial position of the Company which have occurred during the financial year ended March 31, 2021 and as on the date of this report.

Change in nature of the Business (if any):

The Company has continued the business of vehicle financing and leasing during the reporting period and hence there was no change in the nature of the business carried out.

Change in Directors and Key Managerial Personnel:

During the year under review, the following changes took place in directors and key managerial personnel:

- Mr. Norimasa Ogawa resigned as Chief Financial Officer effective December 31, 2020
- Mr. Anupam Vasdani appointed as Chief Financial Officer effective February 23, 2021

Below is the list of Directors and Key Managerial Personnel as on March 31, 2021:

Name of the Directors & KMP	Designation
Mr. Narayanaswamy Raja	Managing Director
Mr. Manabu Ueno	Whole time Director
Mr. Hao Quoc Tien	Director
Mr. Masakazu Yoshimura	Director
Ms. Asha Sampath	Independent Director
Mr. Ashok Rao Baswa	Independent Director
Mr. Anupam Vasdani	Chief Financial Officer
Mr. Nithya Prabhu R	Company Secretary

The Board places on record its appreciation for the valuable service and guidance provided by Mr. Norimasa Ogawa during his tenure.

Mr. Hao Quoc Tien, retires by rotation and being eligible, offers himself for re-appointment. A resolution seeking shareholders' approval for his re-appointment will form part of the Notice.

During the year under review, the non-executive directors of the Company had no pecuniary relationship or transactions with the Company, other than sitting fees and reimbursement of expenses, if any, incurred by them for the purpose of attending meetings of the Board / Committee of the Company.

Pursuant to the provisions of Section 203 of the Companies Act 2013 ("the Act"), the Key Managerial Personnel of the Company as on March 31, 2021 are: Mr. Narayanaswamy Raja, Managing Director &

Chief Executive Officer, Mr. Anupam Vasdani, Chief Financial Officer and Mr. R Nithya Prabhu, Company Secretary.

Board and Committee Meetings held during the Financial Year:

Board Meetings	4 - June 25, 2020, September 24, 2020, November 12, 2020 and February 23, 2021
Audit Committee meetings	4 - June 25, 2020, September 24, 2020, November 12, 2020 and February 23, 2021
Nomination & Remuneration Committee Meetings	4 - June 25, 2020, September 24, 2020, November 12, 2020 and February 23, 2021
CSR Committee Meetings	3 - September 24, 2020, November 12, 2020 and February 23, 2021
IT Strategy Committee Meetings	4 - June 25, 2020, September 24, 2020, November 12, 2020 and February 23, 2021

All the Board and Committee Meetings were duly convened and held and also the minutes of the same has been properly recorded.

Details of Board and Committees:

The list of Directors on the Board and its Committees as on March 31, 2021 is as under:

Directors	**BOD**	**Audit Committee**	**Nomination & Remuneration Committee**	**Corporate Social Responsibility Committee**	**IT Strategy Committee***
Narayanaswamy Raja (MD & CEO)	M	×	×	M (Chairman)	M
Manabu Ueno (Whole time Director)	M	M	×	M	M
Masakazu Yoshimura (Non-executive Director)	M	x	M (Chairman)	×	×
Hao Quoc Tien (Non-executive Director)	M	×	×	×	×
Asha Sampath (Independent Director)	M	M (Chairman)	M	M	×
Ashok Rao Baswa (Independent Director)	M	M	M	×	M (Chairman)

*In addition to the Board members, the Committee has Chief Information Officer, Head of IT and Chief Financial Officer as its members.

Directors' Responsibility Statement as per Section 134(3)(C):

In compliance with Section 134(3)(c) of the Companies Act, 2013, your Directors confirm, and state as follows:

a. That in preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures.
b. That your Directors have selected such accounting policies and have applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair

view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the period under review.

c. That your Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
d. That the annual financial statements have been prepared on a going concern basis
e. that proper internal financial controls were in place and that the financial controls were adequate and were operating effectively
f. The director had devised proper systems to ensure compliance with the provisions of all applicable laws and that such system was adequate and operating effectively.

Details of Appointment of Women Director:

As per Section 149(1) of the Companies Act, 2013 your Company has Ms. Asha Sampath as independent director on the Board.

Details of appointment of Independent Director and Declaration given by Independent Director:

Ms. Asha Sampath and Mr. Ashok Rao Baswa have given the declaration under sub- section 3(d) of Section 134 read with Section 149(6) of the Companies Act, 2013. The declarations were placed before the Board and the same were taken on records. There has been no change in the circumstances affecting their status as independent directors of the Company.

Company's Policy on Director's Appointment and Remuneration:

In compliance with the provision of Section 178(3), the Company has a policy on Director's appointment, re-appointment and evaluation that provides the criteria to be followed for appointment of Director. The policy also provides for performance evaluation of every Director and of the Board as a whole. Some of the major criteria for appointment / continuing to hold appointment as a director on the Board under this policy are:

- Director must be 'Fit and Proper' for appointment as a Director on the Board of Toyota Financial Services India Limited.
- In order to conduct such due diligence to ascertain if the Director is 'Fit and Proper', the incumbent Directors must provide a declaration in the format specified by the Reserve Bank of India ('RBI') initially at the time of appointment and thereafter annually and also whenever there is a change in the information already provided by them in the previous declaration.
- The Nomination and Remuneration Committee may demand for any more information as it may deem necessary to conduct the due diligence.
- Director must have relevant qualification and/ or expertise and/ or track record in Finance/ Law/ Management/ Sales/ Marketing/ Administration/ Research/ Corporate Governance/ Technical Operations or the other disciplines related to Company's business.
- Director should possess highest personal and professional ethics, integrity and values.
- Director must be willing to devote sufficient time and energy in carrying out their duties and responsibilities.
- The appointed Directors must enter into a deed of covenant with the Company as per the format provided by RBI from time to time.

The policy provides additional criteria for appointment of Independent Directors to ensure an Independent Director should meet all criteria of independence specified in Section 149(7) of the Companies Act, 2013 and rules made thereunder.

Subsidiary Companies:

Your Company does not have any subsidiary companies.

Deposits:

Your Company being a Non-Deposit Accepting Non-Banking Financial Company (NBFC – ND), the provisions of Chapter V of the Companies Act, 2013 on disclosure of deposits taken are not applicable.

Particulars of Loans, Guarantees or Investments under Section 186 of the Companies Act, 2013:

Pursuant to Section 186(11)(a) of the Companies Act, 2013 (the 'Act') read with Rule 11(2) of the Companies (Meetings of Board and its Powers) Rules, 2014, the loan made, guarantee given or security provided in the ordinary course of business by a Non- Banking Financial Company (NBFC) registered with the Reserve Bank of India are exempt from the applicability of provisions of Section 186 of the Act. As such, the particulars of loans and guarantee have not been disclosed in this Report.

Related Party Transactions:

The particulars of contracts or arrangements with related parties referred to in Section 188 (1) of Act are provided in the Form AOC-2 under **Annexure -2** which forms part of this Report.

The Company continues to place all Related Party Transactions before the Audit Committee for approval as per the Policy on related party transaction approved by your Board of Directors. Details of all related party transactions are provided along with the financials of the reporting year. Also, the policy adopted on Related Party Transactions has been placed on the website of the Company.

There is no transaction or pecuniary relationship with the non-executive directors apart for that stated in Section V of **Annexure- 2** forming part of this Report.

Annual Return:

Pursuant to Section 92(3) and Section 134(3)(a), extract of the annual return as on March 31, 2021 in form MGT-9 is placed on its website web link is www.toyotafinance.co.in**.**

Particulars regarding Conservation of Energy, Technology Absorption

A) Conservation of energy and Technology absorption:

Since the Company is not in an energy intensive industry and doesn't own a facility, the particulars as prescribed under Rules 8 (3) of the Companies (Accounts) Rules, 2014 are not set out in the report. Nevertheless, the Company continues to take adequate steps to conserve energy.

The Company continues to evaluate new technologies and techniques to make the infrastructure more energy efficient.

B) Foreign Exchange Earnings and Outgo

Foreign Exchange Earnings (INR in Millions)	**Foreign Exchange Outgo (INR in Millions)**
NIL	240.46

Details of Risk Management Policy as per Section 134 (3) (n):

Risk Management is an integral part of the Company's business strategy. Risk Management is detailed in the Management Discussion and Analysis Report.

Corporate Social Responsibility:

The Company continues to have in place duly constituted Corporate Social Responsibly ('CSR') Committee as per the provisions of Section 135(1) of the Companies Act, 2013. The members of CSR Committee at present are Mr. Narayanaswamy Raja, Mr. Manabu Ueno and Ms. Asha Sampath. The Company has framed a CSR Policy in compliance with the guidelines of Companies Act, 2013.

An amount of Rs. 6,819,016 was budgeted towards CSR activities in terms of the legal requirement. The Company has spent Rs. 6,819,016/- against the activities reported here in **Annexure - 3**.

Performance Evaluation of the Board and its Committee:

In accordance with the policy for Directors Appointment, Re-Appointment and Evaluation adopted, the Board and Committees were evaluated during the reporting year as below:

Evaluation of Performance by Board of Directors	Evaluation by Nomination and Remuneration Committees	Evaluation by Independent Directors
Board as a whole	Individual directors	Non-independent directors
Committees of board of directors	-	Board as a whole
Individual directors	-	Executive Directors
Independent directors	-	-

- Independent directors' were evaluated based on criteria like participation in Board/ Committee meetings, managing relationships, knowledge and skill and personal attribution.
- Managing Director was evaluated based on the criteria like leadership, strategy formulation, strategy execution, financial planning/ performance, relationship with Board, human resource management / relations, external relationship, product knowledge and personal quality.
- Other Non- Independent Directors were evaluated based on the criteria like knowledgeability, diligence, participation and leadership.

Performance evaluation report of all the directors were taken on record by Board of Directors and Nomination and Remuneration Committee at their meetings held on February 23, 2021.

Details of Significant and Material Orders passed by the Regulators or Courts or Tribunals: (If Any)

There are no significant material orders passed by the Regulators / Courts that impact the going concern status of the Company and its future operations.

Disclosure under the Sexual Harassment of the Women at the Workplace (Prevention, Prohibition and Redressal) Act, 2013:

Your Company has in place Policy on Prevention of Workplace Harassment ('Policy') in line with the requirements of the Sexual Harassment of the Women at the Workplace (Prevention, Prohibition and Redressal) Act, 2013. Internal Complaints Committee has been set up to redress complaints received regarding sexual harassment. No cases of sexual harassment have been reported to nor investigated by the Internal Complaints Committee during the year under review.

Details of Vigil Mechanism:

Your Company has framed and implemented a Whistle Blower Policy and Anti Bribery Policy. Your Company continues to conduct regular workshops and training sessions to inform and educate the employees about these policies. During the year 2020-21 no incident was reported under these Policies.

Statutory Auditors:

M/s. BSR & Associates LLP, Chartered Accountants (Firm Registration No. 116231W/W-100024), continues to be Statutory Auditors of the Company.

Audit Observation:

The Auditors' Report is self-explanatory and has no qualification or adverse remarks.

Appointment of Secretarial Auditor and the Report:

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company has appointed M/s V Sreedharan and Associates, a firm of Company Secretaries in Practice to undertake the Secretarial Audit.

The Secretarial auditors have conducted the secretarial audit for the financial year 2020-21 and have provided their report in Form MR- 3, which is annexed to the report as **Annexure - 4**. There are no adverse remarks in the Secretarial Audit Report.

RBI Guidelines:

Your Company is registered with Reserve Bank of India (RBI), as a non-deposit accepting NBFC (NBFC-ND) under Section 45-IA of RBI Act, 1934. As per Non-Banking Finance Companies RBI Directions, 1998, the Directors hereby report that the Company did not accept any public deposits during the year and did not have any public deposits outstanding at the end of the year.

General Disclosures:

Your Directors state that no transaction of below mentioned items took place during the year under review:

- Issue of equity shares with differential rights as to dividend, voting or otherwise.
- Issue of sweat equity shares.
- Disclosures required under Section 67 of the Companies Act, 2013

Acknowledgement:

Your Directors place on record their sincere thanks to bankers, business associates, consultants, and various Government Authorities for their continued support extended to your Companies activities during the year under review. Your Directors also acknowledges gratefully the shareholders for the support and confidence reposed on the Company.

For **Toyota Financial Services India Limited**	For **Toyota Financial Services India Limited**
-Sd- **Narayanaswamy Raja** **Managing Director & CEO** **Date: May 27, 2021** **Place: Bangalore**	***-Sd-*** **Manabu Ueno** **Whole Time Director** **Date: May 27, 2021** **Place: Bangalore**

ANNEXURE- 1
MANAGEMENT'S DISCUSSION AND ANALYSIS

STATE OF COMPANY & RESULTS OF OPERATION:

The Company is a Non-Banking Finance Company (NBFC) regulated by the Reserve Bank of India. The Company is engaged in the business of providing finance for the purchase of cars to retail and corporate customers as well as providing Inventory finance & term loans to Toyota Dealers. The Company is also engaged in leasing business for vehicles.

In order to provide convenience of repayment to the customers, the Company offers a wide range of auto loan products such as Smart Finance, Flexi Finance, Easy Finance, Toyota Edge etc., along with Classic finance. The Company also supports dealers to sell more value-added products such as Toyota Genuine Accessories, First Year Insurance, Extended Warranty, and Multi-Year Insurance by bundling loan on these products along with car loan and offering customer convenience of purchase.

The Company's strong fundamentals driven by Strong Credit Infrastructure, Product variants and new segments, Used Car Financing, provides a strong platform for growth.

The Company financial products are offered by well-trained employees present at Toyota dealership, who assist customers to complete entire loan process faster and easier. The Company continues to invest in digitization initiatives and process automation to reduce the TAT in the credit apprise process. The Company believes that faster and easier process is a key factor of quality of customer services, which enables the Company to acquire and retain more customers successfully.

The Company is expanding its services with recent introduction of leasing solutions under the brand name Kinto. Also, continuous focus remains on enhancing the geographic coverage and its digital presence by developing Fintech solutions to deliver enhanced Toyota experience to broader base of customers. As of March 21, the Company is present at 183 outlets which accounts for around 80% of overall Toyota sales in India. The Company disbursed 16,670 contracts for Toyota new cars in FY'21, which is 24.7% of Toyota sales in the coverage area. As of March 2021, the Company maintains more than 95,000 live contracts in its new car auto loan portfolio. The Company also provides used car finance to customers through Toyota U Trust channel present at 91 dealer outlets.

The Company under its Lexus Financial Services division which was launched in March 2017 with the objective of offering best-in-class product and services to Lexus customers in India.

In FY 21 the Company has started a pilot program to offer retail finance loans to Maruti customers in India. Currently this program covers limited geography and future expansion will be decided based on the outcome and learnings from the initial experience.

The Company also offers Inventory funding and term loan to Toyota dealers for supporting their finance requirements. In addition to loan facilities to purchase new car, used car and spare parts, the Company also finances dealers for Dealership facility expansion.

The balance of loans and advances as of March 2021 was INR 68,210 million (previous year INR 68,771), decreased by 0.82 % from the previous year.

The revenue from operation, of which main streams are interest income and fee income, was 6,883 million vis-à-vis 7197 million in previous year, while finance cost was at 3,890 million vis-à-vis 4,575 million in previous year. Operational expenses (employee benefits, depreciation and amortization, and others) were at 2,279 million vis-à-vis 3,329 million in previous year.

Portfolio quality:

As of March 2021, the Company's gross NPA ratio vs. overall outstanding loan principal was 4.48% vis-à-vis 2.38% in previous year. After netting off with credit loss provisions, net NPA ratio was 1.93 % vis-à-vis 0.82% in previous year.

The Company regularly monitors repayment from delinquent customers and takes optimal approach to customers through call center or multiple field collection agencies tied up across India. It tries to enhance its collection capability by expanding collection reach and smoothing loan recovery process.

The Company has complied with the requirements of Indian Accounting Standards (Ind AS 109) - Financial Instruments, in making provision for impairment allowances on loan assets outstanding as per Expected Credit Loss (ECL) method. Any application guidance/clarifications/directions issued by the RBI are implemented as and when they are issued/ to the extent they are applicable. Due to COVID related risks and uncertainties the Company has provided additional provision in the form of management overlays.

Business Operations

The Company has been monitoring the COVID-19 situation very carefully both from Business Continuity as well as Employee Safety perspectives. The Company had tested its Business Continuity (BCP) and IT Disaster Recovery (DR) capabilities periodically to ensure smooth working of operations whenever required. These preparations helped the Company in the time of lockdown. Leveraging the technology capabilities, the Company was able to successfully invoke full BCP and facilitated Work from Home (WFH) for employees in alignment with the direction of government. Keeping in mind employee Health & Safety in mind, all employees are made aware of the guidelines and SOPs to follow in terms of personal hygiene, undertook travel restrictions, virtual meetings etc. as some of the initiatives.

Global Economic Outlook:

Calendar Year 2020 was dominated by COVID-19 pandemic and the associated economic contraction, resulting in a global recession. Almost all major countries have experienced second waves of infection – resulting in successive lockdowns and re-opening. However - driven by availability of multiple vaccines and adaptation to pandemic life – global economy looks to experience stronger-than-anticipated rebound, on average, across regions.

After an estimated contraction of (–3.3%) in 2020, the global economy is projected to grow at 6% in 2021, moderating to 4.4% in 2022, as per latest IMF estimates. However, as per IMF own submission, "much still depends on the race between the virus and vaccines". As per IMF forecasts, GDP growth of Advanced Economies for CY2021 is likely to by 5.1%, whereas Emerging Markets and Developing Economies are expected to see 6.7% GDP growth.

Financial authorities have generally responded to COVID-19 by using the flexibility of regulatory standards, supporting affected borrowers, promoting balance sheet transparency, and maintaining operational and business continuity of banks. These measures have helped to maintain the flow of credit and mitigated financial sector stress. . However, earlier-than-expected withdrawal of Monetary policy support by Central Banks globally, increase in global bond yields (in response to large fiscal support), or rising inflation expectation could trigger a sharp repricing of financial assets and outflows from Emerging Markets.

Indian Economy:

The start of FY21 was the Indian economy plunge into deep recession - India govt. imposed one of the most stringent lockdown measures. This resulted in widespread labor displacements, shutdown on factories & disrupted supply chains. However, as the stringent lockdowns normalized, the economic growth improved rapidly – driven by unlocking supply chains and pent-up demand. As the GDP growth returned to positive territory by Q3-FY21, expectation of a V-shaped economic recovery began to strengthen.

The Central government announced various fiscal measures of approx. INR 20 trillion to revive growth – including measures such as liquidity to MSME (Emergency Credit Line Guarantee Scheme) and NBFC sector, greater allocation to social schemes like MNREGA, boost to affordable housing & Production Linked Incentive (PLI) scheme for select manufacturing sectors. RBI also supported the economy through various Monetary and liquidity measures. Indian GDP is expected to overall contract by 7.5% - 8.0% for FY21.

Since the beginning of FY22, however, India is unfortunately facing a severe COVID-19 second wave, where daily confirmed cases are approximately 4X the peak of 2020. Infections are currently climbing faster in India than any other major country, accentuated by lack of preparedness in healthcare facilities, shortage of medicine / vaccine supplies and new variants of the virus.

However, unlike the previous lockdown, the government is responding to the latest outbreak with localized lockdowns, while avoiding nationwide lockdown. As per recent ICRA estimates, vaccination programme to achieve ~60% adult population coverage by Mar'22 – driven by capacity enhancement, drive for domestic vaccine production, as well as approvals for newer vaccines.

As per RBI statement in May'21, consumption demand is holding up, with sales of consumer goods rising. Multiple industries / service sector enterprises are better prepared to deal with lockdowns – having adopted to the "new normal". Unlike the first outbreak of COVID-19 last year domestic financial conditions remain easy on abundant and surplus system liquidity. RBI continued to support the banking and the NBFC sector throughout FY21 through various new monetary policy measures (TLTRO, GSAP, etc.) over and above conventional monetary policy tools such as OMOs and yield curve twists.

Auto Sector:

COVID-19 pandemic is expected to significantly slow down the automotive sector globally. It is projected by research firms and industry experts that global vehicle sales may decline by 10.2% in 2020 and production decline by 11.5% as a result of lockdown measures and supply chain disruption. Lower / deferment of discretionary spend by customers amid COVID-19 outbreak is expected to reduce auto sales.

India's total automobile sales fell year-on-year by 13.05 per cent to 41,289,28 units as the economy reeled under the impact of the Covid-19 pandemic, data from an industry association showed.

FY2020-21 was one of the worst years for the industry that reported sales in each segment touching multi-year lows. With sales of 2,711,457 units in the domestic market, the passenger vehicles touched a six-year low. Similarly, with a volume of 15,119,000 units, motorcycle and scooter sales in the domestic market, was pushed back to the FY15 volumes.

However, on a positive note, the automotive industry had been reporting healthy sequential recovery trends over H2- FY2021, post lockdown-related relaxations, driven mainly by pent-up demand and preference for personal mobility in consistency with social distancing norms. However, with the sudden and severe onset of the COVID 2nd wave, the industry has suffered a setback once again. Passenger Vehicles (PV) industry is likely to experience a growth of 17% - 20% (over the reduced based of FY21), as per industry expectations. Key factors likely to support the demand for PVs (once lockdowns normalize) includes continuing preference for personal mobility, adequate financing availability and expected increase in pace of vaccination. However, this growth is subject to key risk factors such as rising commodity & fuel prices leading to increased cost of ownership and spread of COVID-19 to semi-urban / rural areas during the current 2nd wave, leading to slowdown in rural demand.

Some of the recent initiatives taken by the Government of India are –

- In Union Budget 2021-22, the government introduced the voluntary vehicle scrappage policy, which is likely to boost demand for new vehicles after removing old unfit vehicles currently plying on the Indian roads.
- The Union Cabinet outlaid Rs. 57,042 crores (US$ 7.81 billion) for automobiles & auto components sector in production-linked incentive (PLI) scheme under the Department of Heavy Industries.
- The Government aims to develop India as a global manufacturing centre and a Research and Development (R&D) hub.
- Under NATRIP, the Government of India is planning to set up R&D centres at a total cost of US$ 388.5 million to enable the industry to be on par with global standards.
- The Ministry of Heavy Industries, Government of India has shortlisted 11 cities in the country for introduction of EVs in their public transport systems under the FAME (Faster Adoption and Manufacturing of (Hybrid) and Electric Vehicles in India) scheme. The Government will also set up incubation centre for start-ups working in the EVs space.

NBFC and Auto Finance Sector:

During FY21, NBFCs faced multiple challenges due to 6-months of loan moratorium, low collections and lack of business growth; however crucial steps taken by RBI to maintain continuous surplus banking system liquidity, unique funding schemes such as TLTRO, supporting debt capital markets fund-raising, etc, helped the NBFC sector to rise over the crisis period. High rated NBFCs were able to successfully tap the debt capital markets to reduce funding cost. Several other initiatives – embracing digitization, operating expenditure rationalization, strengthening risk underwriting & collections, equity capital raising, etc. also helped NBFCs sail through the crisis. For the NBFC sector, favourable cost of funds and lower operating costs upheld the earnings during FY 2021 even as entities were faced with slower growth, and as they built up their provisions and liquidity buffers.

As per ICRA estimates, NBFC sector is expected to grow by 7% - 9% in FY22, lower than past growth trends. However, the recent COVID second wave – if elongated – provides a downside risk to this estimate. Continued asset quality pressures in FY2022 along with slower growth is expected to keep the earnings performance weaker than pre-covid levels. However, learning from the experience of the initial COVID-wave, several NBFCs have adopted to digitization measures and more stringent liquidity / ALM framework (e.g. requirement of maintaining LCR) to be ready for further disruptions.

Collections:

Due to the current covid-19 situation across the country, there has been challenges in terms of managing delinquency and the collection related constrains are likely to result in higher credit cost.

The Company is adopting a multi-pronged approach for collections by using data analytics, automation and further strengthening the credit controls. Continuous monitoring of portfolios, increasing customer engagement, increased focus across various stages of debtors, ramping up of digital collections were some of the many initiatives undertaken by the Company for greater risk controls and better collection efficiency.

Borrowings:

In FY 20-21, the company rebalanced the borrowing mix to increase proportion of domestic Non-Convertible Debentures ("NCDs") as well as term loans from banks, in light of accommodative monetary policy and surplus banking liquidity maintained by RBI as a counter-measure for COVID-19 stress. Your Company continues to maintain strong relationship with various banks to mitigate liquidity risk. Your company has started to invest in High Quality Liquid Assets ("HQLA"), for the purpose of maintaining Liquidity Coverage Ratio ("LCR") as mandated by RBI for NBFCs. Your Company continues to maintain a conservative approach and foremost importance to liquidity risk management throughout FY20-21, your company has maintained cash / cash equivalents and HQLA, over and above unutilized bank lines to meet any potential liquidity shocks. Your Company has continued to enjoy a liquidity indicator of "Superior / Strong" from both CRISIL Limited and ICRA Limited, since SEBI mandated credit rating agencies to disclose liquidity indicators of rated Companies.

The Company's credit rating continues to remain at AAA (Stable) by both CRISIL Limited and ICRA Limited.

The Company's borrowing portfolio as of March 2021 consists of 28% by domestic Non-convertible Debentures, 31% by bank loans, 2% by INR External Commercial Borrowing (INR ECB Loan), 13% by INR Denominated Offshore Bonds ('Masala Bonds') and 26% by foreign currency denominated External Commercial Borrowing (FX ECB Loans) on a fully hedged basis. The company continues to maintain appropriate mix of long- and short-term borrowings for healthy asset liability position.

Risk Management:

There are various types of risks that the Company is exposed to. Some of them can be assessed to be Credit Risk, Market Risk, and Operational Risk etc. The Company is investing resources diligently into building a strong and efficient Enterprise Risk Management framework.

The Enterprise Risk Management framework which constitutes the Risk Appetite Statement of the Company, is based on a thorough function-wise assessment of risks through proper analysis. This forms the basis of reporting, escalation and actions to be taken to mitigate the risks that have been identified. It is monitored using defined Key Risk Indicators (KRI) and the KRIs breaching threshold undergo a thorough check by regular review, control and self-assessments.

Some of the key risks identified through the Risk Appetite Statement are:

Credit Risk of a customer is primarily associated with the delinquency of the customer which in turn, depends upon Economic factors. Resale of security asset of a customer further depends upon the Used Car market scenario. To identify and mitigate credit risk, the company organizes the Risk Management Committee (RMC) meetings each month where the entire portfolio is discussed and debated upon by dividing it into segments and analyzing trends & patterns and understanding risk levels of the various segments. This, in turn, becomes a key input for portfolio expansion strategy. It also helps enhance collections activities, ensure proper charge creation and credit underwriting policies.

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations from its financial liabilities. Liquidity risk arises in the following situations:

a. When there is a mismatch between assets and liabilities which is caused by a difference in the maturity profile of such assets and liabilities.
b. From unexpected increases in the cost of funding and an inability to liquidate a position in a timely manner and at a reasonable price.

The Company has constituted Asset Liability management Committee (ALCO) to monitor the risks arising out of ALM. The ALCO manages the risk through the following measures:

a. Ensuring the borrowing profile of the Company is diversified instrument wise, source wise, maturity wise.
b. The Company has treasury management guidelines which defines key treasury risk and prescribes appropriate levels of KRI to monitor and control.
c. Contingency funding plan for responding to severe liquidity disruptions.

Interest Rate Risk - Exposure to interest rate risk is principally as a result of lending to customers at interest rates and in amounts and for periods, which, may differ from its borrowing in other words, the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. It covers Earnings Risk and Economic Value Risk.

The ALCO is entrusted with the responsibility to manage the Interest rate Risk. The Company seeks to match its interest rate positions to minimize interest rate risk and undertakes the following steps:

a. Set and monitor the threshold levels of KRI.
b. Monitor Interest rate sensitivity as prescribed by RBI.
c. Analyze earnings at risk caused by an upward shift in the yield curve (100 bps parallel shift).
d. Cross Currency Interest Rate SWAPs to hedge the risk of floating rate ECBs.

Currency Risk - Foreign currency exchange risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign currency risk arises primarily on account of foreign currency receivables or payables and foreign currency borrowings.

The Company has borrowed foreign currency overseas loans under the RBI regulations of External Commercial Borrowings and has hedged currency exposure including the interest payable in future through SWAPs to minimize the unhedged foreign currency exposure.

Compliance Risk arises under circumstances when there is failure to act in accordance with legal, regulatory or industry laws, regulations or policies. It can lead to legal penalties, financial forfeiture and material loss. To protect from such circumstances, the company organizes the Compliance Committee on a fortnightly basis during which compliance matters are discussed.

Operational Risks arise from the risk of loss resulting from inadequate or failed internal processes, people or systems. They also arise from external events. Some such risks are addressed in the Risk Management Committee (RMC) meetings like information leakage, IT system disruption, operational errors, internal/ external frauds, legal/ regulatory non-compliance, physical damage to company asset, resignation of key personnel etc. These incidents are reported to the top management and possible countermeasures are discussed; post which the relevant department takes necessary action.

Information Technology Risk and Cyber Risk arise from the ever-expanding areas like fraudsters, cyber-attacks, phishing etc. In order to safeguard against such attacks, the company has strict monitoring mechanism of Key Risk Indicators on a daily and monthly basis. These risks are reported to the Risk Management Committee (RMC) and are reviewed by the Management.

Resilience to sudden shock is in relation with ensuring adequate Crisis Management protocols under any crisis and ensuring Business Continuity in case the crisis extends. Pertaining to this, the company has a strong Crisis Management Policy and Framework which covers aspects of ensuring Business Continuity under various crisis scenarios. The company also conducts an annual drill to ensure preparedness and proactive measures are taken for such scenarios.

Strategic risk is the potential failure of a company in achieving corporate objectives due to improper or failure in planning, determining and implementing strategies, making the right business decisions, and/or being less responsive to the company's external changes. The company ensures that strategic risks do not arise by implementation of a strategic management plan which is also reviewed by the Board of Directors.

Thus, the overall Risk Management of the Company is encapsulated in the RMC and ALCO and various other committees; this represents the Company's "Enterprise Risk Management Framework".

As mandated by RBI, in order to ensure highest standards of Risk management the company had appointed Chief Risk Officer (CRO), with clearly specified roles and responsibilities.

Additional measures taken during the pandemic affected times:

Moratorium: The Company provided relief to borrowers in terms of extending moratorium for term loan instalments falling due between March 1, 2020 to August 31, 2020 and deferment of interest for Dealer Inventory Financing. The Company had communicated to all eligible customers via various channels.

Restructuring: The company also offer the facility of a one-time restructuring to the borrowers as per the RBI guidance.

Maintaining Business Continuity: We ensured Business Continuity during the lockdown period by making sure we had additional ways to continue to work. We ensured that our IT infrastructure and systems were in place, tested and checked and proper measures taken in relation to get affected in the least possible way.

Internal Financial Control:

The Company has established internal financial control and risk management framework with appropriate policies and procedures to ensure high standards of integrity & transparency in its operations and a strong corporate governance structure while ensuring efficient service to various stakeholders.

Appropriate internal Financial Controls are in place to ensure

a) orderly and efficient conduct of business including adherence to policies;
b) safeguarding of assets;
c) prevention and detection of frauds and errors;
d) accuracy and completeness of accounting records; and
e) timely preparation of reliable financial information.

Information Technology/ Project Office:

Throughout Financial year 2020-21, the Company's IT systems remained stable, supporting business transactions effectively with 99.93% availability maintained throughout the business hours irrespective of the challenges posed due to the Covid-19 pandemic situation.

The Company progressed in its digital journey through the optimization of the DIGI platform to transform the customer onboarding experience making it simpler and faster. This platform has also helped the company to launch new business lines and expand its portfolio for new and used car.

To enhance operational efficiency, the company has successfully set up a platform to enable seamless and secured integration with banks to automate 'Payments Process's and Bank Reconciliations'. The company has also automated its Treasury operations and integrated the same with finance and accounting systems. The company has also initiated the automation of collection process's by way of initiating a collection automation and processing system (CAPS) project.

The company has also enhanced overall security posture through the implementation of Privilege Access Management tool to ensure restricted and monitored access to the company's critical assets.

Human Resources:

The Company steadily progresses towards developing an agile workforce that will build a sustainable organization for the future. Financial Year 2020-21 ended with overall head count of 425.

The Company continues to build a strong foundation based on the principles of 'Toyota Way' and TFS values. In this regard we have aligned to the global direction of the new "Toyota Way 2020" and launched the "Toyota Way of Working" model to transform employees into "Toyota Professionals"

The Company continues to drive focus on "People Development" initiatives towards ensuring sustained development of employees, analyzing the training needs through a detailed Training Need identification process, which includes Toyota related trainings such as Toyota Way Foundations, Toyota Best Practices (TBP) etc.

Employee Health & Safety - COVID-19 Support

Employee's health and safety is one of the most important aspect of the Company. With this approach the Company has taken several employee welfare measures to support its employees and their families to protect from COVID-19 impacts.

Corporate Social Responsibility

Continue our committed efforts towards the community by means of our Corporate Social Responsibility (CSR) program with active involvement from employees. This year also focused on education and special education for underprivileged children.

- Constructed a government lower primary school building in the rural outskirts of Bangalore, at Byadarahalli village, Channapatna Taluk, Ramanagar District, which will be a feeder school for our existing high school in the same locality. This project provides good infrastructure, hygienic toilets, books and school bags and kitchen equipment's and utensils. Our objective is to attract more children towards to school, so that the education level will grow in the rural areas.

- Continued support in existing CSR projects, through improvements and maintenance, by providing adequate facilities as required.
- Lastly, contribution to Prime Minister's relief fund was made to support various relief activities being undertaken by the Government of India.

As the Company continues facing the challenges during the COVID-19 pandemic; it recognizes the criticality and continued to support the organization and employees and continue our efforts to build a strong leadership pipeline of Toyota professionals nurtured by the Toyota Way of Working, to build an agile and sustainable organization.

ANNEXURE-2

Form No. AOC-2
(Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014

Form for disclosure of particulars of contract/ arrangements entered into by the company with related parties referred to in sub section (1) of section 188 of the Companies Act, 2013 including certain arms-length transactions under third proviso thereto.

1. **Details of contracts or arrangements or transactions not at arm's length basis*:**
   (a) Name(s) of the related party and nature of relationship- N.A.
   (b) Nature of contracts/ arrangements/ transactions- N.A.
   (c) Duration of the contracts/ arrangements/ transactions- N.A.
   (d) Salient terms of the contracts or arrangements or transactions including the value, if any- N.A.
   (e) Justification for entering into such contracts or arrangements or transactions- N.A.
   (f) Date(s) of approval by the Board, if any- N.A.
   (g) Amount paid as advances, if any- N.A.
   (h) Date on which the special resolution was passed in general meeting as required under the first proviso to section 188- N.A.

2. **Details of material contracts or arrangement or transactions at arm's length basis****

Name(s) of the related party and nature of relationship	**Nature of contracts/ arrangements/ transactions**	**Salient terms of the contracts or arrangements or transactions including the value if any**	(a) **Date(s) of approval by the Board,**
Toyota Kirloskar Motor Private Limited (TKM), **<u>Nature of Relationship –</u>** Common Directors and Group Company	IT Network Infrastructure services	The Contract was executed for availing various types IT related services from TKM from time to time. Pursuant to the said contract, Statement of Work is executed between TKM and TFSIN. Said service to be availed for FY 2020-21. Maximum limit of INR. 10,00,000/- (Rupees Ten Lakh only)	Board Approval – June 25, 2020
	IT Integration services	The Contract was executed for availing various types IT related services from TKM from time to time. Pursuant to the said contract, Statement of Work is executed between TKM and TFSIN. Said service to be availed for FY 2020-21. Maximum limit of INR. 10,00,000/- (Rupees Ten Lakh only)	Board Approval – June 25, 2020

	Subvention	There are multiple car models for which Company would offer leasing. This would comprise Urban Cruiser, Innova and Fortuner models. Any additional models will be added in future as per mutual understanding between TKM and the Company TKM has agreed to provide support in 2 areas: 1. Subvention amount to offer low rentals – All car models to be leased under this arrangement 2. RV risk sharing support in the event of future RV loss for TFSIN – Applicable only for Urban Cruiser This is a non-exclusive arrangement, TKM would be offering same terms to another leasing company to offer choice to the dealerships. Value: Urban Cruiser – Subvention – 41,000/- per car (66 cars). RV support 56,500/- per car (66 cars). Additional RV support – 84,750/- per car (15 cars) Innova – 2,87,000/- per car (approx. 60 cars) *Applicable GST to be charged on above amounts	Board Approval – February 23, 2021
	Purchase of used car	Purchase of Lexus used Car (RX 450HF Sport) from Toyota Kirloskar Motors Private Limited up to a maximum amount of Rs. 48,00,000 (Rupees forty-eight lakhs only) excluding taxes	Board Approval – February 23, 2021
Toyota Motor Credit Corporation Group Company	Renewal of existing SIEM services.	The Contract executed for availing SIEM-SOC and Privilege Access Management Services from Toyota Motor Credit Corporation from time to time. Pursuant to the said contract,	Board Approval – February 23, 2021

		Statement of Work may be executed between Toyota Motor Corporation and TFSIN in this connection. maximum cost of Rs. 40,00,000/- (Rupees Forty Lakh only)	

ANNEXURE-3

REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES FOR THE FY 20-21

1. Brief Outline of the Company's CSR Policy including projects overview or programs proposed to be undertaken and a reference to the web link to CSR policy and projects and programs:

   The Company contributed to sustainable development of society by undertaking various projects and programs which will enhance the quality of life and well-being of diverse people clusters in society. Guided by the Act and Toyota's basic philosophy regarding CSR, depending upon the area that needs utmost attention and support for the development of the society and for to meet direct needs of the society, the Company decide upon the kind of programs,/ projects and/ or activities that can be undertaken by the Company for a particular tenure. Implementation of such programs / projects / activities are done either directly through Company's personnel or through appointment of external agencies, trusts, institutions etc depending upon the best suitable way or method of execution of such observed activity(ies). During the reporting period, the company undertook various projects (detailed below). The Company also contributed certain portion of its CSR to Prime Minister's National Relief Fund. The CSR policy is in the Company's portal at **https://www.toyotafinance.co.in/corporate-governance.**

2. Composition of CSR committees: **Refer to the point 'Corporate Social Responsibility' of this report.**

Average net profit of the company for last three (3) financial years of the Company**: Rs. 340,950,807/-**

3. Prescribed CSR Expenditure (two percent (2%) of the amount as in item 3 (above): **Rs**. **6,819,016/-**

4. Details of CSR spend for the financial year: 2020-21
   a. Total amount spent for the financial year: Rs. **6,819,016/-**
   b. Amount unspent, if any: NA
   c. Manner in which the amount spent during the financial year is detailed below:

#	CSR Activity	Sector In which the project is covered	Project or programs 1. Local Area 2. Specify the state and district where CSR project was under taken	Amount outlay (budget) project or program wise.	Final Payment Project wise
1	Construction of Model school building, toilets and other facilities for under privileged Government school	1. Rural Area development 2. Promoting education & educational activities at rural area 3. Sanitation and cleanliness	Byadarahalli village, Channapatna Taluk, Ramanagar District	3050000	3681810
2	Maintenance of existing school building		Government Higher Primary school, Kenchanakuppe village, Bidadi Hobli, Ramanagaram District, Karnataka	350000	333055

3	Providing Books and Bags for children		Annahally and Mankunda school,	220000	208928
4	Improvements existing school building	Promoting education & educational activities at rural area	Government Higher Prim ary school, Mankunda village, Channapatna Taluk, Ramanagaram District, Karnataka	2199016	1798367
5	Prime Minister's National Relief fund	Prime Minister's National Relief fund		1000000	796856
				6,819,016	**6,819,016**

5. 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 – NA.

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

For **Toyota Financial Services India Limited**	For **Toyota Financials Service India Limited**
-Sd- **Narayanaswamy Raja** **Managing Director & CEO** **Date: May 27, 2021** **Place: Bangalore**	**-Sd-** **Asha Sampath** **Chairperson, CSR Committee** **Date: May 27, 2021** **Place: Bangalore**

Form No. MR-3

SECRETARIAL AUDIT REPORT

[Pursuant to Sub Section (1) of Section 204 of the Companies Act, 2013 and Rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

For the Financial Year Ended March 31, 2021

To
The Members
Toyota Financial Services India Limited
No. 21 Centropolis, First Floor
5th Cross Langford Road, Shanti Nagar
Bengaluru - 560025

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

Based on our verification of the Company's Books, Papers, Minute Books, Forms and Returns filed and other Records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the company has, during the financial year ended on March 31, 2021 (the audit period) complied with the statutory provisions listed hereunder and also

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that the Company has proper Board-processes and compliance-mechanism in place to the extent in the manner and subject to the reporting made hereinafter:
We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company during the audit period according to the provisions of:

i) The Companies Act, 2013 (the Act) and the rules made thereunder;

ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;

iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;

iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment and External Commercial Borrowings; the company has not made any Overseas Direct Investment during the audit period.

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

a. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;

b. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;

c. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;

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d. The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014. **(Not Applicable to the Company during the Audit Period)**;

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

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

g. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; and **(Not Applicable to the Company during the Audit Period)**;

h. The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018; **(Not Applicable to the Company during the Audit Period)**; and

i. Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

vi) Other Laws Applicable Specifically to the Company namely:

a. Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016.

b. Master Direction- Non-Banking Financial Company Returns (Reserve Bank) Directions, 2016.

c. Master Direction - Non-Banking Financial Companies Auditor's Report (Reserve Bank) Directions, 2016.

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d. Master Direction - Monitoring of Frauds in NBFCs (Reserve Bank) Directions, 2016.

e. Master Direction - Know Your Customer (KYC) Direction, 2016

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

a. Secretarial Standards issued by the Institute of Company Secretaries of India on Meetings of the Board of Directors and General Meeting.

b. Listing Agreements entered into by the Company with National Stock Exchange of India Limited.

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

We have not examined compliance with applicable Financial Laws like Direct and Indirect Tax Laws since the same have been subject to review by statutory financial audit and other designated professionals.

We further report that:

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

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance except with respect to those agenda items which the Company deemed to be unpublished price sensitive information (UPSI), and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

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As per the minutes of the meetings duly recorded and signed by the Chairman, the decisions of the Board were unanimous and no dissenting views have been recorded.

Based on the review of systems and processes adopted by the Company of providing confirmation on compliances of all the laws applicable to the Company by the Company Secretary to the Board from time to time, which was taken on record by the Board of Directors, we further report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines as per the list of such laws as mentioned above in Point No. vi of para 3 of this report.

The following event/action having a major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines etc., during the audit period is that during the year under review the Company has altered the Articles of Association of the Company by deleting Article 83 – "Vacation of office by Managing Director/ Whole-time Director" of the Articles of Association.

For **V SREEDHARAN & ASSOCIATES**

DEVIKA SATHYANARAYANA

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(Devika Sathyanarayana)

Partner

ACS: 16617; CP No.17024

Place: Bengaluru

Date: May 25, 2021

UDIN: A016617C000367871

Peer Review Certificate No.: 589/2019

This letter which is annexed herewith as Annexure 1 forms an integral part of the Secretarial Audit Report MR-3 and has to be read along with it.

'Annexure -1'

To
The Members
Toyota Financial Services India Limited
No. 21 Centropolis, First Floor
5th Cross Langford Road, Shanti Nagar
Bengaluru - 560025

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

1. Maintenance of secretarial record is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.

2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.

3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.

4. Wherever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.

5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.

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6. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

7. Due to the pandemic situation, we were not able to visit the office in person to peruse the original documents etc. that were required for our audit purpose. However, we have relied on the soft copy of the documents and the links provided by the Company.

For **V SREEDHARAN & ASSOCIATES**

DEVIKA
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RAYANA

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Date: 2021.05.25 16:26:37 +05'30'

(Devika Sathyanarayana)

Partner

ACS: 16617; CP No.17024

Place: Bengaluru

Date: May 25, 2021

UDIN: A016617C000367871

Peer Review Certificate No.: 589/2019

B S R & Associates LLP
Chartered Accountants

Embassy Golf Links Business Park,
Pebble Beach, B Block, 3rd Floor,
Off Intermediate Ring Road,
Bangaluru-560 071 India

Telephone: +91 80 4682 3000
Fax: +91 80 4682 3999

INDEPENDENT AUDITORS' REPORT

To the Members of Toyota Financial Services India Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Toyota Financial Services India Limited ("the Company"), which comprise the balance sheet as at 31 March 2021, and the statement of profit and loss (including other comprehensive income), statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies and other explanatory information.

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

Basis for Opinion

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

Key Audit Matters

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

B S R & Associates (a partnership firm with Registration No. BA69226) converted into B S R & Associates LLP (a Limited Liability Partnership with LLP Registration No. AAB-8182) with effect from October 14, 2013

Principal Office:
14th Floor, Central B Wing and North C Wing, Nesco IT Park 4, Nesco Center, Western Express Highway, Goregaon (East), Mumbai - 400063

Key Audit Matters (continued)

<table>
<tr><th>Key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td colspan="2">Impairment of loans and advances, including off-balance sheet elements

Charge: INR 733.22 Million for year ended 31 March 2021
Provision: INR 3,228.12 Million at 31 March 2021</td></tr>
<tr><td colspan="2">Refer to the accounting policies in "Note [2(iiic)] to the Financial Statements: Impairment", "Note [1.5(i)] to the Financial Statements: Significant Accounting Policies- use of estimates" and "Note [6] to the Financial Statements: Loans and advances"</td></tr>
<tr><td>Subjective estimate

Under Ind AS 109, Financial Instruments, allowance for loan losses are determined using expected credit loss (ECL) estimation model. The estimation of ECL on financial instruments involves significant judgement and estimates. The key areas where we identified greater levels of management judgement and therefore increased levels of audit focus in the Company's estimation of ECLs are:

• Data inputs - The application of ECL model requires several data inputs. This increases the risk of completeness and accuracy of the data that has been used to create assumptions in the model.

• Model estimations – Inherently judgmental models are used to estimate ECL which involves determining Probabilities of Default ("PD"), Loss Given Default ("LGD"), and Exposures at Default ("EAD"). The PD and the LGD are the key drivers of estimation complexity in the ECL and as a result are considered the most significant judgmental aspect of the Company's modelling approach.

• Economic scenarios – Ind AS 109 requires the Company to measure ECLs on an unbiased forward-looking basis reflecting a range of future economic conditions. Significant management judgement is applied in</td><td>Our key audit procedures included:

Design / controls

We performed end to end process walkthroughs to identify the key systems, applications and controls used in the ECL processes. We tested the relevant manual controls, general IT and application controls over key systems used in the ECL process.

Key aspects of our controls testing involved the following:

• Testing the design and operating effectiveness of the key controls over the completeness and accuracy of the key inputs, data and assumptions into the Ind AS 109 impairment models.

• Testing the 'Governance Framework' controls over validation, implementation and model monitoring in line with the RBI guidance.

• Testing the design and operating effectiveness of the key controls over the application of the staging criteria.

• For specifically assessed non-homogeneous loans, testing controls over the monitoring of the credit watch list, credit file review processes, approval of external collateral valuation vendors.

• Testing key controls relating to selection and implementation of material macro-economic variables and the controls over the scenario selection and application of probability weights.

• Testing management's controls over authorisation and calculation of post model adjustments and management overlays.</td></tr>
</table>

determining the economic scenarios used and the probability weights applied to them (including updates to methodology) especially when considering the current uncertain economic environment arising from COVID-19. • Qualitative adjustments – Adjustments to the model-driven ECL results are recorded by management to address known impairment model limitations or emerging trends as well as risks not captured by models. They represent approximately 22% of the ECL balances as at 31 March 2021. These adjustments are inherently uncertain and significant management judgement is involved in estimating these amounts especially in relation to economic uncertainty as a result of COVID-19. The effect of these matters is that, as part of our risk assessment, we determined that the impairment of loans and advances to customers, including off balance sheet elements, has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. Disclosures The disclosures regarding the Company's application of Ind AS 109 are key to explaining the key judgements and material inputs to the Ind AS 109 ECL results. Further, disclosures to be provided as per RBI circulars with regards to non-performing assets and provisions will also be an area of focus, particularly as this will be the first year some of these disclosures will be presented and are related to an area of significant estimate.	• Testing management's controls on compliance with Ind AS 109 disclosures related to ECL. Involvement of specialists - we involved financial risk modelling specialists for the following: • Evaluating the appropriateness of the Company's Ind AS 109 impairment methodologies and reasonableness of assumptions used (including management overlays). • For models which were updated during the year, evaluating whether the changes were appropriate by assessing the updated model methodology • For Inventory financing portfolio, assessing appropriateness of management's credit grading system / model. • The reasonableness of the Company's considerations of the impact of the current economic environment due to COVID-19 on the ECL determination. **Test of details** Key aspects of our testing included: • Sample testing over key inputs, data and assumptions impacting ECL calculations to assess the completeness, accuracy and relevance of data and reasonableness of economic forecasts, weights, and model assumptions applied. • Model calculations testing through re-performance, where possible. • Test of details of post model adjustments, considering the size and complexity of management overlays with a focus on COVID-19 related overlays, in order to assess the reasonableness of the adjustments by challenging key assumptions, inspecting the calculation methodology and tracing a sample of the data used back to source data. Assessing disclosures - We assessed whether the disclosures appropriately disclose and address the uncertainty which exists when determining the ECL. As part of this, we assessed the sensitivity analysis that is disclosed. In addition, we assessed whether the disclosure of the key judgements and assumptions made was sufficiently clear.

Independent Auditor's Report (continued)
Toyota Financial Services India Limited

Key Audit Matters (continued)

Information Technology ('IT') System and Control	
Key audit matter	**How the matter was addressed in our audit**
The Company's key financial accounting and reporting processes are highly dependent on information systems including automated controls in systems, such that there exists a risk that gaps in the IT control environment could result in the financial accounting and reporting records being materially misstated. Amongst, its multiple IT systems, five systems namely System Applications and Products ('SAP'), Finnone, Digi, Indus and Sapphire are key for its overall financial reporting. Further, the prevailing COVID-19 situation, has caused the required IT applications to be made accessible on a remote basis. We have identified 'IT systems and controls' as key audit matter because of the high level automation, significant number of systems being used by the management and the complexity of the IT architecture.	Our key IT audit procedures included: • We tested user access management, change management, computer operations and system application controls over key financial accounting and reporting systems. • We tested a sample of key controls operating over the information technology in relation to financial accounting and reporting systems, including system access and system change management, program development and computer operations. • We tested the design and operating effectiveness of key controls over user access management which includes granting access right, new user creation, removal of user rights and preventative controls designed to enforce segregation of duties. • We have also assessed other areas which includes password policies, security configurations, at both applications and the operating system or databases in the production environment. • Assessment of information security controls implemented at hosting service provider at server layers, in the context of a large population of staff working from remote location at the year end.

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

Independent Auditor's Report (continued)
Toyota Financial Services India Limited

Management's and Board of Directors' Responsibility for the Financial Statements

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

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

The Board of Directors is also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures in the financial statements made by the management and Board of Directors.

Independent Auditor's Report (continued)
Toyota Financial Services India Limited

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Conclude on the appropriateness of the management and Board of Directors use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditors' Report) Order, 2016 ("the Order") issued by the Central Government in terms of section 143 (11) of the Act, we give in the "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

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

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

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

   c) The balance sheet, the statement of profit and loss (including other comprehensive income), the statement of changes in equity and the statement of cash flows dealt with by this Report are in agreement with the books of account.

Report on Other Legal and Regulatory Requirements (continued)

d) In our opinion, the aforesaid financial statements comply with the Ind AS specified under section 133 of the Act.

e) On the basis of the written representations received from the directors as on 31 March 2021 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2021 from being appointed as a director in terms of Section 164(2) of the Act.

f) With respect to the adequacy of the internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".

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

i. The Company has disclosed the impact of pending litigations as at 31 March 2021 on its financial position in its financial statements - Refer Note 36 to the financial statements;

ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts- Refer Note 36 to the financial statements;

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

iv. The disclosures in the financial statements regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been made in these financial statements since they do not pertain to the financial year ended 31 March 2021.

Independent Auditor's Report (continued)
Toyota Financial Services India Limited

Report on Other Legal and Regulatory Requirements (continued)

(C) With respect to the matter to be included in the Auditors' Report under section 197(16):

In our opinion and according to the information and explanations given to us, the remuneration paid by the Company to its directors during the current year is in accordance with the provisions of Section 197 of the Act. The remuneration paid to any director is not in excess of the limit laid down under Section 197 of the Act. The Ministry of Corporate Affairs has not prescribed other details under Section 197(16) which are required to be commented upon by us.

For **B S R & Associates LLP**
Chartered Accountants
Firm's Registration No.116231W / W-100024

ROHIT JOSEPH ALEXANDER
Digitally signed by ROHIT JOSEPH ALEXANDER
Date: 2021.05.27 21:15:58 +05'30'

Rohit Alexander
Partner
Membership No. 222515
UDIN: 21222515AAAABS2279

Place: Bangalore
Date: 27 May 2021

Toyota Financial Services India Limited

Annexure A to the Independent Auditor's Report of even date on financial statements of Toyota Financial Services India Limited

The Annexure referred to in the Independent Auditor's Report to the members of Toyota Financial Services India Limited ("the Company") on the financial statements for the year ended 31 March 2021, we report the following:

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

(b) The Company has a regular programme of physical verification of its fixed assets, by which all fixed assets are verified every year. Pursuant to the programme, all the fixed assets have been physically verified during the year and no material discrepancies were observed on such verification. In our opinion, the periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets.

(c) According to the information and explanations given to us and on the basis of our examination of records of the Company, the Company does not hold any immovable properties as on reporting date. In respect of immovable properties taken on lease and disclosed as right-of-use assets in the financial statements, the lease agreements are in the name of the Company.

(ii) The Company is a Non- Banking Finance Company ("NBFC"), primarily engaged in the business of asset financing. Accordingly, it does not hold any physical inventory. Therefore, the provisions of Clause 3(ii) of the Order are not applicable to the Company.

(iii) According to the information and explanations given to us, and based on the audit procedures conducted by us, the Company has not granted any loans, secured or unsecured to companies, firms, limited liability partnerships or other parties covered in the register required to be maintained under section 189 of the Companies Act, 2013 ("the Act"). Accordingly, the provisions of clause 3(iii) of the Order are not applicable to the Company.

(iv) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has not undertaken any transaction in respect of loans, investments, guarantees and securities covered under Section 185 and 186 of the Act. Accordingly, the provisions of Clause 3(iv) of the Order are not applicable to the Company.

(v) According to the information and explanations given to us, the Company has not accepted any deposits from the public within the meaning of the directives issued by the Reserve Bank of India, provisions of Section 73 to 76 of the Act, any other relevant provisions of the Act and the relevant rules framed thereunder. Accordingly, the provisions of the Clause 3(v) of the Order are not applicable to the Company.

(vi) According to the information and explanations given to us, the Central Government of India has not prescribed the maintenance of cost records under Section 148(1) of the Act for any of the services rendered by the Company. Accordingly, the provisions of the Clause 3(vi) of the Order are not applicable to the Company.

Toyota Financial Services India Limited

Annexure A to the Independent Auditor's Report of even date on financial statements of Toyota Financial Services India Limited ***(Continued)***

(vii) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/ accrued in the books of account in respect of undisputed statutory dues including provident fund, employees' state insurance, income-tax, goods and services tax, cess and other material statutory dues have generally been regularly deposited during the year by the Company with the appropriate authorities. As explained to us, the Company did not have any dues on account of sales-tax, service tax, duty of customs, duty of excise and value added tax.

According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, goods and services tax, cess and other material statutory dues were in arrears, as at 31 March 2021, for a period of more than six months from the date they became payable.

(b) According to the information and explanations given to us, there are no dues of goods and services tax, sales-tax, service tax, duty of customs, duty of excise and value added tax which have not been deposited by the Company on account of any disputes. However, according to the information and explanations given to us, the following dues of income-tax have not been deposited by the Company on account of disputes:

Name of the Statute	Nature of the dues	Amount demanded (INR in Million)	Period to which the amount relates	Forum where dispute is pending
The Income Tax Act, 1961	Income tax and interest demanded	5.90 (1.18)*	AY 2017-2018	Commissioner of Income Tax (Appeals)

* The amounts in parenthesis represent the payment made under protest

(viii) In our opinion and according to the information and explanation given to us, the Company has not defaulted in repayment of loans or borrowings to any financial institution, banks or debenture holders during the year. The Company did not have any outstanding loans or borrowings from the government during the year.

(ix) In our opinion and according to the information and explanations given to us, the money raised by way of term loans and debentures were applied for the purpose for which the same were obtained. The Company has not raised any money by way of initial public offer or further public offer during the year.

(x) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the explanation and information given to us, except for cases 6 cases aggregating Rs. 6.61 Million which largely pertains to cheating and forgery as reported in Note 45, we have neither come across any instance of material fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor we have been informed of any such case by the Management.

Toyota Financial Services India Limited

Annexure A to the Independent Auditor's Report of even date on financial statements of Toyota Financial Services India Limited *(Continued)*

(xi) In our opinion and according to the information and explanations given to us and based on examination of the records of the Company, the Company has paid/provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.

(xii) In our opinion and according to the information and explanations given to us, the Company is not a nidhi company. Accordingly, the provisions of clause 3 (xii) of the Order are not applicable.

(xiii) According to the information and explanations given to us and based on our examination of the records of the Company, all transactions with the related parties are in compliance with Sections 177 and 188 of the Act, where applicable, and details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.

(xiv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, provisions of clause 3(xiv) of the Order are not applicable to the Company.

(xv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with him. Accordingly, provisions of clause 3(xv) of the Order are not applicable to the Company.

(xvi) The Company is required to and has been registered under 45-IA of the Reserve Bank of India Act, 1934 as an Asset Finance Company (now Investment and Credit Company i.e. NBFC-ICC) with effect from 13 November 2015 and it has obtained the certificate of registration.

For **B S R & Associates LLP**
Chartered Accountants
Firm's Registration No.116231W / W-100024

ROHIT JOSEPH ALEXANDER
Digitally signed by ROHIT JOSEPH ALEXANDER
Date: 2021.05.27 21:17:26 +05'30'

Rohit Alexander
Partner
Membership No. 222515
UDIN:21222515AAAABS2279

Place: Bangalore
Date: 27 May 2021

Toyota Financial Services India Limited

Annexure B to the Independent Auditors' report on the financial statements of Toyota Financial Services India Limited for the year ended 31 March 2021.

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

(Referred to in paragraph 2(A)(f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

Opinion

We have audited the internal financial controls with reference to financial statements of Toyota Financial Services India Limited ("the Company") as of 31 March 2021 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

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

Management's Responsibility for Internal Financial Controls

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

Toyota Financial Services India Limited

Annexure B to the Independent Auditors' report on the financial statements of Toyota Financial Services India Limited for the year ended 31 March 2021 (continued)

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to financial statements. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements were established and maintained and whether such controls operated effectively in all material respects.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls with reference to financial statements.

Meaning of Internal Financial controls with Reference to Financial Statements

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

Toyota Financial Services India Limited

Annexure B to the Independent Auditors' report on the financial statements of Toyota Financial Services India Limited for the year ended 31 March 2021 (continued)

Inherent Limitations of Internal Financial controls with Reference to Financial Statements

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

For **B S R & Associates LLP**
Chartered Accountants
Firm's Registration No.116231W / W-100024

ROHIT JOSEPH ALEXANDER
Digitally signed by ROHIT JOSEPH ALEXANDER
Date: 2021.05.27 21:18:11 +05'30'

Rohit Alexander
Partner
Membership No. 222515
UDIN: 21222515AAAABS2279

Place: Bangalore
Date: 27 May 2021

Toyota Financial Services India Limited
Balance sheet as at

(Amounts are in INR Million)

	Particulars	Notes	31 March 2021	31 March 2020
	ASSETS			
I	**Financial assets**			
(a)	Cash and cash equivalents	3	1,563.34	5,371.56
(b)	Derivative financial instruments	4	104.43	345.76
(c)	Trade receivables	5	4.42	5.06
(d)	Loans	6	68,209.81	68,771.44
(e)	Investments	7	989.15	-
(f)	Other financial assets	8	93.66	49.03
	Total financial assets		**70,964.81**	**74,542.85**
II	**Non-financial assets**			
(a)	Current tax assets (net)	9	99.03	264.58
(b)	Deferred tax assets (net)	10	782.59	596.07
(c)	Property, plant and equipment	11	266.60	132.00
(d)	Intangible assets under development	12	91.64	35.92
(e)	Other intangible assets	12	59.93	44.20
(f)	Right-of-use assets	13	108.29	93.45
(g)	Other non-financial assets	14	164.59	83.93
	Total non-financial assets		**1,572.67**	**1,250.15**
	Total Assets		**72,537.48**	**75,793.00**
	LIABILITIES AND EQUITY			
I	**Liabilities**			
i	**Financial liabilities**			
(a)	Derivative financial instruments	4	144.11	-
(b)	Trade payables	15	948.65	421.81
	(i) total outstanding dues of micro enterprises and small enterprises		5.94	0.15
	(ii) total outstanding dues of creditors other than micro enterprises and small enterprises		942.71	421.66
(c)	Debt securities	16	23,412.45	26,404.12
(d)	Borrowings (other than debt securities)	17	33,647.09	35,206.59
(e)	Lease liabilities	18	114.86	100.49
(f)	Other financial liabilities	19	24.45	0.42
	Total financial liabilities		**58,291.61**	**62,133.43**
ii	**Non-financial liabilities**			
(a)	Current tax liabilities (net)	20	28.83	-
(b)	Provisions	21	108.92	101.13
(c)	Other non-financial liabilities	22	64.83	38.32
	Total non-financial liabilities		**202.58**	**139.45**
II	**Equity**			
(a)	Equity share capital	23	9,579.73	9,579.73
(b)	Other equity	24	4,463.56	3,940.39
	Total equity		**14,043.29**	**13,520.12**
	Total Liabilities and Equity		**72,537.48**	**75,793.00**

Significant accounting policies	2
Notes to the financial statements	3 - 54

The accompanying notes form an integral part of the financial statements

As per our report of even date attached

For **B S R & Associates LLP**
Chartered Accountants
ICAI Firm Registration No. 116231W/W - 100024

ROHIT JOSEPH ALEXANDER Digitally signed by ROHIT JOSEPH ALEXANDER Date: 2021.05.27 21:26:21 +05'30'

Rohit Alexander
Partner
Membership No. 222515

Bangalore
27 May 2021

For and on behalf of the Board of Directors of
Toyota Financial Services India Limited

RAJA NARAYANASWAMY Digitally signed by RAJA NARAYANASWAMY Date: 2021.05.27 18:03:26 +05'30'

Narayanaswamy Raja
Managing Director & CEO
DIN: 06840450

Bangalore
27 May 2021

MANABU UENO Digitally signed by MANABU UENO Date: 2021.05.27 18:00:07 +05'30'

Manabu Ueno
Whole-time Director
DIN:08635145

Bangalore
27 May 2021

ANUPAM VASDANI Digitally signed by ANUPAM VASDANI Date: 2021.05.27 18:36:23 +05'30'

Anupam Vasdani
Chief Financial Officer

Panchkula
27 May 2021

R NITHYA PRABHU Digitally signed by R NITHYA PRABHU Date: 2021.05.27 17:56:33 +05'30'

R Nithya Prabhu
Company Secretary
Membership No. F9087

Coimbatore
27 May 2021

Toyota Financial Services India Limited
Statement of Profit and Loss for the year ended

(Amounts are in INR Million)

	Particulars	Notes	Year ended 31 March 2021	Year ended 31 March 2020
	Revenue from operations			
(i)	Interest income	25	6,549.47	6,851.70
(ii)	Rental income		39.36	32.13
(iii)	Fees and commision income		2.19	1.45
(iv)	Net gain on fair value changes	26	18.17	-
(v)	Others	27	273.59	311.83
(I)	**Total Revenue from operations**		**6,882.78**	**7,197.11**
(II)	Other income	28	17.84	152.39
(III)	**Total Income (I+II)**		**6,900.62**	**7,349.50**
	Expenses			
(i)	Finance cost	29	3,890.25	4,575.43
(ii)	Net loss on fair value changes	30	-	356.15
(iii)	Impairment on financial instruments	31	1,058.80	1,791.92
(iv)	Employee benefit expenses	32	498.47	436.89
(v)	Depreciation, amortisation and impairment	33	109.04	109.49
(vi)	Other expenses	34	612.90	634.49
(IV)	**Total expenses**		**6,169.46**	**7,904.37**
(V)	**Profit/(loss) before tax (III-IV)**		**731.16**	**(554.87)**
(VI)	Tax expense			
	1. Current tax - current year	10	365.95	259.77
	- earlier year		30.82	-
	2. Deferred tax	10	(187.09)	(317.15)
	Total tax expense		**209.68**	**(57.38)**
(VII)	**Profit/(loss) for the year (V-VI)**		**521.48**	**(497.49)**
(VIII)	**Other comprehensive income**			
	Items that will not be reclassified to profit or loss			
i.	Remeasurements of the defined benefit plans		2.26	(0.53)
ii.	Income tax relating to items that will not be reclassified to profit or loss		(0.57)	0.13
	Other comprehensive income/(loss)		**1.69**	**(0.40)**
(IX)	**Total comprehensive income/(loss) for the year (VII+VIII)**		**523.17**	**(497.89)**
(X)	**Earnings for equity share**			
	Basic (INR)	35	0.54	(0.52)
	Diluted (INR)	35	0.54	(0.52)
	Face value per share (INR)		10.00	10.00

Significant accounting policies 2
Notes to the financial statements 3 - 54
The accompanying notes form an integral part of the financial statements

As per our report of even date attached

For **B S R & Associates LLP**
Chartered Accountants
ICAI Firm Registration No. 116231W/W - 100024

ROHIT JOSEPH ALEXANDER Digitally signed by ROHIT JOSEPH ALEXANDER Date: 2021.05.27 21:31:37 +05'30'

Rohit Alexander
Partner
Membership No. 222515

Bangalore
27 May 2021

For and on behalf of the Board of Directors of Toyota Financial Services India Limited

RAJA NARAYANASWAMY Digitally signed by RAJA NARAYANASWAMY Date: 2021.05.27 18:03:53 +05'30'

Narayanaswamy Raja
Managing Director & CEO
DIN: 06840450

Bangalore
27 May 2021

MANABU UENO Digitally signed by MANABU UENO Date: 2021.05.27 18:00:36 +05'30'

Manabu Ueno
Whole-time Director
DIN:08635145

Bangalore
27 May 2021

ANUPAM VASDANI Digitally signed by ANUPAM VASDANI Date: 2021.05.27 18:37:26 +05'30'

Anupam Vasdani
Chief Financial Officer

Panchkula
27 May 2021

R NITHYA PRABHU Digitally signed by R NITHYA PRABHU Date: 2021.05.27 17:57:08 +05'30'

R Nithya Prabhu
Company Secretary
Membership No. F9087

Coimbatore
27 May 2021

Toyota Financial Services India Limited
Statement of Changes in Equity (SOCIE) for the year ended 31 March 2021

(a) Equity share capital **(Amounts are in INR Million)**

Balance as at 01 April 2019	Changes in equity share capital during the year	Balance as at 31 March 2020
9,579.73	-	9,579.73

Balance as at 01 April 2020	Changes in equity share capital during the year	Balance as at 31 March 2021
9,579.73	-	9,579.73

(b) Other equity

Particulars	Reserves and Surplus			Items of other comprehensive income	Total
	Statutory Reserve	Securities Premium	Retained Earnings	Remeasurements of the defined benefit plans	
Balance as at 31 March 2019	**332.21**	**3,320.27**	**792.27**	**0.07**	**4,444.82**
Impact of adoption of Ind AS 116 (Net of tax, Refer Note 38)	-	-	(6.54)	-	**(6.54)**
Loss for the year	-	-	(497.49)	-	**(497.49)**
Other comprehensive income (net of taxes)	-	-	-	(0.40)	**(0.40)**
Balance as at 31 March 2020	**332.21**	**3,320.27**	**288.24**	**(0.33)**	**3,940.39**
Profit for the year	-	-	521.48	-	**521.48**
Other comprehensive income (net of taxes)	-	-	-	1.69	**1.69**
Transfer to Special Reserve under section 45-IC of RBI Act, 1934	104.30	-	(104.30)	-	-
Balance as at 31 March 2021	**436.51**	**3,320.27**	**705.42**	**1.36**	**4,463.56**

Note 24 describes the purpose of each reserve within equity.

Significant accounting policies	2
Notes to the financial statements	3 - 54

The accompanying notes form an integral part of the financial statements

As per our report of even date attached

For **B S R & Associates LLP**
Chartered Accountants
ICAI Firm Registration No. 116231W/W - 100024

ROHIT JOSEPH ALEXANDER
Digitally signed by ROHIT JOSEPH ALEXANDER
Date: 2021.05.27 21:35:01 +05'30'

Rohit Alexander
Partner
Membership No. 222515

Bangalore
27 May 2021

For and on behalf of the Board of Directors of
Toyota Financial Services India Limited

RAJA NARAYANASWAMY
Digitally signed by RAJA NARAYANASWAMY
Date: 2021.05.27 18:04:27 +05'30'

Narayanaswamy Raja
Managing Director & CEO
DIN: 06840450

Bangalore
27 May 2021

MANABU UENO
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Date: 2021.05.27 18:00:58 +05'30'

Manabu Ueno
Whole-time Director
DIN:08635145

Bangalore
27 May 2021

ANUPAM VASDANI
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Date: 2021.05.27 18:38:08 +05'30'

Anupam Vasdani
Chief Financial Officer

Panchkula
27 May 2021

R NITHYA PRABHU
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Date: 2021.05.27 17:57:31 +05'30'

R Nithya Prabhu
Company Secretary
Membership No. F9087

Coimbatore
27 May 2021

Toyota Financial Services India Limited
Statement of Cash Flow for the year ended

Particulars	Year ended 31 March 2021	Year ended 31 March 2020
	(Amounts are in INR Million)	
A. Cash flow from operating activities		
Profit/(loss) for the year	731.16	(554.87)
Adjustments for :		
Depreciation, amortisation and impairment	109.04	109.49
Net loss on derecognition of property, plant and equipment	10.78	1.34
Net (gain) /loss on fair value changes	(18.17)	356.15
Interest Income	(6,549.47)	(6,851.70)
Interest on lease liability	7.98	9.65
Interest on debt securities	1,469.70	2,676.60
Interest on borrowings (other than debt securities)	2,411.41	1,888.98
Impairment on financial instruments	733.22	1,202.20
Others	(2.78)	(2.81)
Operating profit before working capital changes	**(1,097.13)**	**(1,164.97)**
Changes in working capital :		
Increase / (decrease) in Trade payables	526.85	(806.95)
Increase / (decrease) in Other financial liabilities	24.45	-
Increase / (decrease) in Other non-financial liabilities	26.51	(15.72)
Increase / (decrease) in Provisions	35.63	47.88
(Increase) / decrease in Loans	(206.01)	4,472.24
(Increase) / decrease in Trade receivables	0.64	22.83
(Increase) / decrease in Other financial assets	(47.25)	(14.45)
(Increase) / decrease in Other non-financial assets	(80.66)	21.11
Interest Received	6,555.41	6,753.92
Interest paid on debt securities	(1,608.24)	(2,613.18)
Interest paid on borrowings (other than debt securities)	(2,403.26)	(1,752.29)
Net Cash generated from operations	**1,726.94**	**4,950.43**
Taxes paid (including tax deducted at source)	(202.39)	(351.46)
Net Cash generated from operating activities	**1,524.55**	**4,598.96**
B. Cash flow from investing activities		
Purchase of property, plant and equipment	(207.80)	(72.90)
Purchase of other intangible assets	(87.19)	(37.70)
Sale of property, plant and equipment	25.20	5.47
Proceeds from sale of investments	247.91	-
Purchase of investments	(1,232.35)	-
Net cash generated used in investing activities	**(1,254.23)**	**(105.13)**
C. Cash flow from financing activities		
Debt securities issued	15,223.43	14,359.41
Debt securities repaid	(18,076.56)	(29,650.00)
Borrowings other than debt securities issued	36,550.32	1,42,967.50
Borrowings other than debt securities repaid	(37,631.78)	(1,27,669.82)
Payment of lease Liability	(52.97)	(57.66)
Interest paid on Lease Liability	(7.98)	(9.65)
Net cash generated used in financing activities	**(3,995.54)**	**(60.22)**
Net (Decrease) / Increase in Cash and cash equivalents (A)+(B)+(C)	**(3,725.22)**	**4,433.61**
Cash and cash equivalents, beginning of the year (refer below)	**5,288.56**	**854.95**
Cash and cash equivalents, end of the year (refer below)	**1,563.34**	**5,288.56**

Notes to the statement of cash flow :

1) Cash and cash equivalents comprise of:

		31 March 2021	31 March 2020
Cash on hand*	(refer note 3)	0.00	0.35
Balances with banks			
In current accounts	(refer note 3)	253.21	61.21
Demand deposits (less than 3 months maturity)	(refer note 3)	1,310.13	5,310.00
Book overdraft	(refer note 19)	-	(0.42)
Bank overdraft	(refer note 17)	-	(82.58)
TOTAL		**1,563.34**	**5,288.56**

*The absolute balance of Cash on hand is INR 624.

Toyota Financial Services India Limited
Statement of Cash Flow for the year ended

Notes to the statement of cash flow (continued) :

2) Changes in liabilities arising from financing activities-

Particulars	Debt Securities	Borrowings (other than debt securities)	Lease Liabilities
Balance as at the beginning of the year	26,404.12	35,206.59	100.49
Cash Flows	(2,991.67)	(1,155.90)	(52.97)
Non Cash Changes-			
Acquisition	-	-	67.34
Foreign Exchange Movement	-	(403.60)	-
Balance as at the end of the year	**23,412.45**	**33,647.09**	**114.86**

2) Cash and cash equivalents includes bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

3) The above statement of cash flow has been prepared under the indirect method set out in IND AS 7 on Cash Flow Statements specified under Section 133 of the Companies Act, 2013.

4) Figures in bracket indicate cash outflow.

Significant accounting policies	2
Notes to the financial statements	3 - 54

The accompanying notes form an integral part of the financial statements

As per our report of even date attached

For **B S R & Associates LLP**
Chartered Accountants
ICAI Firm Registration No. 116231W/W - 100024

ROHIT JOSEPH ALEXANDER Digitally signed by ROHIT JOSEPH ALEXANDER Date: 2021.05.27 21:39:52 +05'30'

Rohit Alexander
Partner
Membership No. 222515

Bangalore
27 May 2021

For and on behalf of the Board of Directors of Toyota Financial Services India Limited

RAJA NARAYANASWAMY Digitally signed by RAJA NARAYANASWAMY Date: 2021.05.27 18:05:00 +05'30'

Narayanaswamy Raja
Managing Director & CEO
DIN: 06840450

Bangalore
27 May 2021

MANABU UENO Digitally signed by MANABU UENO Date: 2021.05.27 18:01:24 +05'30'

Manabu Ueno
Whole-time Director
DIN:08635145

Bangalore
27 May 2021

ANUPAM VASDANI Digitally signed by ANUPAM VASDANI Date: 2021.05.27 18:38:54 +05'30'

Anupam Vasdani
Chief Financial Officer

Panchkula
27 May 2021

R NITHYA PRABHU Digitally signed by R NITHYA PRABHU Date: 2021.05.27 17:57:59 +05'30'

R Nithya Prabhu
Company Secretary
Membership No. F9087

Coimbatore
27 May 2021

1. Company Overview

1.1 Reporting Entity

Toyota Financial Services India Limited was incorporated on May 20, 2011 under the Companies Act, 1956 and is a wholly-owned subsidiary of Toyota Financial Services Corporation, Japan, the ultimate holding Company being Toyota Motors Corporation, Japan. The Company has its registered office in Bengaluru, India. The Company has been set up to undertake auto financing business and related activities in India. The Company received certificate of registration from the Reserve Bank of India (RBI) to commence operations as Non-Banking Finance Company on May 2, 2012. During the year ended March 31, 2016 RBI has amended the certificate of registration and has classified the company as Non-Deposit taking Non-Banking Finance Company - Asset Finance Company (now Investment and Credit Company i.e. NBFC-ICC) with effect from November 13, 2015.

1.2 Statement of Compliance, basis of preparation and presentation of financial statements

The financial statements have been prepared in accordance with Indian Accounting Standards ('Ind AS') notified under Section 133 of the Companies Act, 2013 ('the Act') and Companies (Indian Accounting Standards) Rules, 2015 and the other relevant provisions of the act and guidelines issued by Reserve Bank of India for Non-Banking Finance Companies.

Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to the existing accounting standard requires a change in the accounting policy hitherto in use. These financial statements have been reviewed by the Audit Committee and approved by the Board of Directors and authorised for issue on 27 May 2021.

The Balance Sheet, the Statement of Changes in Equity and the Statement of Profit and Loss are presented in the format prescribed under Division III of Schedule III of the Act, as amended from time to time, for Non-Banking Financial Companies ('NBFCs') that are required to comply with Ind-AS. The Statement of Cash Flows has been presented as per the requirements of Ind-AS 7 Statement of Cash Flows.

1.3 Functional and Presentation currency

These financial statements are presented in Indian Rupees (INR), which is also the Company's functional currency. All amounts are rounded off to the nearest millions, unless otherwise indicated.

1.4 Basis of measurement

The financial statements have been prepared on a historical cost basis, except for the following material items that have been measured at fair value as required by relevant Ind AS:

i) Defined benefit obligation. (refer note 41)
ii) Derivative financial instruments. (refer note 4)

Historical cost is generally the amount of cash or cash equivalents paid or the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

1.5 Significant areas of estimation, critical judgments and assumptions in applying accounting policies

The preparation of financial statements in accordance with Ind AS requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. The Company's management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Accounting estimates could change from period to period. Actual results could differ from those estimates. Appropriate changes in estimates are made as management becomes aware of the changes in circumstances surrounding the estimates. Any changes in the accounting estimates are reflected in the period in which such change in circumstances are made and, if material their effect are disclosed in the notes to the financial statements.

The key estimates and assumptions used in preparation of financial statements are;

i. Expected credit loss 'ECL' on loans

ECL allowances represent management's best estimate of losses incurred in the loan portfolios at the Balance Sheet date. Management is required to exercise judgment in making assumptions and estimates when calculating loan ECL allowances on both individually and collectively assessed loans and advances. Collective ECL allowances are subject to estimation uncertainty, in part because it is not practicable to identify losses on an individual loan basis due to the large number of individually insignificant loans in the portfolio. The estimation methods include the use of statistical analyses of historical information, supplemented with significant management judgment, to assess whether current economic and credit conditions are such that the actual level of incurred losses is likely to be greater or less than historical experience and reasonable and supportable forward-looking information.

For individually assessed loans, judgment is required in determining whether there is objective evidence that a loss event has occurred and, if so, the measurement of the ECL allowance. In determining whether there is objective evidence that a loss event has occurred, judgment is exercised in evaluating all relevant information on indicators of impairment, including the consideration of whether payments are contractually past-due and the consideration of other factors indicating deterioration in the financial condition and outlook of borrowers affecting their ability to pay. For those loans where objective evidence of impairment exists, management determine the size of the allowance required based on a range of factors such as the realizable value of security, the likely dividend available on liquidation or bankruptcy, the viability of the customer's business model and the capacity to trade successfully out of financial difficulties and generate sufficient cash flow to service debt obligations.

Where collectively assessed loan portfolios include significant levels of loan forbearance, portfolios are segmented to reflect the different credit risk characteristics of forbearance cases, and estimates are made of the incurred losses inherent within each forbearance portfolio segment.

The exercise of judgment requires the use of assumptions which are highly subjective and very sensitive to the risk factors, in particular to changes in economic and credit conditions across a large number of geographical areas.

ii. Fair value of financial instruments

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. Judgements and estimates include considerations of liquidity and model inputs related to items.

iii. Determination of the estimated useful lives of tangible assets and the assessment as to which components of the cost may be capitalized.

Useful lives of tangible assets are based on the life prescribed in Schedule II of the Companies Act, 2013. In cases, where the useful lives are different from that prescribed in Schedule II, they are based on technical advice, taking into account the nature of the asset, the estimated usage of the asset, the operating conditions of the asset, past history of replacement, anticipated technological changes, manufacturers' warranties and maintenance support. Use of assumptions is also made by the Company for assessing whether an asset may be capitalized and which components of the cost of the asset may be capitalized.

iv. Amortized cost of loans

The Company has considered directly attributable and incremental fees associated with origination of loans. Such fees have been amortized using the Effective Interest Rate (EIR) method over the actual contractual life.

v. Provisions

Judgment is involved in determining whether a present obligation exists and in estimating the probability, timing and amount of any outflows. Professional expert advice is taken on the assessment of litigation, property (including onerous contracts) and similar obligations, if required. Provisions for legal proceedings and regulatory matters typically require a higher degree of judgment than other types of provisions. When matters are at an early stage, accounting judgments can be difficult because of the high degree of uncertainty associated with determining whether a present obligation exists, and estimating the probability and amount of any outflows that may arise. As matters progress, management and legal advisers evaluate on an ongoing basis whether provisions should be recognized, revising previous judgments and estimates as appropriate. At more advanced stages, it is typically easier to make judgments and estimates around a better defined set of possible outcomes. However, the amount provisioned can remain very sensitive to the assumptions used. There could be a wide range of possible outcomes for any pending legal proceedings, investigations or inquiries. As a result, it is often not practicable to quantify a range of possible outcomes for individual matters. It is also not practicable to meaningfully quantify ranges of potential outcomes in aggregate for these types of provisions because of the diverse nature and circumstances of such matters and the wide range of uncertainties involved. Provisions for customer remediation also require significant levels of estimation and judgment.

vi. Recognition of deferred tax assets

A deferred tax asset is recognized for all the deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. The management assumes that taxable profits will be available while recognizing deferred tax assets.

vii. Measurement of defined benefits obligation

The key actuarial assumptions in measurement of defined benefits obligation refer note 41.

viii. Business model assessment

Classification and measurement of financial assets depends on the results of the business model test. The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets

ix. Uncertainty relating to Covid 19 outbreak

The ongoing COVID-19 pandemic has increased the estimation uncertainty in the preparation of these Financial Statements. The Company has considered internal and certain external sources of information including credit reports, economic forecasts and industry reports up to the date of approval of the financial statements in determining the impact on various elements of its financial statements. The Company has used the principles of prudence in applying judgments, estimates and assumptions including sensitivity analysis and based on the current estimates, the Company expects to fully recover the carrying amount of financial assets. The underlying assumptions are also subject to uncertainties which are often outside the control of the Company. The eventual outcome of impact of the global health pandemic may be different from those estimated as on the date of approval of these financial statements.

2. Significant accounting policies

The Company has applied the following accounting policies to all periods presented in these financial statements.

i. Revenue recognition

Interest income from financial assets is recognized on an accrual basis using effective interest rate (EIR) method. Interest revenue continues to be recognized at the original effective interest rate applied on the gross carrying amount for assets falling under impairment stages 1 and 2 as against on net amortized cost for the assets falling under impairment stage 3.

Processing fees, subvention income and commission expenses that are integral to the effective interest rate on a financial asset are included in the effective interest rate.

Other fees and commission income are recognized as the related services are performed. All other fees are recognized as the related services are performed.

Recovery from bad debts written off is recognized on actual realization from customers.

For revenue recognition from leasing transactions of the Company, refer Note 2 (vii) on Leases below.

Interest on fixed deposits is recognized on a time proportion basis taking into account the amount outstanding and the applicable rate.

Dividend is recognized when the right to receive the dividend is established.

Net gain on fair value change - Any differences between the fair values of the financial assets classified as fair value through the profit or loss, held by the Company on the balance sheet date is recognized as an unrealized gain/loss in the statement of profit and loss. In cases there is a net gain in aggregate, the same is recognized in "Net gains or fair value changes" under revenue from operations and if there is a net loss the same is disclosed "Expenses", in the statement of profit and loss.

ii. Finance Cost

Finance costs include interest expense calculated using the effective interest method, finance charges in respect of assets acquired on finance lease and exchange differences arising from foreign currency borrowings, to the extent they are regarded as an adjustment to interest costs.

Interest expense on financial liabilities is recognized on an accrual basis using effective interest rate (EIR) method.

Arranger fees, stamp duty charges and other fees that are integral to the effective interest rate on a liability are included in the effective interest rate.

Other fees and expenses such are recognized as and when they are incurred.

iii. Financial assets and liabilities

a. Financial assets

Initial recognition and measurement

Except for an item at fair value through profit or loss (FVTPL), all financial assets are recognized initially at fair value plus or minus transaction costs that are directly attributable and incremental to the origination/acquisition of the financial asset.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

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

After initial measurement, such financial assets are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the EIR and reported as part of interest income in the Statement of Profit or Loss. The losses if any, arising from impairment are recognized in the Statement of Profit or Loss.

Financial asset at fair value through Other Comprehensive Income (FVOCI)

A financial asset is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

The loss allowance is recognized in other comprehensive income and does not reduce the carrying value of the financial asset. When the financial asset is derecognized the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.

Financial asset at fair value through profit and loss (FVTPL)

Any financial instrument, which does not meet the criteria for categorization as at amortized cost or as FVOCI, is classified to be measured at FVTPL.

In addition, the Company may also elect to classify a debt instrument, which otherwise meets amortized cost or FVOCI criteria, as at FVTPL. However, such election is done only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as ‘accounting mismatch’).

Debt instruments included within the FVTPL category are measured at fair value with all changes recognized in profit or loss.

Classification and subsequent measurement

The Company classifies its financial assets as subsequently measured at either amortized cost or fair value based on the business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

b. Financial liabilities

Initial recognition and measurement

Except for an item at fair value through profit or loss (FVTPL), all financial liabilities are recognized initially at fair value plus or minus transaction costs that are directly attributable and incremental to the issue of the financial liabilities.

Subsequent measurement

All financial liabilities are subsequently measured at amortized cost except for financial liabilities at FVTPL. Such liabilities including derivatives that are liabilities are subsequently measured at fair value.

c. Impairment of financial instruments

Methodology for computation of Expected Credit Losses 'ECL'

The Company recognizes loss allowances for ECL on the following financial instruments that are not measured at FVTPL*:

- Loans;

*refer note 44 for the credit risk assessment of the Company for trade receivables, investments and other financial assets.

The Company measures loss allowances at an amount equal to 12-month expected credit losses unless the credit risk on a financial instrument has increased significantly since initial recognition, for which the Company measures the loss allowances at an amount equal to life time expected credit losses.

Measurement of ECL

ECL is a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive) that are possible within 12 months after the reporting date;
- financial assets with significant increase in credit risk but not credit impaired: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive) that result from all possible default events over the expected life of the financial asset.
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- Undrawn loan limits are not recorded in the balance sheet. However, these financial instruments are in the scope of expected credit loss ('ECL') calculation.
- In measurement of its ECL, the Company considers the prudential floor for ECL as mentioned in the directions issued by Reserve Bank of India.

For credit-impaired assets under the non-retail portfolio the management keeps specific provision for expected credit loss based on a case to case assessment considering value of the collateral held as security and other relevant information pertaining to the case.

Significant Increase in credit risk (SICR)

At each reporting date, the Company assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. To make the assessment, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information such as financial condition, market position, business environment and quality management of the borrower and analysis, based on Company's historical experience and expert credit assessment and including forward-looking information.

Evidence of SICR which lead to the movement of an asset to Stage 2 are as follows:

- Any counterparty with principal or interest payments 30+ days past due.
- Any significant downgrade in the internal ratings of the counterparty.
- Any customer segment collectively assessed to have SICR based on management discretion.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower;
- a breach of contract such as default or past due events;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to deterioration in the borrower's condition is usually considered to be credit-impaired unless there is enough evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a loan that is 90 days past due or more is also considered as credit-impaired.

Presentation of ECL allowance in balance sheet

Loss allowance for ECL on financial assets measured at amortized cost is presented as a deduction from the gross carrying amount of the asset, in the balance sheet.

Write off

Financial assets are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof.

However, financial assets that are written off could still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

d. De-recognition of financial assets and financial liabilities

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:

– The rights to receive cash flows from the asset have expired, or

– The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On de-recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the consideration received (including any new asset obtained less any new liability assumed) shall be recognized in Statement of Profit or Loss.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The difference between the carrying value of the original financial liability and the new financial liability with modified terms is recognised in statement of profit and loss.

e. Modifications of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the Company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and a new financial asset is recognized at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

If the cash flows of the modified asset carried at amortized cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Company recalculates the gross carrying amount of the financial asset and recognizes the amount arising from adjusting the gross carrying amount as a modification gain or loss in Statement of profit or loss. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income using EIR method.

Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortized over the remaining term of the modified financial asset.

Financial liabilities

The Company derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognized in statement of profit or loss.

f. Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position when the Company has a legal right to offset the amounts and intends to settle on net basis or to realize the asset and settle the liability simultaneously.

g. Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

Derivative Financial Instruments

The Company enters into derivative financial instruments to manage its exposure to interest rate risk and foreign exchange rate risk. The derivatives held by the Company are cross currency interest rate swaps. Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each Balance Sheet date. The resulting gain/loss is recognized in the statement of profit and loss immediately. A derivative with a positive fair value is recognized as a financial asset whereas a derivative with a negative fair value is recognized as a financial liability.

iv. Employee benefits

i. Short term employee benefits

Short term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

ii. Post-employment benefits

a. Defined Contribution Plans

The Company's contribution paid/ payable during the year towards provident fund is charged to Statement of Profit and Loss every year. In accordance with the applicable law, all employees of the Company are entitled to receive benefits under the Provident Fund Act, 1952. The Company contributes an amount on a monthly basis at a determined rate to the pension scheme administered by the Regional Provident Fund Commission ("RPFC") and the Company has no liability for future Provident Fund benefits other than its annual contribution, since it is a defined contribution plan.

b. Defined Benefit Plans

The Company's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets. Gratuity and Leave benefits to employees are defined benefit obligations. The cost of providing benefits is determined annually by a qualified actuary using the projected unit credit method. Discount rate used to arrive at the present value of estimated future cash flows is arrived at by reference to market yields on balance sheet date on government bonds of term consistent with estimated term of the obligations. When the calculation results in a potential asset for the Company, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan ('the asset ceiling'). In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements.

Re-measurement of all defined benefit plans, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income in the year they are incurred.

v. Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment loss if any. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets.

Advances paid towards the acquisition of Property Plant and Equipment (PPE) outstanding at each balance sheet date are disclosed separately under other non-financial assets.

Capital Work in Progress comprises the cost of PPE that are not ready for its intended use at the reporting date.

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

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within the statement of profit or loss.

Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Depreciation

Depreciation is calculated on the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is recognized in Statement of profit or loss. Assets acquired on lease are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

The estimated useful lives for the current and comparative periods are as follows:

Classes of assets	Useful life (Years) as per Schedule II
Leasehold improvements	The shorter of useful life or tenor of underlying lease.
Office equipment	5
Furniture and fixtures	10
Vehicles- office	8
Vehicles- lease	The tenor of underlying lease (refer note 11).
Computers (other than servers and networks)	3
Servers and networks	6

The depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Depreciation on additions /disposals is provided on a pro-rata basis i.e. from / up to the date on which asset is ready for use /disposed of.

Depreciation charge for impaired assets is adjusted in future periods in such a manner that the revised carrying amount of the asset is allocated over its remaining useful life.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in statement of profit and loss.

vi. Intangibles

Intangible assets other than goodwill are measured at cost less accumulated amortization and any impairment losses.

Expenditure on internally developed software is recognised as an asset when the Company is able to demonstrate that the product is technically feasible, its intention and ability to complete the development and use the intangible in the manner that will generate future economic benefits, and can reliably measure the cost to complete the development. The capitalized costs of internally developed software include all costs directly attributable to developing the software and capitalized borrowing costs, and are amortized over its useful life. Internally developed software is stated at capitalized cost less accumulated impairment losses.

Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in Statement of profit or loss as incurred.

Software is amortized on a straight-line method in Statement of profit and loss over its estimated useful life, from the date on which it is available for use.

Intangibles under development represents the cost of intangibles that are not ready for its intended use at the reporting date.

Intangibles

The estimated useful life of software for the current and comparative periods:

Asset	Useful life (Years) as per Schedule II
Computer Software	5

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

vii. Leases

(i) The Company as Lessee

The Company lease asset classes primarily consist of leases for buildings and Data Center.

To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether-

(i) the contract involves the use of an identified asset
(ii) the Company has substantially all of the economic benefits from use of the asset through the period of the lease and
(iii) the Company has the right to direct the use of the asset.

This policy has been applied to contracts existing and entered into on or after April 1, 2019.

The Company recognise a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the company incremental borrowing rate. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognise the lease payments associated with these leases as an expense over the lease term.

(ii) The Company as lessor-

At the inception of the lease, the Company classifies each of its leases as either a finance lease or an operating lease. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

The Company has given certain vehicles on lease where it has substantially retained the risks and rewards of ownership and hence these are classified as operating leases. These assets given on operating lease are included in PPE. Rental income from operating leases is generally recognised on a straight-line basis over the term of the relevant lease. Where the rentals are structured solely to increase in line with expected general inflation to compensate for the Company's expected inflationary cost increases, such increases are recognised in the year in which such benefits accrue.

viii. Impairment (non-financial asset)

The carrying amounts of the Company's non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

Impairment exists when the carrying value of an asset or cash generating unit ('CGU') exceeds the recoverable amount, which is the higher of the fair value less costs to sell and value in use. The fair value less costs to sell is arrived based on available data from binding sales transactions at arm's length, for similar assets. The value in use is based on a discounted cash flow (DCF) model, whereby the future expected cash flows discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

Impairment losses are recognized in statement of profit or loss, when the carrying value of an asset or cash generating unit ('CGU') exceeds the estimated recoverable amount. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

ix. Foreign currency transactions:

Transactions in foreign currencies are translated to the respective functional currency of the Company at exchange rates at the dates of the transactions or at the average rate if such rate approximates the actual rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are generally recognized in Statement of profit or loss.

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

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

x. Provisions and contingencies related to claims, litigation, etc.

A provision is recognised if, as a result of a past event, the Company has a present obligation (legal or constructive) that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as finance cost.

(i) Onerous contracts
A contract is considered as onerous when the expected economic benefits to be derived by the Company from the contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision for an onerous contract is measured at the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognizes any impairment loss on the assets associated with that contract.

(ii) Contingencies related to claims, litigation, etc.
Provision in respect of loss contingencies relating to claims, litigation, assessment, fines, penalties, etc. are recognised when it is probable that a liability has been incurred, and the amount can be estimated reliably. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that the outflow of resources would berequired to settle the obligation, the provision is reversed.

Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company or a present obligation that may arise from past events but probably will not require an outflow of resources to settle the obligation.

When there is a possible obligation or a present obligation in respect of which likelihood of outflow of resource is remote, no provision or disclosure is made.
Contingent assets are neither recognised nor disclosed in the financial statements.

xi. Income taxes

Income tax expense comprises current and deferred tax. It is recognized in statement of profit and loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

a. Current tax

Current tax is measured at the amount expected to be paid in respect of taxable income for the year in accordance with the Income Tax Act, 1961. Current tax comprises the expected tax payable on the taxable income for the year and any adjustment to the tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the balance sheet date.

Current tax assets and liabilities are offset only if, the Company:

a) has a legally enforceable right to set off the recognized amounts; and

b) intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

b. Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and its tax base.

Deferred tax assets are reviewed at each reporting date and based on management's judgment, are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the balance sheet date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities. The effect of changes in the tax rates on deferred tax assets and liabilities is recognised as income or expense in the period that includes the enactment or substantive enactment date. Deferred tax assets and liabilities are offset only if:

a) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and

b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority.

xii. Goods and services tax input credit

Goods and services tax input credit is recognised in the books of accounts in the period in which the supply of goods or service received is recognised and when there is no uncertainty in availing/utilising the credits. Expenses and assets are recognised net of the goods and services tax/value added taxes paid, except:

- When the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the tax paid is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

- When receivables and payables are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

xiii. Earnings per share (EPS)

The Company presents basic and diluted EPS data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss that is attributable to ordinary shareholders of the Company by the weighted-average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss that is attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

xiv. Cash and cash equivalent

Cash and cash equivalents include cash on hand, balance with bank and fixed deposits with banks with original maturity of three months or less, other short term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are carried at amortized cost in the balance sheet.

xv. Cash flow statement

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of non-cash transactions, any deferrals or accruals of past or future operating cash receipts or payments and item of expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Company are segregated. For the purpose of presentation in the statement of cash flows, Cash and cash equivalents includes bank overdrafts that are repayable on demand and form an integral part of the Company’s cash management.

xvi. Commitments

Commitments are future liabilities for contractual expenditure, classified and disclosed as follows:
- estimated amount of contracts remaining to be executed on capital account and not provided for;
- other non-cancellable commitments, if any, to the extent they are considered material and relevant in the opinion of management.

xvii. Collateral valuation and repossession

To mitigate its credit risk on financial assets, the Company seeks to use collateral, where possible. The collateral comes in various forms, such as guarantees, land and building, receivables, inventories.

To the extent possible, the Company uses active market data and external valuers for valuing financial assets held as collateral. Non-financial collateral, such as land and building, is valued based on data provided by third parties such as mortgage brokers, or based on housing price indices. The Company physically repossess mortgaged and the hypothecated assets and take into custody or liquidates the assets to settle outstanding debt. Any surplus funds are returned to the customers/ obligors.

xviii. Segment Reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses whose results are regularly reviewed by the Company's chief operating decision maker (CODM) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Company's CEO (being the CODM) include items that are directly attributable to a segment as well as those that can be allocated on a reasonable basis.

xix. Recent accounting pronouncement

Ministry of Corporate Affairs ("MCA") notifies new standard or amendments to the existing standards. There is no such notification which would have been applicable from 1 April 2021.

(Amounts are in INR Million)

	Particulars	31 March 2021	31 March 2020
3	**Cash and cash equivalents**		
	Cash on hand*	0.00	0.35
	Balances with banks in current accounts	253.21	61.21
	Bank deposits (with original maturity less than 3 months)	1,310.13	5,310.00
		1,563.34	**5,371.56**

*The absolute balance of Cash on hand is INR 624.
The company exposure to currency and liquidity risk are disclosed in note no. 44

(Amounts are in INR Million)

	Particulars	31 March 2021			31 March 2020		
		Notional amounts	Fair Value - Assets	Fair Value - Liabilities	Notional amounts	Fair Value - Assets	Fair Value - Liabilities
4	**Derivative financial instruments**						
	Part I						
	(i)Currency and interest derivatives:						
	Cross currency interest rate swaps	14,324.20	104.43	144.11	12,113.70	345.76	-
	Total Cross currency interest rate swaps	14,324.20	104.43	144.11	12,113.70	345.76	-
	Part II						
	Included in above (Part I) are derivatives held for hedging and risk management purposes as follows:						
	(i)Undesignated Derivatives	14,324.20	104.43	144.11	12,113.70	345.76	-
	Total Derivative	14,324.20	104.43	144.11	12,113.70	345.76	-

The above table shows the fair values of derivative financial instruments recorded as assets or liabilities together with their notional amounts. The notional amounts indicate the value of transactions outstanding at the year end and are not indicative of either the market risk or credit risk.

The Company has borrowed floating rate foreign currency External Commercial borrowings and used derivative instruments to manage exposures to interest rate risk and currency risk. The Company recognizes and measures these derivative instruments at fair value, with changes in fair value being recognised in the statement of profit and loss.

The company's exposure to currency and interest rate risk are disclosed in note no. 44

(Amounts are in INR Million)

	Particulars	31 March 2021	31 March 2020
5	**Trade receivables**		
	Receivables considered good - unsecured*	4.42	5.06
	Less : Impairment loss allowance	-	-
		4.42	**5.06**

* Includes due from related parties (refer note no. 40)

No trade receivable is due from Directors or other officer of the company either severally or jointly with any other person. Trade receivables due from firm or private companies respectively in which any Director is a partner or Director or a member is disclosed in note 40.

There are no trade receivables for which there has been a significant increase in credit risk or which have become credit impaired.

(Amounts are in INR Million)

	Particulars	31 March 2021	31 March 2020
6	**Loans** (at amortised cost)		
	(A)		
	(i) Term Loans	66,262.69	65,296.04
	(ii) Inventory Financing	5,157.09	5,894.70
	Total (A) - Gross	**71,419.78**	**71,190.74**
	Less: Impairment loss allowance	(3,209.97)	(2,419.30)
	Total (B) - Net	**68,209.81**	**68,771.44**
	(B)		
	(i) Secured by tangible assets	71,363.86	71,095.03
	(ii) Covered by Bank/ Government Guarantee	55.92	95.71
	(iii) Unsecured	-	-
	Total (B) - Gross	**71,419.78**	**71,190.74**
	Less: Impairment loss allowance	(3,209.97)	(2,419.30)
	Total (B) - Net	**68,209.81**	**68,771.44**
	(C)		
	(I) Loans in India		
	(i) Public Sector	-	-
	(ii) Automobile Financing*	71,419.78	71,190.74
	Total (C)- Gross	**71,419.78**	**71,190.74**
	Less: Impairment loss allowance	(3,209.97)	(2,419.30)
	Total (C) (I) -Net	**68,209.81**	**68,771.44**
	(II) Loans outside India	-	-
	Less: Impairment loss allowance	-	-
	Total (C) (II) -Net	**-**	**-**
	Total (C) (I) and (C) (II)	**68,209.81**	**68,771.44**
	*Includes auto dealer financing		
	The company exposure to credit risk and interest rate risk are disclosed in note no. 44		
7	**Investments** (at amortised cost)		
	In India		
	Government securities	989.15	-
	Gross Investments	**989.15**	**-**
	Less: Allowance for Impairment loss	-	-
	Net Investments	**989.15**	**-**
	The company exposure to credit risk and interest rate risk are disclosed in note no. 44		
8	**Other financial assets**		
	Unsecured, considered good		
	Rental deposits	38.88	42.45
	Loans to employees	0.49	1.59
	Insurance deposit	0.40	0.40
	Interest accrued but not due	-	4.59
	Other financial assets (refer note 52)	53.89	-
		93.66	**49.03**
	The company exposure to credit risk are disclosed in note no. 44		
9	**Current tax assets (net)**		
	- considered good		
	Advance tax and tax deducted at source (net of provision)	99.03	264.58
		99.03	**264.58**

10 Deferred tax assets (Net) and Tax expense

(Amounts are in INR Million)

Particulars	31 March 2021	31 March 2020
Deferred tax asset		
- On Provisions for Impairment loss	752.99	562.01
- On mark to market interest rate swap	85.06	89.63
- On Provision for compensated absences	6.11	4.40
- On Provision for interest on interest	5.01	-
- On Provision for provident fund liability	4.85	4.84
- On Provisions for undisbursed commitments	4.57	11.01
- On Lease liability over Right of use	4.52	4.37
- On Depreciation	0.23	4.34
- On Remeasurements of the defined benefit plans	-	0.09
- On Others	0.68	1.14
Deferred tax liabilities		
- On EIR of Retail and INF assets	(74.26)	(77.21)
- On Debenture and Commercial paper issue expenses	(6.69)	(8.55)
- On Remeasurements of the defined benefit plans	(0.48)	-
Deferred tax assets (Net)	**782.59**	**596.07**
Movement in net deferred tax asset during the year	**186.52**	**317.28**

Particulars	31 March 2021		31 March 2020	
	Recognized in profit or loss	Recognized in OCI	Recognized in profit or loss	Recognized in OCI
- On Provisions for Impairment loss	190.98	-	186.30	-
- On mark to market interest rate swap	(4.57)	-	89.63	-
- On Provision for compensated absences	1.71	-	0.74	-
- On Provision for interest on interest	5.01	-	-	-
- On Provision for provident fund liability	0.01	-	(1.88)	-
- On Provisions for undisbursed commitments	(6.44)	-	11.01	-
- On Lease liability over Right of use	0.15	-	0.14	-
- On Depreciation	(4.11)	-	(4.34)	-
- On EIR of Retail and INF assets	2.95	-	27.19	-
- On Debenture and Commercial paper issue expenses	1.86	-	9.64	-
- On Remeasurements of the defined benefit plans	-	(0.57)	-	0.13
- On Others	(0.46)	-	(1.28)	-
Deferred tax assets	**187.09**	**(0.57)**	**317.15**	**0.13**

A. Amounts recognized in statement of profit and loss	31 March 2021	31 March 2020
Current tax expense		
In respect of current year	365.95	259.77
In respect of prior years**	30.82	-
	396.77	**259.77**
Deferred tax expense		
Origination and reversal of temporary differences arisen in current year	(157.90)	(240.33)
In respect of prior years**	(29.19)	-
Reduction in tax rate	-	(76.82)
	(187.09)	**(317.15)**
Tax expense recognized in the statement of profit & loss	**209.68**	**(57.38)**

B. Amounts recognized in other comprehensive income	31 March 2021	31 March 2020
Income tax relating to items that will not be reclassified to profit or loss		
Remeasurements of defined benefit liability (asset)	(0.57)	0.13
Tax expense recognised in Other comprehensive income	**(0.57)**	**0.13**

C. Reconciliation of effective tax rate

Particulars	31 March 2021	31 March 2020
	2021	2020
Profit / (loss) before tax	**731.16**	**(554.87)**
Enacted income tax rate in India	**25.17%**	**25.17%**
Computed expected tax expense	184.03	(139.66)
Tax effect of:		
Impact of change in Corporate tax rate on deferred tax*	-	76.81
Non-deductible expenses	24.89	5.25
Tax effect of earlier years	1.63	-
Others	(0.88)	0.22
Total income tax expense	**209.67**	**(57.38)**

*The Taxation Laws (Amendment) Ordinance, 2019 contain substantial amendments in the Income Tax Act 1961 and the Finance (No.2) Act, 2019 to provide an option to domestic companies to pay income tax at a concessional rate. The Company has elected to apply the concessional tax rate. Accordingly, the Company has recognised the provision for income tax and re-measured the net deferred tax assets at concessional rate for the year ended 31 March 2020. Further, the opening net deferred tax asset has been re-measured at lower rate with a one-time impact of INR 76.81 Millions recognised as transition adjustment in the Statement of profit and loss for the year ended 31 March 2020.

**This represents the impact on current tax and deferred tax on account of revision of income tax return made with respect to FY 2017-2018 and FY 2018-2019.

Toyota Financial Services India Limited
Notes to the financial statements for the year ended 31 March 2021

11 Property, Plant and Equipment

(Amounts are in INR Million)

PARTICULARS	Gross Block				Accumulated Depreciation				Net Block	
	Balance as at 01 April 2020	Additions	Deductions	Balance as at 31 March 2021	Balance as at 01 April 2020	Charge for the year	Deductions	Balance as at 31 March 2021	Balance as at 31 March 2021	Balance as at 31 March 2020
Leasehold Improvements	21.89	-	6.63	15.26	10.43	2.64	6.63	6.44	8.82	11.46
Computers & Servers	44.76	10.73	0.12	55.37	31.08	9.13	0.08	40.13	15.24	13.68
Furniture and Fixtures	16.22	-	3.94	12.28	8.34	1.74	3.94	6.14	6.14	7.88
Vehicles	13.10	4.76	-	17.86	1.41	1.74	-	3.15	14.71	11.69
Office Equipment	8.98	0.15	1.68	7.45	5.79	1.44	1.68	5.55	1.90	3.19
Leased Vehicles *	97.84	192.16	48.77	241.23	13.74	20.52	12.82	21.44	219.79	84.10
TOTAL	**202.79**	**207.80**	**61.14**	**349.45**	**70.79**	**37.21**	**25.16**	**82.85**	**266.60**	**132.00**

(Amounts are in INR Million)

PARTICULARS	Gross Block				Accumulated Depreciation				Net Block	
	Balance as at 01 April 2019	Additions	Deductions	Balance as at 31 March 2020	Balance as at 01 April 2019	Charge for the year	Deductions	Balance as at 31 March 2020	Balance as at 31 March 2020	Balance as at 31 March 2019
Leasehold Improvements	8.67	13.22	-	21.89	4.08	6.35	-	10.43	11.46	4.59
Computers & Servers	35.35	9.41	-	44.76	19.88	11.20	-	31.08	13.68	15.47
Furniture and Fixtures	11.16	5.06	-	16.22	3.31	5.03	-	8.34	7.88	7.85
Vehicles	5.23	9.43	1.56	13.10	1.68	1.29	1.56	1.41	11.69	3.55
Office Equipment	6.60	2.41	0.03	8.98	3.42	2.40	0.03	5.79	3.19	3.18
Leased Vehicles*	72.34	33.37	7.87	97.84	3.79	11.01	1.06	13.74	84.10	68.55
TOTAL	**139.35**	**72.90**	**9.46**	**202.79**	**36.16**	**37.28**	**2.65**	**70.79**	**132.00**	**103.19**

*Refer Note 38

During the year the estimated total useful lives of Leased Vehicles were revised. The net effect of the changes in the current financial year (starting from 1 February 2021) was an increase in depreciation expense of INR 4.08 millions. Assuming the assets are held until the end of their revised estimated useful lives, depreciation in future years in relation to those assets will be increased/(decreased) by the following amounts.

(Amounts are in INR Million)

Year ending 31st March	Amount
2022	17.91
2023	4.47
2024	0.05
2025	(0.05)
2026	(0.17)

Toyota Financial Services India Limited
Notes to the financial statements for the year ended 31 March 2021

12 Intangible assets

(Amounts are in INR Million)

PARTICULARS	Gross Block				Accumulated Depreciation				Net Block	
	Balance as at 01 April 2020	Additions	Deductions	Balance as at 31 March 2021	Balance as at 01 April 2020	Charge for the year	Deductions	Balance as at 31 March 2021	Balance as at 31 March 2021	Balance as at 31 March 2020
Computer Software	82.98	31.47	-	114.45	38.78	15.74	-	54.52	59.93	44.20
	82.98	**31.47**	**-**	**114.45**	**38.78**	**15.74**	**-**	**54.52**	**59.93**	**44.20**
Intangible assets under development	**35.92**								**91.64**	**35.92**

(Amounts are in INR Million)

PARTICULARS	Gross Block				Accumulated Depreciation				Net Block	
	Balance as at 01 April 2019	Additions	Deductions	Balance as at 31 March 2020	Balance as at 01 April 2019	Charge for the year	Deductions	Balance as at 31 March 2020	Balance as at 31 March 2020	Balance as at 31 March 2019
Computer Software	69.81	13.17	-	82.98	23.31	15.47	-	38.78	44.20	46.50
	69.81	**13.17**	**-**	**82.98**	**23.31**	**15.47**	**-**	**38.78**	**44.20**	**46.50**
Intangible assets under development	**11.39**								**35.92**	**11.39**

For details of contractual commitments, refer note 36

13 Right-of-use assets

(Amounts are in INR Million)

Particulars	31 March 2021			31 March 2020		
	Office Premises	Data Center	Total	Office Premises	Data Center	Total
Balance as at the beginning of the year	77.99	15.46	93.45	81.15	23.19	104.34
Add: Additions during the year	70.93	-	70.93	45.85	-	45.85
Less: Depreciation/Amortisation charge for the year	48.36	7.73	56.09	49.01	7.73	56.74
Balance as at the end of the year	**100.56**	**7.73**	**108.29**	**77.99**	**15.46**	**93.45**

*Balance as at the beginning of the year for 31 March 2020 is on account of adoption of IndAS 116 with effect from 1st April 2019.
Refer Note 38

(Amounts are in INR Million)

Particulars		**31 March 2021**	**31 March 2020**
14 Other non-financial assets			
Balances with government authorities (goods and service tax)		110.51	32.72
Prepaid expenses		23.16	26.31
Advance payment to vendors		12.16	14.20
Capital advances		11.82	-
Stamp and stamp papers on hand		5.94	8.94
Advance payment to employees		0.36	1.13
Repossessed assets (at realisable value)*		0.60	0.60
Other advances		0.04	0.03
		164.59	**83.93**

* Represents assets repossessed prior to 01st April 2017 and continued to be derecognized as business assets.

15 Trade payables			
- Total outstanding dues of micro, small and medium enterprises	**(A)**	5.94	0.15
- Total outstanding dues of creditors other than micro, small and medium enterprises			
- Payable to dealers		468.74	24.64
- Others*		473.97	397.02
	(B)	**942.71**	**421.66**
Total	**(A+B)**	**948.65**	**421.81**

* Includes due from related parties (refer note no. 40)
The company exposure to currency and liquidity risk are disclosed in note no. 44

Dues to Micro, Small and Medium Enterprises
The Ministry of Micro, Small and Medium Enterprises has issued an Office Memorandum dated 26 August 2008 which recommends that the Micro and Small Enterprises should mention in their correspondence with its customers the Entrepreneurs Memorandum Number as allotted after filing of the Memorandum. Accordingly, the disclosure in respect of the amounts payable to such enterprises as at 31 March 2021 has been made in the financial statements based on information received and available with the Company. Further in the view of the Management, the impact of interest, if any, that may be payable in accordance with the provisions of the said Act is not expected to be material. The Company has not received any claim for interest from any supplier under the said Act.

Particulars	**31 March 2021**	**31 March 2020**
The principal amount and the interest due thereon (to be shown separately) remaining unpaid to any supplier at the end of each accounting year;	5.94	0.15
The amount of interest paid by the buyer in terms of section 16 of the Micro, Small and Medium Enterprises Development Act, 2006, along with the amount of the payment made to the supplier beyond the appointed day during each accounting year;	-	-
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006;	0.25	0.11
The amount of interest accrued and remaining unpaid at the end of each accounting year.	-	-
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues above are actually paid to the small enterprise, for the purpose of disallowance of a deductible expenditure under section 23 of the Micro, Small and Medium Enterprises Development Act, 2006.	0.44	0.19

The above information regarding micro, small and medium enterprises have been determined to the extent such parties have been identified on the basis of information available with the Company.

(Amounts are in INR Million)

	Particulars	31 March 2021	31 March 2020
16	**Debt Securities** (at amortised cost)		
	Non Convertible debentures (Secured)	16,224.17	17,288.54
	INR denominated ECB Bond (Unsecured)	7,188.28	7,178.06
	Commercial Paper (Unsecured)	-	1,937.52
		23,412.45	**26,404.12**
	Debt securities in India	16,224.17	19,226.06
	Debt securities outside India	7,188.28	7,178.06
	Total (B)	**23,412.45**	**26,404.12**

The company exposure to interest rate risk and liquidity risk are disclosed in note no.44

a) Schedule of repayment of privately placed redeemable non convertible debenture. (at amortised cost)

31 March 2021 (Amounts are in INR Million)

Interest Rate (%)	Due within 1 year	Due 1 to 3 years	Due 3 to 5 years	Total
4.75 - 5.75	-	11,610.18	-	**11,610.18**
6.75 - 7.75	-	3,346.88	-	**3,346.88**
7.75 - 8.75	1,267.11	-	-	**1,267.11**
	1,267.11	**14,957.06**	**-**	**16,224.17**

31 March 2020 (Amounts are in INR Million)

Interest Rate (%)	Due within 1 year	Due 1 to 3 years	Due 3 to 5 years	Total
6.75 - 7.75	9,647.28	-	1,500.50	**11,147.78**
7.75 - 8.75	4,874.55	1,266.21	-	**6,140.76**
	14,521.83	**1,266.21**	**1,500.50**	**17,288.54**

The Company has issued secured, redeemable, non-convertible debentures on private placement basis, listed on the wholesale debt market of National Stock Exchange (NSE). These Debentures are secured through first ranking exclusive charge by way of hypothecation over the loan receivables.

The company has power to reissue non convertible debentures as per applicable law and in line with terms & conditions of respective Debenture Trust Deeds.

b) Schedule of repayment of INR denominated External Commercial Borrowing (ECB) Bond* (at amortised cost)

31 March 2021 (Amounts are in INR Million)

Interest Rate (%)	Due within 1 year	Due 1 to 3 years	Due 3 to 5 years	Total
6.50 - 7.50	3,543.20	3,645.08	-	**7,188.28**

*Privately placed, unsecured, unlisted, unrated.

31 March 2020 (Amounts are in INR Million)

Interest Rate (%)	Due within 1 year	Due 1 to 3 years	Due 3 to 5 years	Total
6.50 - 7.50	-	7,178.06	-	**7,178.06**

*Privately placed, unsecured, unlisted, unrated.

c) Schedule of repayment of Commercial Paper (at amortised cost) (Amounts are in INR Million)

Particulars	31 March 2021	31 March 2020
Commercial Paper	-	2,000.00
Less : unamortised Discount	-	62.48
	-	**1,937.52**

31 March 2020 (Amounts are in INR Million)

Interest Rate (%)	Due within 1 year	Due 1 to 3 years	Due 3 to 5 years	Total
6.00 - 7.00	1,937.52	-	-	**1,937.52**

(Amounts are in INR Million)

Particulars	31 March 2021	31 March 2020
17 Borrowings (other than debt securities) (at amortised cost)		
(a) Term loans (unsecured)		
(i) from banks	33,647.09	35,124.01
(b) Loans repayable on demand (unsecured)		
(i) from banks	-	82.58
	33,647.09	**35,206.59**
Borrowings in India	17,642.06	19,027.18
Borrowings outside India	16,005.03	16,179.41
Total (B)	**33,647.09**	**35,206.59**

Borrowings (other than debt securities) include INR and foreign currency External Commercials Borrowings 'ECBs'. Foreign currency ECBs have been borrowed at floating rate and converted into fixed rate with cross currency interest rate swap.

The company exposure to interest rate risk and liquidity risk are disclosed in note no.44

All the above Term Loans, ECBs are repayable on bullet basis except the overdraft facilities which are repayable on demand.

a) Schedule of repayment of Term Loan (Unsecured - at amortised cost)

(Amounts are in INR Million)

Particulars	31 March 2021		31 March 2020	
	In India	**Outside India**	**In India**	**Outside India**
0-1 years	13,774.25	1,240.27	13,444.60	2,163.81
1-3 years	3,867.81	14,764.76	5,500.00	14,015.60
3-5 years	-	-	-	-
>5 years	-	-	-	-
	17,642.06	**16,005.03**	**18,944.60**	**16,179.41**

Interest rates range 3.96% p.a to 8.95% p.a (Interest rates range 5.41% p.a to 8.95% p.a 31 March 2020) for the borrowings outstanding as at 31 March 2021.

b) Schedule of repayment of Bank overdraft (Unsecured - at amortised cost)

(Amounts are in INR Million)

Tenure	31 March 2021	31 March 2020
Repayable on demand	-	82.58
	-	**82.58**

Interest rates on overdraft is as determined by the Bank based on Marginal Cost of Lending Rates and appropriate spread from time to time. The Interest rates range from 7.00% p.a. to 8.15% p.a for the overdraft outstanding as at 31 March 2020.

The Borrowings have not been guaranteed by directors or others. Also, the Company has not defaulted in repayment of principal and interest.

Toyota Financial Services India Limited
Notes to the financial statements for the year ended 31 March 2021

(Amounts are in INR Million)

	Particulars	31 March 2021	31 March 2020
18	**Lease liabilities**		
	Balance as at the beginning of the year*	100.49	116.45
	Add: Additions during the year	67.34	41.70
	Add: Interest charge for the year	7.98	9.65
	Less: Lease payment made during the year	60.95	67.31
	Balance as at the end of the year	**114.86**	**100.49**

*Balance as at the beginning of the year is on account of adoption of IndAS 116 with effect from 1st April 2019. Refer Note 38

	Particulars	31 March 2021	31 March 2020
19	**Other financial liabilities**		
	Book overdraft	-	0.42
	Earnest money deposit	4.54	-
	Provision for refund on interest on interest (refer note 53)	19.91	-
		24.45	**0.42**
20	**Current tax liabilities (net)**		
	Provision for tax (net of advance tax and tax deducted at sources)	28.83	-
		28.83	**-**
21	**Provisions**		
	Provision for expected credit loss on undisbursed loan commitments	18.15	43.73
	Provision for employee benefits		
	- Bonus	62.74	39.91
	- Gratuity	3.75	-
	- Compensated absences	24.28	17.49
		108.92	**101.13**
22	**Other non- financial liabilities**		
	Statutory liabilities	64.83	31.09
	Other liabilities	-	7.23
		64.83	**38.32**

(Amounts are in INR Million, except number of shares)

	Particulars	31 March 2021	31 March 2020
23	**Equity share capital**		
	Authorized Equity shares		
	957,972,957 (31 March 2019: 957,972,957) Equity Shares of INR 10 each	9,579.73	9,579.73
		9,579.73	**9,579.73**
	Issued, subscribed and fully Paid up equity shares		
	957,972,957 (31 March 2019: 957,972,957) equity shares of INR 10 each	9,579.73	9,579.73
		9,579.73	**9,579.73**

(a) Reconciliation of number of shares	31 March 2021		31 March 2020	
Particulars	**No of shares**	**Amount**	**No of shares**	**Amount**
Balance at the beginning of the year				
Equity Shares	95,79,72,957	9,579.73	95,79,72,957	9,579.73
Add: Shares Issued during the year				
Equity Shares	-	-	-	-
Balance at the end of the year				
Equity Shares	95,79,72,957	9,579.73	95,79,72,957	9,579.73

During the year the Company has not issued any equity shares (Previous Year- Nil).

(b) Rights, preferences and restrictions attached to shares

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

During the period of five years immediately preceding 31 March 2021, no shares have been bought back and no shares have been allotted as fully paid up by way of bonus shares or pursuant to contracts without payment being received in cash.

(c) Shares held by holding company and its nominees

Particulars	31 March 2021	31 March 2020
957,972,957 (31 March 2020: 957,972,957) equity shares held by Toyota Financial Services Corporation, Japan and its nominees, ultimately held by Toyota Motor Corporation, Japan.	9,579.73	9,579.73

(d) Details of Shares held by shareholders holding more than 5% of aggregate shares in the company

Particulars	31 March 2021	31 March 2020
Equity Shares:		
Toyota Financial Services Corporation, Japan, the holding company	95,79,72,957	95,79,72,957
Percentage holding	100%	100%

(e) No shares reserved for issue under options and contracts/commitments for the sale of shares or disinvestment.

(Amounts are in INR Million)

	Particulars	31 March 2021	31 March 2020
24	**Other equity**		
	Statutory reserve	436.51	332.21
	Security premium account	3,320.27	3,320.27
	Retained earnings	705.42	288.24
	Other comprehensive income	1.36	(0.33)
		4,463.56	**3,940.39**

For detailed movement of reserve refer statement of changes in equity.

Note :

Nature and Purpose of Reserves

1. Statutory Reserve

In terms of Section 45-IC of the RBI Act, NBFCs are required to create a reserve fund and transfer therein a sum not less than twenty per cent of its net profit every year. The above requirement is to give intrinsic strength to the balance sheets of the NFBCs. This reserve could be used for purposes as stipulated by the Reserve Bank of India from time to time.

2. Securities Premium

Securities premium reserve is used to record the premium on issue of shares. It is utilised in accordance with the provisions of the Companies Act, 2013.

3. Retained Earnings

Retained earnings are the profits that the company has earned to date, less any dividends or other distributions paid to shareholders.

4. Other Comprehensive Income (OCI)

Other Comprehensive Income refers to items of income and expenses that are not recognised as a part of the statement of profit and loss. However, the entity may transfer those amounts recognised in other comprehensive income within equity. Remeasurements of the net defined benefit is considered in other comprehensive income.

(Amounts are in INR Million)

	Particulars	Year ended 31 March 2021	Year ended 31 March 2020
25	**Interest income (on financial assets measured at amortised cost)**		
	Interest on loans	6,431.15	6,774.35
	Interest on deposits with banks	111.52	77.35
	Interest on investment	6.80	-
		6,549.47	**6,851.70**
26	**Net gain on fair value changes**		
	(A) Net gain on financial instruments at fair value through profit or loss		
	-Derivatives	18.17	-
		18.17	**-**
	(B) Fair value changes:		
	-Unrealised	18.17	-
		18.17	**-**
27	**Others**		
	Foreclosure charges	124.40	125.97
	Late payment charges	63.51	87.95
	Bounce charges	64.12	70.81
	Documentation charges	5.72	7.29
	Other charges	15.84	19.81
		273.59	**311.83**
28	**Other income**		
	Recovery of bad debts	-	152.31
	Interest on income tax refund	15.58	-
	Miscellaneous income	2.26	0.08
		17.84	**152.39**
29	**Finance costs** (on financial liabilities measured at amortised cost)		
	Interest on debt securities	1,469.89	2,676.60
	Interest on borrowings (other than debt securities)	2,411.41	1,888.98
	Interest on lease liability	7.98	9.65
	Other interest expense	0.97	0.20
		3,890.25	**4,575.43**
30	**Net loss on fair value changes**		
	(A) Net loss on financial instruments at fair value through profit or loss		
	-Derivatives	-	356.15
		-	**356.15**
	(B) Fair value changes:		
	-Unrealised	-	356.15
		-	**356.15**

(Amounts are in INR Million)

	Particulars	Year ended 31 March 2021	Year ended 31 March 2020
31	**Impairment on financial instruments**		
	(on financial assets measured at amortised cost)		
	Loans		
	- Loan loss provisioning	733.22	1,202.20
	- Bad debt written off*	325.58	589.72
		1,058.80	**1,791.92**

*bad debts written off for the year ended 31 March 2021 is net of recoveries from bad debts amounting to INR 258.69 million.

	Particulars	Year ended 31 March 2021	Year ended 31 March 2020
32	**Employee benefit expenses**		
	Salaries and wages	457.42	393.84
	Contribution to Provident and other funds	19.05	16.97
	Gratuity	6.01	5.07
	Staff welfare expenses	15.99	21.01
		498.47	**436.89**
33	**Depreciation, amortisation and impairment**		
	Depreciation on Property, Plant and Equipment	37.21	37.28
	Amortisation of Intangible assets	15.74	15.47
	Depreciation on Right-of-use assets	56.09	56.74
		109.04	**109.49**
34	**Other expenses**		
	Collection charges	255.93	217.83
	Legal and Professional charges	102.62	76.96
	Information technology services	95.19	89.52
	Communication costs	15.86	15.39
	Rent, taxes and energy costs	12.93	22.84
	Net loss on derecognition of property, plant and equipment	10.78	1.34
	Repairs and maintenance	10.55	16.40
	Credit rating fees and other expenses	9.35	11.97
	Recruitment expenses	7.78	11.94
	Postage and courier	7.71	9.69
	Printing and stationery	7.13	8.27
	Expenditure towards Corporate Social Responsibility (CSR) activities*	6.82	20.67
	Travelling and conveyance	5.89	31.34
	Advertisement and publicity	3.25	16.84
	Conference expenses	0.94	8.54
	Auditor's fees and expenses		
	as statutory auditor	6.03	5.30
	as tax auditor	0.27	0.27
	for other services	0.55	-
	for reimbursement of expenses	0.48	1.07
	Director's fees	0.87	1.20
	Net loss on foreign currency transaction and translation (other than those considered as finance cost)	0.65	1.84
	Other expenditure	51.32	65.27
		612.90	**634.49**

Includes transactions with related parties refer note no. 40

*** Details of corporate social responsibility expenditure**

A CSR committee has been formed by the company as per the Companies Act, 2013. CSR expenses have been incurred through out the year on the activities as specified in Schedule VII of the said Act. The focus area of CSR initiatives undertaken by the Company are education, health and environment.

Particulars	Year ended 31 March 2021	Year ended 31 March 2020
Amount required to be spent (excluding taxes) by the Company during the year	6.82	20.67
Amount spent during the year (including taxes)		
(i) Construction/acquisition of any asset	5.81	15.03
(ii) On purposes other than (i) above	1.01	5.64
	6.82	**20.67**

Toyota Financial Services India Limited
Notes to the financial statements for the year ended 31 March 2021

35 Earnings per share

Basic earnings per share
The calculation of basic earnings per share has been based on the following profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding.

(Amounts are in INR Million, except per share data)

Earnings	**31 March 2021**	**31 March 2020**
Profit / (loss) for the year	521.48	(497.49)
Shares		
Basic outstanding shares	95,79,72,957	95,79,72,957
Effect of shares issued during the year	-	-
Weighted average number of shares for computing basic EPS	95,79,72,957	95,79,72,957
Earning per share		
Basic (in INR.)	0.54	(0.52)
Diluted (in INR.) *	0.54	(0.52)
Face value per share (INR)	10.00	10.00

* There are no dilutive shares issued by the Company as on 31 March 2021 and 31 March 2020.

36 Contingent liabilities and commitments (to the extent not provided for)

(Amounts are in INR Million)

Particulars	**31 March 2021**	**31 March 2020**
(i) Contingent Liabilities:		
(a) Claims against the company not acknowledged as debt*		
Income tax matter under dispute for AY 2017-18	4.72	4.72
(b) Other money for which the company is contingently liable		
- Bank Guarantee provided by Bank on behalf of the Company	2.50	-
(ii) Commitments:		
(a) Estimated amount of contracts remaining to be executed on capital account and not provided for	21.82	40.05

* The amount included above represents best possible estimate arrived at on the basis of available information. The management believe that it has a reasonable case in its defense of the proceedings and accordingly no further provision has been created.

The Company has a process whereby periodically all long term contracts (including derivative contracts) are assessed for material foreseeable losses. At the year end, the Company has reviewed and ensured that adequate provision as required under any law / accounting standards for material foreseeable losses on such long term contracts (including derivative contracts) has been made in the books of accounts.

37 Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

(Amounts are in INR Million)

	Assets	31 March 2021			31 March 2020		
		Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
	Financial assets						
(a)	Cash and cash equivalents	1,563.34	-	1,563.34	5,371.56	-	5,371.56
(b)	Derivative financial instruments	-	104.43	104.43	-	345.76	345.76
(c)	Trade receivables	4.42	-	4.42	5.06	-	5.06
(d)	Loans	28,165.37	40,044.44	68,209.81	28,537.11	40,234.33	68,771.44
(e)	Investments	989.15	-	989.15	-	-	-
(f)	Other financial assets	54.38	39.28	93.66	8.86	40.17	49.03
	Total financial assets	**30,776.66**	**40,188.15**	**70,964.81**	**33,922.59**	**40,620.26**	**74,542.85**
	Non-financial assets						
(a)	Current tax assets (net)	-	99.03	99.03	-	264.58	264.58
(b)	Deferred tax assets (net)	-	782.59	782.59	-	596.07	596.07
(c)	Property, plant and equipment	-	266.60	266.60	-	132.00	132.00
(d)	Intangible assets under development	-	91.64	91.64	-	35.92	35.92
(e)	Other intangible assets	-	59.93	59.93	-	44.20	44.20
(f)	Right-of-use assets	-	108.29	108.29	-	93.45	93.45
(g)	Other non-financial assets	164.59	-	164.59	83.93	-	83.93
	Total non-financial assets	**164.59**	**1,408.08**	**1,572.67**	**83.93**	**1,166.22**	**1,250.15**
	Total Assets	**30,941.25**	**41,596.23**	**72,537.48**	**34,006.52**	**41,786.49**	**75,793.00**
	Liabilities and Equity	**31 March 2021**			**31 March 2020**		
		Within 12 months	**After 12 months**	**Total**	**Within 12 months**	**After 12 months**	**Total**
	Liabilities						
	Financial liabilities						
(a)	Derivative financial instruments	-	144.11	144.11	-	-	-
(b)	Payables						
	Trade payables	948.65	-	948.65	421.81	-	421.81
	(i) total outstanding dues of micro enterprises and small enterprises	5.94	-	5.94	0.15	-	0.15
	(ii) total outstanding dues of creditors other than micro enterprises and small enterprises	942.71	-	942.71	421.66	-	421.66
(c)	Debt securities	5,178.08	18,234.37	23,412.45	16,633.93	9,770.19	26,404.12
(d)	Borrowings (other than debt securities)	15,174.59	18,472.50	33,647.09	15,690.99	19,515.60	35,206.59
(e)	Lease liabilities	53.92	60.94	114.86	61.63	38.86	100.49
(f)	Other financial liabilities	23.10	1.35	24.45	0.42	-	0.42
	Total financial liabilities	**21,378.34**	**36,913.27**	**58,291.61**	**32,808.78**	**29,324.65**	**62,133.43**
	Non-financial liabilities						
(a)	Current tax liabilities (net)	28.83	-	28.83	-	-	-
(b)	Provisions	105.17	3.75	108.92	87.60	13.53	101.13
(c)	Other non-financial liabilities	64.83	-	64.83	38.32	-	38.32
	Total non-financial liabilities	**198.83**	**3.75**	**202.58**	**125.91**	**13.53**	**139.45**
	Equity						
(a)	Equity share capital	-	9,579.73	9,579.73	-	9,579.73	9,579.73
(b)	Other equity	-	4,463.56	4,463.56	-	3,940.39	3,940.39
	Total Equity	**-**	**14,043.29**	**14,043.29**	**-**	**13,520.12**	**13,520.12**
	Total Liabilities and Equity	**21,577.17**	**50,960.31**	**72,537.48**	**32,934.69**	**42,858.31**	**75,793.00**

Toyota Financial Services India Limited
Notes to the financial statements for the year ended 31 March 2021

38 Lease

In adopting Ind AS 116, the Company has applied the below practical expedients:

The Company has applied a single discount rate to a portfolio of leases with reasonably similar characteristics. The Company has discounted lease payments using the applicable incremental borrowing rate for measuring the lease liability.

The Company has treated the leases with remaining lease term of less than 12 months as at transition date as if they were "short term leases".

The Company has used hindsight, in determining the lease term if the contract contains options to extend or terminate the lease .

A. Lease disclosures as Lessee

(Amounts are in INR Million)

Particulars	31 March 2021	31 March 2020
(a) the expense relating to short-term leases during the year	0.21	1.10
(b) the expense relating to leases of low-value assets during the year	0.11	0.19
(c) the expense relating to variable lease payments not included in the measurement of lease liabilities	-	-
(d) income from subleasing right-of-use assets	-	-
(e) gains or losses arising from sale and leaseback transactions	-	-
(f) Depreciation charge for right-of-use assets	56.09	56.74
(g) Interest expense (included in finance cost)	7.98	9.65
(h) Future lease payments-		
Within one year	59.21	61.63
After one year but not more than five years	63.28	38.86
More than five years	-	-
(i) Future lease payments for low-value assets -		
Within one year	0.11	0.11
After one year but not more than five years	-	-
More than five years	-	-

B. Operating leases as Lessor

The Company has been financing vehicles under operating lease for which lease rentals are charged on a monthly basis from customers. Maturity analysis of undiscounted lease rentals is provided below.

Particulars	31 March 2021	31 March 2020
(a) Lease income recognised in the Statement of Profit and Loss during the year	39.36	32.13
(b) Future lease income-		
Within one year	69.48	26.79
After one year but not more than five years	43.73	24.92
More than five years	-	-

The Gross carrying amount, accumulated depreciation and net carrying amount of vehicles given on lease as at 31 March 2021 and 31 March 2020 are disclosed in note 11.

39 Segment reporting

The Company's operating segments are established in the manner consistent with the components of the Company that are evaluated regularly by the Chief Operating Decision Maker as defined in Ind AS 108 - 'Operating Segments'. The Company is engaged primarily in the business of financing and there are no separate reportable segments as per Ind AS 108.

Toyota Financial Services India Limited
Notes to the financial statements for the year ended 31 March 2021

40 Related parties

A. Nature of relationship and names of related parties

(i) Ultimate Holding Company	Toyota Motor Corporation, Japan
(ii) Holding Company	Toyota Financial Services Corporation, Japan
(iii) Fellow Subsidiaries (parties under common control)	1. Toyota Kirloskar Motor Private Limited 2. Toyota Motor Credit Corporation 3. Toyota Motor Asia Pacific Pte Ltd
(iv) Key Management Personnel	Narayanaswamy Raja - Managing Director and CEO Norimasa Ogawa - Chief Financial Officer (till 31 December 2020) Anupam Vasdani - Chief Financial Officer (from 23 February 2021) Nithya Prabhu R - Company Secretary
(v) Directors	Asha Sampath - Independent Director Ashok Rao Baswa - Independent Director Masakazu Yoshimura - Director Hao Quoc Tien - Director Manabu Ueno - Whole Time Director

B. Transactions with key managerial personnel

i. Key managerial personnel compensation

Key managerial personnel compensation comprised of the following **(Amounts are in INR Million)**

Particulars	**31 March 2021**	**31 March 2020**
Remuneration to Managing Director		
Short-term employee benefits*	1.92	19.04
Remuneration to Chief Financial Officer		
Short-term employee benefits*	22.37	23.28
Remuneration to Company Secretary		
Short-term employee benefits	1.76	1.73
Remuneration to Whole time Director		
Short-term employee benefits*	27.25	4.76
Directors sitting fees		
(i) Renu Lata Rajani	-	0.20
(ii) Asha Sampath	0.40	0.50
(iii) Ashok Rao Baswa	0.40	0.40

Toyota Financial Services India Limited
Notes to the financial statements for the year ended 31 March 2021

ii. Other related parties transactions
The aggregate value of transactions and outstanding balances related to transactions with other related parties were as follows

(Amounts are in INR Million)

Particulars	31 March 2021	31 March 2020
Toyota Kirloskar Motor Private Limited		
(i) Expenses-		
Remuneration to Managing Director	17.56	4.92
Professional fees	20.89	11.95
Office rent	3.60	2.99
IT Network Communication	1.11	0.92
Training expenses	0.50	0.37
(ii) Income-		
Incentive Fees**	11.00	11.98
Professional fees	0.82	1.28
Lease Income	5.64	0.39
Other (FSL survey)	-	0.26
(iii) Capital Advance	11.82	-
(iv) Security Deposit	3.58	-
(v) Purchase of fixed asset	4.80	-
Holding Company		
Professional fees	1.47	1.57
Staff Welfare	0.34	1.05
Training expenses	0.02	0.49
Toyota Motor Credit Corporation		
IT Cost	1.10	-
Toyota Motor Asia Pacific Pte Ltd		
Professional fees	2.22	2.58
IT Cost	2.22	2.88

Particulars	31 March 2021	31 March 2020
Toyota Kirloskar Motor Private Ltd		
Trade Receivables **	11.37	3.21
Trade Payable	8.59	8.07
Capital Advance	11.82	-
Security Deposit	3.58	-
Toyota Financial Services Corporation		
Trade Payable*	3.43	5.06
Toyota Motor Credit Corporation		
Trade Payable	0.99	-
Toyota Motor Asia Pacific Pte Ltd		
Trade Payable	2.37	1.24

* includes payment of expat home country salaries through Holding Company amounting to INR 11.09 Million (Previous year: 17.68 Millions).

** Based on incentive schemes entered into with Toyota Kirloskar Motors Private Limited ('TKM') during the current year incentive amounting to INR. 11.00 Millions (Previous Year INR. 11.98 Millions), were ascertained and recognized for the year ended 31 March 2021. An amount of INR. 10.22 Millions (including GST) (Previous Year INR. 1.23 Millions) was outstanding at the Balance sheet date.

All outstanding balances with these related parties are priced on arm's length basis. None of these balances are secured. No expenses have been recognized in the current year or prior year for bad and doubtful debts in respect of amounts owed by related parties. The above disclosures include related parties as per Ind AS 24 on "Related Party Disclosures" and the Companies Act, 2013.

The remuneration to key management personnel doesn't include the provisions made for gratuity and compensated absences, as they are obtained on actuarial basis for the Company as a whole.

Toyota Financial Services India Limited
Notes to the financial statements for the year ended 31 March 2021

41 Employee benefits

Defined contribution plan

The Company makes provident fund and employee state insurance scheme contributions which are defined contribution plans, for qualifying employees. Under the schemes, the Company is required to contribute a specified percentage of the payroll costs to fund the benefits. The Company recognised INR 18.83 millions (previous year INR 16.62 millions) for provident fund contributions and INR 0.21 millions (previous year INR 0.34 millions) for employee state insurance scheme contributions in the Statement of Profit and Loss. The contributions payable to these plans by the Company are at rates specified in the rules of the schemes.

Defined benefit plan

Every employee is entitled to a benefit equivalent to fifteen days salary last drawn for each completed year of service in line with the Payment of Gratuity Act, 1972. The same is payable at the time of separation from the Company or retirement whichever is earlier. The benefits vest after five years of continuous service.

The Company has a defined benefit plan for post-employment benefits in the form of Gratuity. The Company has taken a group gratuity policy with Life Insurance Corporation ('LIC') which is funded. Gratuity Fund is administered through LIC and is a recognised fund under the Income Tax Act, 1961. The Company accounts for gratuity based on an actuarial valuation which is carried out by an independent actuary as at the year end. The actuarial valuation method used by the independent actuary for measuring the liability is the Projected Unit Credit Method. The adequacy of the accumulated fund balance available with LIC is compared with the gratuity liability as per the independent actuarial valuation at the year end and any shortfall, if any, is recognised in the financial statements.

Based on the actuarial valuation obtained in this respect, the following table sets out the status of the gratuity plan and the amount recognised in the Company's financial statement as at the balance sheet date :

(Amounts are in INR Million)

Particulars	31 March 2021	31 March 2020
A. Change in present value of obligations		
Present value of defined benefit obligation at the beginning of the year	24.60	20.58
Current service cost	6.17	5.01
Interest cost	1.35	1.63
Remeasurements due to		
Actuarial loss / (gain) arising from change in financial assumptions	(1.17)	2.29
Actuarial loss / (gain) arising from change in demographic assumptions	-	(0.64)
Actuarial loss / (gain) arising on account of experience changes	(0.98)	(1.23)
Past service cost		
Benefits paid	(1.17)	(3.04)
Present value of defined benefit obligation at the end of the year	**28.80**	**24.60**
B. Change in the fair value of plan assets		
Fair value of plan assets at the beginning of the year	24.60	17.53
Expected return on plan assets	1.51	1.57
Remeasurements due to		
actual return on plan assets less interest on plan asset	0.11	(0.11)
Benefits paid	(1.17)	(3.04)
Employer contributions	-	8.66
Fair value of plan assets at the end of the year	**25.05**	**24.60**
C. Change in net defined liability		
Fair value of plan assets at the end of the year	25.05	24.60
Present value of funded defined benefit obligation	(28.80)	(24.60)
Net asset / (liability)	**(3.75)**	**0.00**
D. Expense recognized in the statement of profit and loss		
Current service cost	6.17	5.01
Interest cost	1.35	1.63
Interest income on plan assets	(1.51)	(1.57)
Past Service Cost	-	-
Net gratuity expense	**6.01**	**5.07**
E. Remeasurements recognized in the OCI		
- experience adjustments	(0.98)	(1.23)
- actuarial assumptions	(1.28)	1.76
	(2.26)	**0.53**
F. Categories of plan assets		
Property	-	-
Government Debt Instruments	-	-
Other Debt Instruments	-	-
Equity Instruments	-	-
Insurer managed funds	25.05	24.60
Others	-	-
G. Expected cash flows for the following year		
Expected total benefit payments		
Year 1	2.97	2.34
Year 2	3.50	2.90
Year 3	4.06	3.54
Year 4	4.93	4.25
Year 5	5.82	5.17
Above 5 Years	131.21	122.88

Employee benefits (continued)

H. Actuarial Assumptions

Particulars	31 March 2021	31 March 2020
Discount Rate	6.10%	6.30%
Salary escalation rate	7.20% for first 2 years and 8.50%	9.00%
Expected Return on plan assets	7.50%	7.50%
Attrition Rate - Age (Years)		
21-30	18.00%	18.00%
31-40	14.00%	14.00%
41-50	13.00%	13.00%
51-59	10.00%	10.00%
Mortality rate	Indian Assured Life Mortality (2006-08)	Indian Assured Life Mortality (2006-08)
Retirement Age	60 Years	60 Years

Assumptions regarding future mortality experience are set in accordance with published statistics and mortality tables. The defined benefit plan expose the company to actuarial risks, such as longevity and Interest rate risk, Investment Risk, Liquidity Risk, Market risk and Legislative Risk. The weighted average duration of the defined benefit obligation was 6 years (31 March 2020: 6.00 years).

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors.
The overall expected rate of return on assets is determined based on market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

Expected contribution to the funds next year **(Amounts are in INR Million)**

Particulars	31 March 2021	31 March 2020
Gratuity Fund	3.75	-

Sensitivity analysis

The sensitivity of the defined benefit obligation to changes in weighted principal assumption are as below :

Gratuity

Particulars	31 March 2021		31 March 2020	
	Increase	Decrease	Increase	Decrease
Discount rate (50 bps movement)	(1.00)	1.07	(0.87)	0.92
% change	-3.47%	3.70%	-3.54%	3.78%
Withdrawal rate (50 bps movement)	(0.21)	0.21	(0.19)	0.21
% change	-0.70%	0.73%	-0.81%	0.84%
Salary escalation rate (50 bps movement)	0.98	(0.94)	0.85	(0.81)
% change	3.41%	-3.26%	3.49%	-3.33%

Sensitivity of significant actuarial assumptions is computed by varying one actuarial assumption used for the valuation of defined benefit obligations by 50 basis points, keeping all the other actuarial assumptions constant. Although the analysis does not take into account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumption shown.

42 Capital Management

The Company maintains an actively managed capital base to cover risks inherent in the business and meets the capital adequacy requirements (CRAR) of the Reserve Bank of India (RBI). The adequacy of the Company's capital is monitored using, among other measures, the regulations issued by RBI. The primary objectives of the Company's capital management policy are to ensure that the Company complies with externally imposed capital requirements and maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholder value. The funding requirements are met through equity, non convertible debentures, bank borrowings and other long-term/short-term borrowings. The Company's policy is aimed at appropriate combination of short-term and long-term borrowings. The Company manages its capital structure and makes adjustments to it according to changes in economic conditions and the risk characteristics. No changes have been made to the objectives and policies of the capital management from the previous years. However, they are under constant review by the Board.

Regulatory capital consists of CET 1 capital, which comprises share capital, share premium, statutory reserve, retained earnings including current year loss, deduction of intangible assets and other regulatory adjustments relating to items that are not included in equity but are treated differently for capital adequacy purposes. The other component of regulatory capital is Tier 2 Capital, which comprise of impairment provision in respect of standard assets (Stage-1). Capital ratio is worked out as under :

(Amounts are in INR Million)

Particulars	**31 March 2021**	**31 March 2020**
Common Equity Tier1 (CET1) capital	13,072.37	12,817.60
Tier 2 capital	468.10	828.27
Total Capital	13,540.46	13,645.87
Risk weighted assets	69,412.00	70,303.41
CET1 capital ratio	18.83%	18.23%
Total capital ratio	19.51%	19.41%

Toyota Financial Services India Limited
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43 Financial instruments-fair value and risk management
Accounting classification and fair values
The following table shows the carrying amount and fair value of financial assets and financial liabilities:

Fair value hierarchy
This section explains the judgement and estimates made in determining fair value of the financial instruments that are:
a) recognised and measured at fair value and
b) measured at amortised cost and for which fair values are disclosed in the financial statements.
To provide an indication about the reliability of the inputs used in determining fair values, the Company has classified its financial instruments into the three levels prescribed under the accounting standard. An explanation of each level follows underneath the table.

Financial instruments measured at FVTPL for which fair values are disclosed
The table below presents information pertaining to the carrying amounts and fair values of financial instruments.

(Amounts are in INR Million)

31 March 2021	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
Financial assets					
Derivative financial instruments					
Cross Currency Interest Rate Swap*	-	104.43	-	104.43	104.43
Financial liabilities					
Derivative financial instruments					
Cross Currency Interest Rate Swap*	-	144.11	-	144.11	144.11

31 March 2020	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
Financial assets					
Derivative financial instruments					
Cross Currency Interest Rate Swap*	-	345.76	-	345.76	345.76

*The swaps are priced based on interbank swap curve quoted against the corresponding Libor tenor. Rupee cash flows are discounted using MIFOR curve.

Financial instruments measured at amortised cost for which fair values are disclosed
The table below summarizes the carrying amounts and fair values of those financial assets and liabilities not presented at fair value compared to carrying amounts shown in the financial statement.

(Amounts are in INR Million)

31 March 2021	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
Financial assets					
Cash and cash equivalents	1,563.34	-	-	1,563.34	1,563.34
Trade receivables	-	-	4.42	4.42	4.42
Loans	-	-	68,545.53	68,545.53	68,209.81
Investments	988.95	-	-	988.95	989.15
Other financial assets	-	-	93.66	93.66	93.66
Financial liabilities					
Trade Payables	-	-	948.65	948.65	948.65
Debt securities	-	16,444.64	7,188.28	23,632.92	23,412.45
Borrowings *	-	-	33,650.44	33,650.44	33,647.09
Lease Liabilities	-	-	114.86	114.86	114.86
Other financial liabilities	-	-	24.45	24.45	24.45

31 March 2020	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
Financial assets					
Cash and cash equivalents	5,371.56	-	-	5,371.56	5,371.56
Trade receivables	-	-	5.06	5.06	5.06
Loans	-	-	68,016.38	68,016.38	68,771.44
Other financial assets	-	-	49.03	49.03	49.03
Financial liabilities					
Trade Payables	-	-	421.81	421.81	421.81
Debt securities	-	17,365.56	9,115.58	26,481.14	26,404.12
Borrowings *	-	-	35,222.70	35,222.70	35,206.59
Lease Liabilities	-	-	100.49	100.49	100.49
Other financial liabilities	-	-	0.42	0.42	0.42

* Floating rate loans - to be reset in 3m to 1yr. Hence, Fair valuation is similar to short term loan.
Fair value of other loans has been considered at incremental cost of borrowing as on 31 Mar each year

Financial instruments-fair value and risk management (continued)

Valuation Framework

The Company measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.
Level 1 : Inputs that are quoted at market prices (unadjusted) in active markets for identical assets and liabilities.
Level 2 : The fair value of financial instruments that are not traded in active markets is determined using valuation techniques which maximise the use of observable market data either directly or indirectly, such as quoted prices for similar assets and liabilities in active markets, for substantially the full term of the financial instruments but do not qualify as Level 1 inputs, If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.
Level 3 : If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3, i.e. Level 3 inputs incorporate market participants' assumptions about risk and the risk premium required by market participants in order to bear the risk. The Company develops Level 3 inputs based on the best information available in the circumstances.

Financial instruments valued at carrying value

The respective carrying values of certain on Balance Sheet financial instruments approximate their fair value. These financial instruments include cash in hand, trade receivables, trade payables, lease liabilities and certain other financial assets and liabilities. Carrying values were assumed to approximate fair values for these financial instruments as they are short-term in nature and their recorded amounts approximate fair values or are receivables or payables on demand.

Short-term financial assets and liabilities

Short-term financial assets and liabilities For financial assets and financial liabilities that have a short-term maturity (less than twelve months), the fair value are a reasonable approximation of their carrying cost. Such instruments include: commercial papers and short term borrowings. Such amounts have been classified as Level 3 on the basis that no adjustments have been made to the balances in the balance sheet.

Loans

The fair values of loans and advances are estimated by discounted cash flow models. For fixed rate loans, the fair value represents the discounted value of the expected future cash flow. For floating rate interest loans, the discounted value of the expected cash flows represents the carrying amount of the loans.

Borrowing and Debt Securities

Non-convertible debentures have been valued based on Corporate bond spread matrix methodology prescribed by FIMDA under "guidelines / clarification for valuation of investments".
External Commercial Borrowings 'ECB' have a minimum average maturity period (MAMP) of 3 years (as applicable to the company) as per the guidelines issued by RBI. If residual maturity of ECB loan availed by the Company is less than MAMP as on balance sheet date then no comparable exit price is available in the market to fair value the same. Therefore, the carrying amount of the ECB loan is considered to represent a reasonable approximation of the fair value. For floating rate borrowings, the discounted value of the expected cash flows represents the carrying amount of the borrowings. Other long term borrowings have been valued at exit price available as on 31 March each year.

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Notes to the financial statements for the year ended 31 March 2021

44. Financial Risk Management

The Company has exposure to the following risks from financial instruments:
- Credit risk
- Liquidity risk
- Market risk (currency risk, interest rate risk)
- Operational risk

This note presents information about the Company's objectives, policies and processes for measuring and managing risk.

Risk management framework:

The Company's Chief executive officer has the overall responsibility for the establishment and oversight of the Company's risk management framework. The board of directors has established the Risk Management Committee, which is responsible for developing and monitoring the Company's risk management policies. The Company has a board approved Hedging policy (Derivative) which guides the company on quantum of hedge and the hedging instruments that could to be used and its reporting mechanism. The committee reports regularly to the board of directors on its activities. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations. The Company has constituted the Asset Liability management Committee (ALCO) to monitor and control the liquidity risk and market risks.

Risk	**Exposure arising from**	**Measurement**	**Measurement, monitoring and management of risk**
Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from loans and advances to customers.	Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from loans and advances to customers.	Credit risk is measured mainly through days past due analysis and internal credit ratings using expected credit loss model.	Credit risk is: 1. measured as the amount that could be lost if a customer or counterparty fails to make repayments; 2. monitored using various internal risk management measures and within limits approved by credit manager within a framework of delegated authorities; and 3. managed through a robust risk control framework, which outlines clear and consistent policies, principles and guidance for risk managers.
Liquidity risk	Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations from its financial liabilities. Liquidity risk arises in the following situations: 1. when there is a mismatch between assets and liabilities which is caused by a difference in the maturity profile of such assets and liabilities. 2. from unexpected increases in the cost of funding and an inability to liquidate a position in a timely manner and at a reasonable price.	The Company uses various Key Risk Indicators (KRI) to measure Liquidity risk 1. Structural Liquidity Report (SLR) for static ALM, 2. Short Term Dynamic Liquidity report (STDL) to monitor adequacy of liquidity to fund normal operations, 3. Other KRIs such as stock ratios 4. Liquidity coverage ratio.	The Company has constituted Asset Liability management Committee (ALCO) to monitor the risks arising out of ALM. Liquidity risk being critical for NBFCs, management takes due care to manage it appropriately. To limit this risk: 1. Management ensures the borrowing profile of the company has diversified borrowings instrument wise, source wise, maturity wise. 2. The Company has treasury management guidelines which defines key treasury risk and prescribes appropriate levels of KRI to monitor and control. 3. The company also has a contingency funding plan for responding to severe liquidity disruptions.
Market risk - foreign currency exchange risk	Foreign currency exchange risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign currency risk arise primarily on account of foreign currency receivables or payables and foreign currency borrowings.	Cash flow forecasting Sensitivity analysis	The company has borrowed foreign currency over seas loans under extant RBI regulations of External Commercial Borrowings and has hedged currency exposure including the interest payable in future through SWAPs. Hence the company does not have any unhedged foreign currency exposure on any borrowings. Apart from above the Company has foreign currency exposure towards its trade payables which are of relatively small value and hence the company has not deployed any measures to quantify the losses arising out of fluctuation in foreign currency.
Interest Rate Risk	Exposure to interest rate risk is principally as a result of lending to customers at interest rates and in amounts and for periods, which, may differ from its borrowing in other words, the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. It covers Earnings Risk and Economic Value Risk. This may result in losses for the company due to repricing.	Measurement of Earnings at Risk under traditional gap analysis - Interest rate sensitivity analysis (IRS) - analysis of the gap between assets and liability and classification of all assets and liabilities into various time period categories, according to contracted maturities or anticipated re-pricing dates. The difference in the assets and liabilities maturing or being repriced in any specific time period category is then used as an indication of the exposure of our Company to interest rate risk.	The Company seeks to match its interest rate positions to minimize interest rate risk. To reduce the risk of loss due to interest rate exposure the management undertakes the following: 1. Set and monitor the threshold levels of KRI. 2. Monitor Interest rate sensitivity as prescribed by RBI. 3. Analyze earnings at risk caused by an upward shift in the yield curve (100 bps parallel shift). 4. Cross Currency Interest rate SWAPs to hedge the risk of floating rate ECBs.
Operational Risk	Operational risk is the risk of loss arising from inadequate or failed internal process or proper systems or from human error or from external events.	The operational risks of the Company are monitored and managed on on-going basis through comprehensive internal control systems and procedures. This enables the management to evaluate key areas of operational risks and the process to adequately mitigate them on an ongoing basis. The Company also undertakes periodic self assessment of effectiveness of risk control framework and internal financial controls adherence thereby reducing enterprise exposure.	The Risk Management Committee (RMC) is responsible for monitoring, measuring and managing the operational risk on continuous basis. The Company has put in place a robust Disaster Recovery (DR) plan which is tested on a periodical basis to provide assurance regarding the effectiveness of the Company's readiness, when confronted with adverse events such as natural disasters, technological failures, terrorism, etc

Financial Risk Management (continued)

A. Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the company's receivables from customers. The carrying amounts of financial assets represent the maximum credit risk exposure.

i) Credit risk management approach
The Company has established Credit Committee to periodically review and monitor credit risk. The committee comprises of senior management of the company. It periodically reviews performance of receivables portfolio across various segments. Further, the company lends to various segments based on the established credit policies.

Retail credit analysis is based on risk and exposure associated to segments like salary/self-employed, personal use/fleet/driver cum owner, individual/non individuals etc. Origination based delinquency i.e. tracking the delinquency from on-boarding month is done segment wise and special programme wise (marketing schemes of the company) which is used to enhance the credit assessment process. Further assessments are based on specific credit terms like tenor, loan to value etc. Credit bureau score for individual/non individual are considered further for the risk assessment. Exceptional risk approvals are based on hierarchy depending on the criticality of the risk.

The Company performs necessary due diligence on dealers viz. financial analysis, background checks, CIBIL, grading etc. to arrive at sanctioning of limit. The Company follows the grading tool used by the group globally where certain qualitative and quantitative factors are considered to arrive at grading which helps in ascertaining the probability of default 'PD' of a particular dealer. This is used for decision making on limit sanction and precautions to be undertaken for a said dealer.

ii) Credit Quality of Financial Loans
The following table sets out information about credit quality of loans and investments measured at amortised cost based on days past due information. The amount represents gross carrying amount.

(Amounts are in INR Million)

Particulars	**Term loans**		**Inventory Financing**	
	31 March 2021	**31 March 2020**	**31 March 2021**	**31 March 2020**
Gross carrying value of loan assets				
Neither Past due nor impaired	53,479.12	57,058.98	2,537.35	649.42
Past Due but not impaired				
30 days past due	6,582.54	5,763.69	-	2,789.25
31-90 days past due	3,761.27	1,518.67	1,856.71	1,717.59
Impaired (more than 90 days)	2,439.76	954.70	763.03	738.44
	66,262.69	**65,296.04**	**5,157.09**	**5,894.70**

iii) Expected credit loss
Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive).

The Company measures ECL based out of a probability based outcome using a multiple scenario approach such as Best Case, Base Case and Worst Case and assigning weightages to each of the scenario. (Also refer Note 2 – Significant Accounting Policies).

Definition of Default
The Company considers a financial instrument defaulted and therefore Stage3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days overdue on its contractual payments.
The Company considers probability of default upon initial recognition of asset and whether there has been any significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Company compares the risk of default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Following indicators are incorporated:-
- DPD analysis as on each reporting date.
- significant increase in credit risk on other financial instruments of same borrower.
- significant changes in value of the collateral supporting the obligation or in the quality of third party guarantees.

Probability of default (PD)
Days past due (DPD) analysis is the primary input into the determination of the term structure of PD for exposures for retail loan. The Company collects performance and default information about its credit risk exposures analyzed by jurisdictions or region and type of product or borrower as well as by DPD. For non retail loans, the Company assigns internal ratings (grading) to the borrower based on credit assessment and PD is computed based on the yearly transition of ratings over a period of time. The Company employs statistical models to analyze the data collected and generate estimates of the PD of exposures and how these are expected to change as a result of passage of time.

Exposure at Default (EAD)
Exposure at default (EAD) is estimation of the extent that the Company is exposed to borrower in the event of default. EAD is arrived at take into account any expected changes in the exposure after the assessment date.

EAD in the case of facilities with no limits will be the outstanding exposure which will be calculated as principal + due interest + Interest accrued but not due (as on reporting date). To calculate the EAD for a Stage 1 loan, the Company assesses the possible default in future expected cashflows within 12 months for the calculation of the 12 months ECL. For Stage 2 and Stage 3 financial assets, the exposure at default is considered for future expected cashflows over the lifetime of the instruments.

The Company determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding the multiple scenarios.

Loss Given Default (LGD)
Loss given default (LGD) represents estimated financial loss the Company is likely to suffer in respect of default account and it is used to calculate provision requirement on EAD along with PD. The Company uses collection details on previously defaulted cases and value of the available collateral against the loans for calculating LGD including estimated direct cost of collection from default cases. Appropriate discounting rates are applied to calculate present value of future estimated collection net of direct collection cost. LGD thus calculated is used for all stages, i.e. state 1, stage 2 and stage 3.

During the current year, the Company has restructured 663 loan accounts in accordance with the Resolution framework for Covid-19 related stress issued by RBI vide circulars DOR.No.BP.BC/3/21.04.048/2020-21, DOR.No.BP.BC/4/21.04.048/2020-21 both dated 6 August 2020 and DOR.No.BP.BC/13/21.04.048/2020-21 dated 7 September 2020.
The amortised cost before the modification for these loan accounts is INR 467.53 million and the net modification gain recognised in the statement of profit and loss is INR 8.86 million. These accounts have been reviewed and assessed as having a significant increase in credit risk and accordingly loss allowances for these loans is computed at an amount equal to lifetime expected credit losses. The net carrying amount of modified financial assets as at 31 March 2021 is INR 289.23 million [Gross carrying amount of INR 460.71 million, netted of with impairment allowance of INR 171.48 million]

Financial Risk Management (continued)
Significant in Credit Risk (SICR)

The Company continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject 12 months ECL or life time ECL, the Company assesses whether there has been significant increase in credit risk since initial recognition. The Company also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving a customer / facility to the watch list, or the account becoming forborne. Regardless of the change in credit grades, if contractual payments are more than 30 days overdue, the credit risk is deemed to have increased significantly since initial recognition.

The Company has applied a three-stage approach to measure expected credit losses (ECL) on loans at amortised cost. Loss rates are calculated using a ‘roll rate’ method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Assets migrate through following three stages based on the changes in credit quality since initial recognition.

(a) Stage 1: 12-months ECL: For exposures where there is no significant increase in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognised.
(b) Stage 2: Lifetime ECL, not credit-impaired : For credit exposures where there has been a significant increase in credit risk since initial recognition but are not credit-impaired, a lifetime ECL is recognised.
(c) Stage 3: Lifetime ECL, credit-impaired: Financial assets are assessed as credit impaired upon occurrence of one or more events that have a detrimental impact on the estimated future cash flows of that asset. For financial assets that have become credit-impaired a lifetime ECL is recognised and interest revenue is calculated by applying the effective interest rate to the amortised cost.

The below table shows the gross carrying amount of financial assets by credit ratings along with corresponding expected credit losses and the net carrying amount:

31 March 2021 **(Amounts are in INR Million)**

Particulars	**Asset group**	**Estimated gross carrying amount at default**	**Loss Rate**	**Expected credit losses**	**Carrying amount net of impairment provision**
Stage 1 : Loss allowance measured at 12 month expected credit losses	**Loans at Amortized cost**	62,599.01	0.75%	468.10	62,130.91
Stage 2 : Loss allowance measured at life-time expected credit losses, not credit impaired	**Loans at Amortized cost**	5,617.98	15.64%	878.60	4,739.38
Stage 3 : Loss allowance measured at life-time expected credit losses, credit impaired	**Loans at Amortized cost**	3,202.79	58.18%	1,863.27	1,339.52

The Company has made additional provision for credit losses against the potential impact of COVID-19 and other factors by way of a management overlay. Refer Note 54.

31 March 2020 **(Amounts are in INR Million)**

Particulars	**Asset group**	**Estimated gross carrying amount at default**	**Loss Rate**	**Expected credit losses**	**Carrying amount net of impairment provision**
Stage 1 : Loss allowance measured at 12 month expected credit losses	**Loans at Amortized cost**	66,261.33	1.42%	938.75	65,322.58
Stage 2 : Loss allowance measured at life-time expected credit losses, not credit impaired	**Loans at Amortized cost**	3,236.27	10.95%	354.31	2,881.96
Stage 3 : Loss allowance measured at life-time expected credit losses, credit impaired	**Loans at Amortized cost**	1,693.14	66.52%	1,126.24	566.90

Financial Risk Management (continued)

Concentration of Credit Risk

The Company is engaged primarily in the business of auto financing and related activities. The below table shows risk concentration of loan as at year end.

Particulars	31 March 2021	31 March 2020
Carrying value of loans	68,209.81	68,771.44
Auto loans and auto related loan	68,209.81	68,771.44
	68,209.81	**68,771.44**

Expected credit loss on Trade receivables and other financial assets

Trade receivables primarily includes receivables against incentive fees from fellow subsidiary. Based on the past trends, the Company has not written off any amount of receivable from the party. Such receivables carry insignificant probability of default, hence the credit risk is also very low. Other financial assets primarily include security deposits. Security deposits are measured at FVTPL and hence the credit risk is already factored in the fair value.

Cash and cash equivalents and Bank balance

The Company holds cash and cash equivalents and bank balance of INR 1563.34 million at 31 March 2021 (previous year: INR 5371.56 million). The cash and cash equivalents are held with bank and financial institution counterparties with acceptable credit ratings.

Investments

The Company has invested in Government Securities (treasury bills). Based on history of Government of India, there is no delay in servicing of interest/repayments. Hence, the credit risk is very low and the Company does not expect any delay in interest/redemption servicing in future. Refer Note 7.

An analysis of changes in gross carrying amount and corresponding ECL allowances is as follows:

(i) Movements in the Gross Carrying Amount and Corresponding ECL allowances is as follows:

(Amounts are in INR Million)

Particulars	12 month ECL	Lifetime ECL - not credit impaired	Lifetime ECL- credit impaired	Total
Balance as at 1 April 2019	71,308.85	2,609.90	1,670.17	75,588.92
Net remeasurement of loss allowance	-20,696.36	-739.51	-116.89	-21,552.76
Transfer to 12 Month ECL from lifetime	649.39	-598.45	-50.94	0.00
Transfer to lifetime ECL-not credit-impaired	-2,134.03	1,985.29	148.74	0.00
Transfer to lifetime ECL-credit impaired	-693.85	11.18	682.67	0.00
Financial assets derecognised	-7,310.07	-251.94	-727.73	-8,289.74
New financial assets acquired	25,137.44	219.80	87.08	25,444.32
Balance as at 31 March 2020	**66,261.37**	**3,236.27**	**1,693.10**	**71,190.74**
Net remeasurement of loss allowance	(14,634.77)	(262.44)	(8.34)	-14,905.55
Transfer to 12 Month ECL from lifetime	516.07	(505.82)	(10.25)	0.00
Transfer to lifetime ECL-not credit-impaired	(3,121.54)	3,131.02	(9.48)	-0.00
Transfer to lifetime ECL-credit impaired	(1,696.08)	(476.13)	2,172.22	0.00
Financial assets derecognised	(7,142.03)	(433.52)	(778.84)	-8,354.39
New financial assets acquired	22,416.15	928.59	144.23	23,488.97
Balance as at 31 March 2021	**62,599.17**	**5,617.97**	**3,202.64**	**71,419.78**

(ii) Movements in the allowance for impairment in respect of loans is as follows:

(Amounts are in INR Million)

Particulars	12 month ECL	Lifetime ECL - not credit impaired	Lifetime ECL- credit impaired	Total
Balance as at 1 April 2019	167.42	132.26	941.13	1,240.81
Net remeasurement of loss allowance	1,015.26	74.87	(34.92)	1,055.21
Transfer to 12 Month ECL from lifetime	46.67	(44.78)	(1.89)	-
Transfer to lifetime ECL-not credit-impaired	(237.72)	174.08	63.64	(0.00)
Transfer to lifetime ECL-credit impaired	(359.98)	(0.23)	360.21	-
Financial assets derecognised	(21.21)	(24.23)	(241.26)	(286.70)
New financial assets acquired	328.33	42.33	39.32	409.98
Balance as at 31 March 2020	**938.77**	**354.30**	**1,126.23**	**2,419.30**
Net remeasurement of loss allowance	945.00	(24.89)	14.40	934.51
Transfer to 12 Month ECL from lifetime	6.01	(5.86)	(0.15)	(0.00)
Transfer to lifetime ECL-not credit-impaired	(668.61)	670.58	(1.97)	0.00
Transfer to lifetime ECL-credit impaired	(799.85)	(205.53)	1,005.38	-
Financial assets derecognised	(107.98)	(52.69)	(336.71)	(497.38)
New financial assets acquired	154.77	142.69	56.08	353.54
Balance as at 31 March 2021	**468.11**	**878.60**	**1,863.26**	**3,209.97**

Financial Risk Management (continued)

The below table shows the maximum exposure to credit risk by class of financial assets. It also shows the financial effect of the collateral held as security (quantification of the extent to which collaterals mitigate credit risk), and the net exposure to credit risk.

31 March 2021		Fair value of the collateral				(Amounts are in INR Million)
Financial assets	**Maximum exposure to credit risk**	**Vehicles***	**Land and buildings**	**Bank Guarantee**	**Net Exposure**	**Associated expected credit losses**
Cash and cash equivalents	1,563.34	-	-	-	1,563.34	-
Trade Receivables	4.42	-	-	-	4.42	-
Loans	68,209.80	65,988.80	8,010.25	55.92	(5,845.17)	(3,209.97)
Investments	989.15	-	-	-	989.15	-
Other financial assets	93.66	-	-	-	93.66	-
Total financial assets	**70,860.38**	**65,988.80**	**8,010.25**	**55.92**	**(3,194.59)**	**(3,209.97)**

*The gross carrying value has been considered as collateral without discounting.

31 March 2020		Fair value of the collateral				
Financial assets	**Maximum exposure to credit risk**	**Vehicles**	**Land and buildings**	**Bank Guarantee**	**Net Exposure**	**Associated expected credit losses**
Cash and cash equivalents	5,371.56	-	-	-	5,371.56	-
Trade Receivables	5.06	-	-	-	5.06	-
Loans	68,771.44	68,225.85	4,150.51	50.00	(3,654.92)	(2,419.30)
Other financial assets	49.03	-	-	-	49.03	-
Total financial assets	**74,197.09**	**68,225.85**	**4,150.51**	**50.00**	**1,770.73**	**(2,419.30)**

Gross value of total secured loans to value of collateral:

Loan To Value	**Gross Value of Secured Retail loans**		**Gross Value of Secured Inventory Financing loans**	
	31 March 2021	**31 March 2020**	**31 March 2021**	**31 March 2020**
Upto 50%	2,056.35	2,166.04	219.83	1,578.43
51 - 70%	8,519.96	9,663.41	2,304.98	122.65
71 - 100%	46,956.58	51,988.07	4,121.72	3,762.25
Above 100%	5,274.75	-	1,965.61	1,909.89
	62,807.64	**63,817.52**	**8,612.14**	**7,373.22**

Gross Value of Secured Inventory Financing loans include term loan.

Gross value of credit impaired loans to value of collateral:

Loan To Value	**Gross Value of Term Loans in stage 3**		**Gross Value of Inventory Financing loans in stage 3**	
	31 March 2021	**31 March 2020**	**31 March 2021**	**31 March 2020**
Upto 50%	12.03	6.04	23.47	99.99
51 - 70%	104.27	63.72	-	75.19
71 - 100%	1,828.57	884.94	542.15	542.14
Above 100%	494.88	-	197.41	21.12
	2,439.76	**954.70**	**763.03**	**738.44**

Gross Value of Secured Inventory Financing loans include term loan

The below tables provide an analysis of the current fair values of collateral held for stage 3 assets. The value of collateral has not been considered while recognising the loss allowances.

31 March 2021		Fair value of the collateral		
Type of collateral	**Maximum exposure to credit risk**	**Vehicles**	**Land and buildings**	**Net Exposure**
Loans	3,202.79	2,439.76	831.15	(68.11)
Total credit-impaired financial assets	**3,202.79**	**2,439.76**	**831.15**	**(68.11)**

31 March 2020		Fair value of the collateral		
Type of collateral	**Maximum exposure to credit risk**	**Vehicles**	**Land and buildings**	**Net Exposure**
Loans	1,693.14	954.70	1,271.15	(532.71)
Total credit-impaired financial assets	**1,693.14**	**954.70**	**1,271.15**	**(532.71)**

Write off

Financial assets are written off when there is no realistic prospect of recovery. This is generally the case when the company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with Company's procedures for recovery of amounts due.

Below is the details of the financial assets that were written off during the reporting period and are still subject to enforcement activity.

Particulars	**31 March 2021**	**31 March 2020**
Contractual outstanding	584.27	589.72
Amount written off during the year	584.27	589.72

Toyota Financial Services India Limited
Notes to the financial statements for the year ended 31 March 2021

Financial Risk Management (continued)

Financial instruments – Financial risk management (continued)

B. Liquidity risk
Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises from mismatches in the timing of amounts of cash flows, which is inherent to the nature of Company's operations. Liquidity risk could lead to situations where the Company needs to raise funds and/or assets need to be liquidated under unfavourable market conditions. Measuring and managing liquidity needs are vital for effective operation of the Company by assuring the ability to meet its liabilities as they become due.
The liquidity risk can be either (i) institution specific or (ii) market specific.

i. Liquidity risk management
Liquidity has to be tracked through maturity or cash flow mismatches. For measuring and managing net funding requirements, the use of a maturity ladder and calculation of cumulative surplus or deficit of funds at selected maturity dates is adopted as a standard tool commonly referred to as Structural Liquidity. The Maturity Profile, are used for measuring the future cash flows of the company in different time buckets. The time buckets distributed considered are as per RBI guidelines and monitored by Asset Liability management Committee (ALCO) .
- The Statement of Structural Liquidity is prepared by placing all cash inflows and outflows in the maturity ladder according to the expected timing of cash flows. A maturing liability will be a cash outflow while a maturing asset will be a cash inflow.
- The Company strives to manage the negative gap (i.e. where outflows exceed inflows) in the particular time-bucket and cumulative gap up to selected maturity period should not exceed the prudential limits approved by the Board . The prudential limits for individual time buckets are based on a percentage of outflows of each time-bucket and the limit for the cumulative gaps are based on the percentage of cumulative gap to cumulative cash outflows up to the period.
- In order to enable the Company to monitor its short-term liquidity on a dynamic basis over a time horizon spanning from 1 day to 6 months, short-term liquidity profiles is estimated on the basis of business projections and other commitments for planning purposes which is effectively used as a predictive tool for its future ALM requirements.
- The Company has a board approved policy for Liquidity Risk Management Framework as per RBI Circular dated 4 November 2019 as a part of ALM policy which captures the risk index. The ALCO monitors these index and suggests changes if any. As per the circular, the company has also started managing Liquidity Coverage Ratio from 1 December 2020.

ii. Maturity of financial liabilities
The following are the expected maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include estimated interest receipts and payments.

As at 31 March 2021 **(Amounts are in INR Million)**

Particulars	Note No	Expected cash flows									
		Carrying Amount	Gross Nominal Outflow/ Inflow	Up to one month	Over one month to 2 months	Over 2 months to 3 months	Over 3 Months upto 6 months	Over 6 Months upto 1 year	Over 1 year upto 3 years	Over 3 years & up to 5 years	Over 5 years
Financial liabilities											
Derivative financial instruments	4	144.11	144.11	-	-	-	-	-	144.11	-	-
Trade Payables	15	948.65	948.65	611.63	336.29	-	-	0.73	-	-	-
Debt securities	16	23,412.45	26,079.90	-	-	118.13	344.98	5,811.19	19,805.60	-	-
Borrowings (other than debt securities)	17	33,647.09	35,841.37	1,592.92	1,615.92	1,199.45	3,560.39	8,676.55	19,196.14	-	-
Lease Liability	18	114.86	122.49	4.81	4.82	4.82	14.92	29.84	63.28	-	-
Other financial liabilities	19	24.45	24.45	0.71	-	19.91	-	2.49	1.20	0.14	-

As at 31 March 2020 **(Amounts are in INR Million)**

Particulars	Note No	Expected cash flows									
		Carrying Amount	Gross Nominal Outflow/ Inflow	Up to one month	Over one month to 2 months	Over 2 months to 3 months	Over 3 Months upto 6 months	Over 6 Months upto 1 year	Over 1 year upto 3 years	Over 3 years & up to 5 years	Over 5 years
Financial liabilities											
Trade Payables	15	421.81	421.81	421.81	-	-	-	-	-	-	-
Debt securities	16	26,404.12	28,329.19	3,115.05	2,196.04	4,431.14	1,148.00	6,547.02	9,366.69	1,525.24	-
Borrowings (other than securities)	17	35,206.59	38,989.52	288.34	1,549.58	241.36	6,528.16	8,843.98	21,538.10	-	-
Lease Liability	18	100.49	107.99	6.06	6.06	6.06	16.46	32.79	40.56	-	-
Other financial liabilities	19	0.42	0.42	0.42	-	-	-	-	-	-	-

Maturity pattern of liabilities has been compiled by the management on expected cashflows (except for Bank Overdraft, where it is based on management's estimation).

Toyota Financial Services India Limited
Notes to the financial statements for the year ended 31 March 2021

Financial Risk Management (continued)

Financial instruments – Financial risk management (continued)

B. Liquidity risk (continued)

iii. Liquidity Risk Management Framework
Disclosures required under Liquidity Risk Management Framework for Non-Banking Financial Companies and Core Investment Companies vide circular - RBI/2019-20/88 DOR.NBFC (PD) CC. No.102/03.10.001/2019-20.

a. Funding Concentration based on significant counterparty

Sr no	Number of significant counterparties *	Amount (INR Million)	% of Total deposits	% of Total Liabilities
1	5	43,274	N.A.	74%

* The Company consider an exposure from a single counterparty or group of connected or affiliated counterparties of 10% and above to be significant counterparties.

b. Top 20 large deposits - The Company is a non deposit taking NBFC and hence not applicable.

c. Top 10 borrowings amounts to INR 28,245 millions and 50% of total borrowings.

d. Funding Concentration based on significant instrument/product

Sr no	Name of the instrument/product *	Amount (INR Million)	% of Total Liabilities
1	External commercial borrowings**	23,193	40%
2	Bank borrowings	17,642	30%
3	Non Convertible debentures	16,224	28%

* The Company consider an exposure from an instrument of 10% and above to be significant.
**External commercial borrowings includes INR denominated ECB Bond.

e. Stock Ratios

Sr no	Particulars	Total Liabilities	Total Assets
1	Commercial papers as a % of	0%	0%
2	Non-convertible debentures (original maturity of less than one year) as a % of	0%	0%
3	Other short-term liabilities, if any as a % of	2%	2%

For the computation of all the above disclosures the following has been considered:
i. Total liabilities means total assets less equity capital and other equity.
ii. Total asset means total of asset side of the balance sheet.
iii. Borrowings have been considered at their carrying value.

f. Institutional set-up for liquidity risk management
The Board of Directors has the overall responsibility of managing risk related to Asset Liability mismatches, including liquidity risk and market risk. The Board has constituted Asset Liability Management Committee (‘ALCO’) to identify & monitor the liquidity, market and foreign exchange risks from time to time. The Company’s ALCO monitors asset liability mismatches to ensure that there are no imbalances or excessive concentrations on either side of the Balance Sheet, in accordance with the liquidity risk thresholds/ limits decided by the Board. The ALCO is chaired by the MD & CEO of the Company along with senior members - Whole time director, CFO, and senior members from Finance, Treasury & Accounting, Sales & Marketing, Risk to enable effective ALM risk strategy of the Company.

The Company has a Board approved Asset Liability Management policy 'ALM policy', defining the liquidity risk management framework in line with RBI’s “guidelines on liquidity risk framework for NBFCs” which ensures that the Company maintains sufficient liquidity in line with the risk appetite framework, including a cushion of unencumbered, High Quality Liquid Assets to withstand a range of stress events, including those involving the loss or impairment of both unsecured and secured funding sources. The Company has also started to maintain LCR in line with regulatory requirements, from December 2020. The Board approves the prudential limits defined in the ALM policy.

Toyota Financial Services India Limited
Notes to the financial statements for the year ended 31 March 2021

Financial Risk Management (continued)

Financial instruments – Financial risk management (continued)

C. Market risk
Market risk is the risk that the fair value of future cash flows of a financials instrument will fluctuate because of changes in market prices such as foreign exchange rate and interest rate.

a. Foreign currency risk
Currency risk is the risk that the value of an receivable/ payable will fluctuate due to changes in foreign exchange rates. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the Company's functional currency (INR).

i. Currency risk management
The Company does not have any material unhedged foreign currency transactions that would significantly impact the profitability of the company.
Any significant foreign exchange exposure on account of foreign exchange borrowings is hedged to safeguard against exchange rate risk. The Company enters into hedge contracts at the inception of the borrowing contract to ensure cashflows hedges to avoid any loss due to currency fluctuation.

ii. Exposure to currency risk
The profile of currency exposure on financial assets and financial liabilities as at 31 March 2021 and 31 March 2020 are as below:

(Amounts are in INR Million, except foreign currency)

	31 March 2021			31 March 2021		
Particulars	**USD**	**JPY**	**SGD**	**USD in INR**	**JPY in INR**	**SGD in INR**
Derivative financial instruments						
Foreign exchange derivative contracts	20,00,00,000.00	-	-	14,324.20	-	-
Exposure to foreign currency risk (assets) - (a)	20,00,00,000.00	-	-	14,324.20	-	-
Financial liabilities						
Payables	44,883.44	45,16,361.00	44,465.12	3.42	3.07	2.37
Foreign currency loan	20,00,00,000.00	-	-	14,622.50	-	-
Interest accrued on foreign currency loan	19,45,764.65	-	-	142.26	-	-
Exposure to foreign currency risk (liabilities) (b)	20,19,90,648.09	45,16,361.00	44,465.12	14,768.18	3.07	2.37
Net exposure to foreign currency risk (c) = (b) + (a)	**19,90,648.09**	**45,16,361.00**	**44,465.12**	**443.98**	**3.07**	**2.37**

(Amounts are in INR Million, except foreign currency)

	31 March 2020			31 March 2020		
Particulars	**USD**	**JPY**	**SGD**	**USD in INR**	**JPY in INR**	**SGD in INR**
Derivative financial instruments						
Foreign exchange derivative contracts	17,00,00,000.00	-	-	12,113.70	-	-
Exposure to foreign currency risk (assets) - (a)	17,00,00,000.00	-	-	12,113.70	-	-
Financial liabilities						
Payables	2,81,714.27	68,59,500.00	23,547.20	21.01	4.67	1.24
Foreign currency loan	17,00,00,000.00	-	-	12,815.60	-	-
Interest accrued on foreign currency loan	1,25,817.89	-	-	122.56	-	-
Exposure to foreign currency risk (liabilities) (b)	17,04,07,532.16	68,59,500.00	23,547.20	12,959.17	4.67	1.24
Net exposure to foreign currency risk (c) = (b) + (a)	**4,07,532.16**	**68,59,500.00**	**23,547.20**	**845.47**	**4.67**	**1.24**

The company has hedged all its foreign currency External Commercials Borrowings with Cross Currency Interest Rate Swaps to effectively hedge its cash flow positions at the time of every outflow. These foreign currency External Commercial Borrowings being no more subject to volatility in foreign exchange and their fair value being recorded through profit and loss a/c have been considered as liabilities not sensitive to foreign currency fluctuation and hence no sensitivity analysis has been performed on them.

Sensitivity analysis
A reasonably possible strengthening/ weakening of the Indian Rupee against foreign currency as at the year end would have affected the measurement of financial instruments denominated in foreign currency and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

	Impact on profit after tax		**Impact on other components of equity**	
Effect in INR	Strengthening	Weakening	Strengthening	Weakening
31 March 2021				
1% movement				
USD	(0.03)	0.03	(0.03)	0.03
JPY	(0.02)	0.02	(0.02)	0.02
SGD	(0.02)	0.02	(0.02)	0.02
	(0.07)	**0.07**	**(0.07)**	**0.07**

	Impact on profit after tax		**Impact on other components of equity**	
Effect in INR	Strengthening	Weakening	Strengthening	Weakening
31 March 2020				
1% movement				
USD	(0.16)	0.16	(0.16)	0.16
JPY	(0.03)	0.03	(0.03)	0.03
SGD	(0.01)	0.01	(0.01)	0.01
	(0.20)	**0.20**	**(0.20)**	**0.20**

Toyota Financial Services India Limited
Notes to the financial statements for the year ended 31 March 2021

Financial Risk Management (continued)

Financial instruments – Financial risk management (continued)

b. Interest Rate Risk

Interest rate risk can be either fair value interest rate risk or cash flow interest rate risk. Fair value interest rate risk is the risk of changes in fair values of fixed interest bearing instrument because of fluctuations in the interest rates. Cash flow interest rate risk is the risk that the future cash flows of floating interest bearing instruments will fluctuate because of fluctuations in the interest rates.

i. Interest rate risk management
The Company measures its interest rate exposure through the following:

1. Monitor Interest rate sensitivity as prescribed by RBI under IRS (Interest rate sensitivity) return
2. Analyze earnings at risk caused by an upward shift in the yield curve (100 bps parallel shift)

ii. Exposure to interest rate risk
Company's interest rate risk arises from variable rate financial assets or financial liabilities . The interest rate profile of the Company's interest bearing financial instruments as reported to the management of the Company is as follows.

Particulars	31 March 2021	31 March 2020
Fixed-rate instruments (net of interest)		
Financial assets	62,494	67,386
Financial liabilities*	(46,096)	(49,621)
Net exposure	**16,398**	**17,765**
Variable-rate instruments (net of interest)		
Financial assets	7,736	6,408
Financial liabilities	(10,350)	(11,024)
Net exposure	**(2,614)**	**(4,616)**

Financial assets consists of Loans, Investments and Fixed Deposit.
Financial liabilities consists of Debts securities, Borrowings (other than debt securities).
The company has borrowed through External Commercial Borrowings and has hedged 100% including the interest through SWAPs. Hence the company don't have any open foreign exchange interest rate exposure on any ECB borrowings.

*Foreign currency external commercial borrowings were initially borrowed at Floating Rate which are converted using swap into Fixed rate Borrowings. The same has been considered as Fixed rate instrument.

Fair value sensitivity analysis for fixed-rate instruments

Other than for derivatives the Company does not account for any fixed-rate financial assets or financial liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would affect the statement of profit and loss only to the extent of derivatives. The company has hedged all its floating rate External Commercials Borrowings with Cross Currency Interest Rate Swaps to effectively hedge its cash flow positions at the time of every outflow. These floating rate External Commercial Borrowings being no more subject to interest rate volatility and their fair value being recorded through profit and loss a/c have been considered as liabilities not sensitive to interest rate fluctuation and hence no sensitivity analysis has been performed on them.

Cash flow sensitivity analysis for variable-rate instruments

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

Impact on profit after tax		
Particulars	**31 March 2021**	**31 March 2020**
Variable rate instruments (net)		
100 bps increase	(20)	(35)
100 bps decrease	20	35

Impact on other components of equity		
Particulars	**31 March 2021**	**31 March 2020**
Variable rate instruments (net)		
100 bps increase	(20)	(35)
100 bps decrease	20	35

The risk estimates provided assume a parallel shift of 100 basis points interest rate across all yield curves. This calculation also assumes that the change occurs at the balance sheet date and has been calculated based on risk exposures outstanding as at that date. The period end balances are not necessarily representative of the average debt outstanding during the period.

Toyota Financial Services India Limited
Notes to the financial statements for the year ended 31 March 2021

45 Disclosure required in terms of the Revised Regulatory Framework for NBFC issued by RBI on 10 November 2014

(Amounts included herein are based on current and previous year financials as per Ind AS)

a) Capital

S.No	Particulars	31 March 2021	31 March 2020
i)	CRAR (%)	19.51	19.41
ii)	CRAR - Tier I Capital (%)	18.83	18.23
iii)	CRAR - Tier II Capital (%)	0.68	1.18
iv)	Amount of Subordinated debt raised as Tier-II Capital	-	-
v)	Amount raised by issue of Perpetual Debt Instruments	-	-

b) Investments

S.No	Particulars	31 March 2021	31 March 2020
1	Value of Investments		
	(i) Gross Value of Investments	-	-
	(a) In India	989.15	-
	(b) Outside India	-	-
	(ii) Provisions for Depreciation	-	-
	(a) In India	-	-
	(b) Outside India	-	-
	(iii) Net Value of Investments	-	-
	(a) In India	989.15	-
	(b) Outside India	-	-
2	Movement of provisions held towards depreciation on investments		
	(i) Opening balance	-	-
	(ii) Add: Provisions made during the year	-	-
	(iii) Less : Write-off / write-back of excess provisions during the year	-	-
	(iv) Closing balance	-	-

c) Derivatives

(i) Forward Rate Agreement/ Interest Rate Swap

S.No	Particulars	31 March 2021	31 March 2020
(i)	The notional principal of swap agreements	-	-
(ii)	Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements	-	-
(iii)	Collateral required by the NBFC upon entering into Swaps	-	-
(iv)	Concentration of credit risk arising from the swaps	-	-
(v)	The fair value of the swap book	-	-

(ii) Exchange Traded Interest Rate (IR) Derivatives

S.No	Particulars	31 March 2021	31 March 2020
(i)	Notional principal amount of exchange traded IR derivatives undertaken during the year	-	-
(ii)	Notional principal amount of exchange traded IR derivatives outstanding as on 31st March of respective years	-	-
(iii)	Notional principal amount of exchange traded IR derivatives outstanding and not "highly effective"	-	-
(iv)	Mark-to-market value of exchange traded IR derivatives outstanding and not "highly effective"	-	-

Toyota Financial Services India Limited
Notes to the financial statements for the year ended 31 March 2021

Disclosure required in terms of the Revised Regulatory Framework for NBFC issued by RBI on 10 November 2014 (continued)
(Amounts included herein are based on current and previous year financials as per Ind AS)

(iii) Disclosures on Risk Exposure in Derivatives

(A) Qualitative Disclosures

The Company has a derivative policy to enter into derivatives to manage the risk associated with external commercial borrowings. The following table highlights the key aspects of the policy:
a) Treasury function is authorised to select appropriate derivative instrument:,
b) The Company shall fully hedge the risk on account of foreign currency fluctuation;
c) The Company has put in place a reporting and monitoring mechanism for the risk associated with the derivative transaction;
d) The company has put in place accounting policy covering recording hedge transactions, premiums and discounts, valuation of outstanding contracts and provisioning (Also refer Note 2 – Significant Accounting Policies).

(B) Quantitative Disclosures

(Amounts are in INR Million)

		31 March 2021		31 March 2020	
S.No.	**Particular**	**Currency Derivatives**	**Interest Rate Derivatives**	**Currency Derivatives**	**Interest Rate Derivatives**
(i)	Derivatives (Notional Principal Amount)				
	For hedging	14,324.20	-	12,113.70	-
(ii)	Marked to Market Positions [1]				
	a) Asset (+)	334.68	-	701.90	-
	b) Liability (-)	36.38	337.98	-	356.15
(iii)	Credit Exposure [2]	-	-	-	-
(iv)	Unhedged Exposures	-	-	-	-

(d) (i) Disclosures relating to Securitisation

S.No.	**Particulars**	**31 March 2021**	**31 March 2020**
1 .	No of SPVs sponsored by the NBFC for securitisation transactions	-	-
2 .	Total amount of securitised assets as per books of the SPVs sponsored	-	-
3 .	Total amount of exposures retained by the NBFC to comply with MRR as on the date of balance sheet	-	-
	a) Off-balance sheet exposures	-	-
	First loss	-	-
	Others	-	-
	b) On-balance sheet exposures	-	-
	First loss	-	-
	Others	-	-
4 .	Amount of exposures to securitisation transactions other than MRR	-	-
	a) Off-balance sheet exposures	-	-
	(i) Exposure to own securitizations	-	-
	First loss	-	-
	Loss	-	-
	(ii) Exposure to third party securitisations	-	-
	First loss	-	-
	Others	-	-
	b) On-balance sheet exposures	-	-
	(i) Exposure to own securitisations	-	-
	First loss	-	-
	Others	-	-
	(ii) Exposure to third party securitisations	-	-
	First loss	-	-

(ii) Details of Financial Assets sold to Securitisation/Reconstruction company for Asset Reconstruction

S.No.	**Particulars**	**31 March 2021**	**31 March 2020**
(i)	No. of accounts	-	-
(ii)	Aggregate value (net of provisions) of accounts sold to SC / RC	-	-
(iii)	Aggregate consideration	-	-
(iv)	Additional consideration realized in respect of	-	-
(v)	Aggregate gain / loss over net book value	-	-

Toyota Financial Services India Limited
Notes to the financial statements for the year ended 31 March 2021

(iii) Details of Assignment transactions undertaken

S.No.	Particulars	31 March 2021	31 March 2020
(i)	No. of accounts	-	-
(ii)	Aggregate value (net of provisions) of accounts sold	-	-
(iii)	Aggregate consideration	-	-
(iv)	Additional consideration realized in respect of	-	-
(v)	Aggregate gain / loss over net book value	-	-

(iv) Details of Non performing financial assets purchased/sold

A. Details of non-performing financial assets purchased :

S.No.		Particulars	31 March 2021	31 March 2020
1 .	a)	No. of accounts purchased during the year	-	-
	b)	Aggregate outstanding	-	-
2 .	a)	Of these, number of accounts restructured during the year	-	-
	b)	Aggregate outstanding	-	-

B. Details of Non-performing Financial Assets sold :

S.No.	Particulars	31 March 2021	31 March 2020
1 .	No. of accounts sold	-	-
2 .	Aggregate outstanding	-	-
3 .	Aggregate consideration received	-	-

Toyota Financial Services India Limited
Notes to the financial statements for the year ended 31 March 2021

Disclosure required in terms of the Revised Regulatory Framework for NBFC issued by RBI on 10 November 2014 (continued)
(Amounts included herein are based on current and previous year financials as per Ind AS)

(e) Exposures

(i) Exposure to Real Estate Sector **(Amounts are in INR Million)**

	Category	31 March 2021	31 March 2020
Direct Exposure			
(i)	Residential Mortgages - Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented	-	-
(ii)	Commercial Real Estate -	-	-
	Lending secured by mortgages on commercial real estates (office buildings, retail space, multipurpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based limits	-	-
(iii)	Investments in Mortgage Backed Securities(MBS) and other securitised exposures -	-	-
	a. Residential	-	-
	b. Commercial Real Estate	-	-
Total Exposure to Real Estate Sector		-	-

(ii) Exposure to Capital Market

Particulars		31 March 2021	31 March 2020
(i)	Direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	-	-
(ii)	Advances against shares / bonds / debentures or other securities or on clean basis to individuals for investment in shares (including IPOs / ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;	-	-
(iii)	Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	-	-
(iv)	Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds does not fully cover the advances;	-	-
(v)	Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	-	-
(vi)	Loans sanctioned to corporates against the security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	-	-
(vii)	Bridge loans to companies against expected equity flows / issues;	-	-
(viii)	All exposures to Venture Capital Funds (both registered and unregistered)	-	-
	Total Exposure to Capital Market	-	-

(iii) Details of financing of parent company products

The Company is primarily engaged in auto financing of fellow subsidiary products. Loans and Advances includes vehicle finance, which comprise primarily of either loans to customers for purchasing Toyota cars and accessories or loans to dealers engaged in dealing in Toyota cars and accessories.

(iv) Details of Single Borrower Limit (SGL)/Group Borrower Limit (GBL) exceeded by the NBFC

The Company has not exceeded the prudential exposure limits of Single Borrower Limit (SGL)/ Group Borrower Limit (GBL) during the year.

(v) Unsecured Advances

The total amount of advances for which intangible securities such as charge over the rights, licenses, authority etc. has been taken is Nil (Previous year: Nil).

Toyota Financial Services India Limited
Notes to the financial statements for the year ended 31 March 2021

Disclosure required in terms of the Revised Regulatory Framework for NBFC issued by RBI on 10 November 2014 (continued)
(Amounts included herein are based on current and previous year financials as per Ind AS)

(f) Miscellaneous

(i) Registration obtained from other financial sector regulators
The Company has obtained corporate agency license in February, 2019 from Insurance Regulatory and Development Authority of India for distributing insurance products.

(ii) Disclosure of Penalties imposed by RBI and other regulators
Penalties imposed by RBI and other regulators on the Company is Rs. Nil (Previous Year: Rs. 0.50 Million)

(iii) Ratings assigned by credit rating agencies and migration of ratings during the year

		31 March 2021		31 March 2020	
S. No.	**Instrument**	**CRISIL**	**ICRA**	**CRISIL**	**ICRA**
1	Redeemable Non-Convertible Debentures	AAA/Stable	AAA/Stable	AAA/Stable	AAA/Stable
2	Commercial Papers	A1+	A1+	A1+	A1+
3	Bank facility (Long term)	AAA/Stable	AAA/Stable	AAA/Stable	AAA/Stable
4	Bank facility (Short term)		A1+		A1+

There have not been any migrations during the year.

(iv) Net Profit or Loss for the period, prior period items and changes in accounting policies
There are no prior period items included in the current year's statement of profit and loss.

(v) Revenue Recognition
There is no revenue which has been postponed pending the resolution of significant uncertainties.

(g) Additional Disclosures
(i) Provisions and Contingencies **(Amounts are in INR Million)**

Break up of 'Provisions and Contingencies' shown in the statement of profit and loss	**31 March 2021**	**31 March 2020**
Under 'Impairment on financial instruments'		
Provision towards NPA	704.59	166.02
Contingent Provision for Standard Assets, including future potential losses	28.63	1,036.18
Under 'Tax expenses'		
Provision made towards Income tax (including deferred tax)	209.68	(57.38)
Under 'Employee Benefit Expenses'		
Provision for Gratuity and Compensated absences	14.21	14.83

(ii) Draw Down from Reserves
The Company has not made any draw down from reserves.

(iii) Concentration of Deposits, Advances, Exposures and NPAs

(A) Concentration of Deposit
The Company is a non deposit taking NBFC and has not obtained any deposit from depositors.

(B) Concentration of Advances

Particulars	**31 March 2021**	**31 March 2020**
Total Advances to twenty largest borrowers	8,253.63	6,948.39
Percentage of Advances to twenty largest borrowers to Total Advances of the NBFC	11.56%	9.76%

(C) Concentration of Exposures

Particulars	**31 March 2021**	**31 March 2020**
Total Exposure to twenty largest borrowers /customers	11,303.38	9,685.95
Percentage of Exposures to twenty largest borrowers / customers to Total Exposure of the NBFC on borrowers / customers	14.66%	12.80%

(D) Concentration of NPAs

Particulars	**31 March 2021**	**31 March 2020**
Total Exposure to top four NPA accounts	880.88	832.80

Toyota Financial Services India Limited
Notes to the financial statements for the year ended 31 March 2021

Disclosure required in terms of the Revised Regulatory Framework for NBFC issued by RBI on 10 November 2014 (continued)
(Amounts included herein are based on current and previous year financials as per Ind AS)

(h) Disclosure on Restructured Advances
31 March 2021 **(Amounts are in INR Million)**

Sl No	Type of Restructuring → Asset Classification → Details ↓		Others* Standard	Sub Standard	Doubtful	Loss	Total
1	Restructured Accounts as on April 1 of the FY (opening figures) *#	No. of borrowers	-	-	-	-	-
		Amount outstanding	-	-	-	-	-
		Provision thereon	-	-	-	-	-
2	Fresh restructuring during the year	No. of borrowers	-	-	-	-	-
		Amount outstanding	-	-	-	-	-
		Provision thereon	-	-	-	-	-
3	Recovery	No. of borrowers	-	-	-	-	-
		Amount outstanding	-	-	-	-	-
		Provision thereon	-	-	-	-	-
4	Upgradations to restructured standard category during the FY	No. of borrowers	-	-	-	-	-
		Amount outstanding	-	-	-	-	-
		Provision thereon	-	-	-	-	-
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 thereon	-	-	-	-	-
6	Down gradations of restructured accounts during the FY	No. of borrowers	-	-	-	-	-
		Amount outstanding	-	-	-	-	-
		Provision thereon	-	-	-	-	-
7	Write-offs of restructured accounts during the FY	No. of borrowers	-	-	-	-	-
		Amount outstanding	-	-	-	-	-
		Provision thereon	-	-	-	-	-
8	Restructured Accounts as on March 31 of the FY (closing figures)	No. of borrowers	-	-	-	-	-
		Amount outstanding	-	-	-	-	-
		Provision thereon	-	-	-	-	-

*excluded restructured accounts as per RBI circular pertaining to Resolution Framework for COVID-19-related Stress. Refer note 50.

31 March 2020 **(Amounts are in INR Million)**

Sl No	Type of Restructuring → Asset Classification → Details ↓		Standard	Sub Standard	Others Doubtful	Loss	Total
1	Restructured Accounts as on April 1 of the FY (opening figures) *#	No. of borrowers	-	-	-	-	-
		Amount outstanding	-	-	-	-	-
		Provision thereon	-	-	-	-	-
2	Fresh restructuring during the year	No. of borrowers	-	-	-	-	-
		Amount outstanding	-	-	-	-	-
		Provision thereon	-	-	-	-	-
3	Recovery	No. of borrowers	-	-	-	-	-
		Amount outstanding	-	-	-	-	-
		Provision thereon	-	-	-	-	-
4	Upgradations to restructured standard category during the FY	No. of borrowers	-	-	-	-	-
		Amount outstanding	-	-	-	-	-
		Provision thereon	-	-	-	-	-
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 thereon	-	-	-	-	-
6	Down gradations of restructured accounts during the FY	No. of borrowers	-	-	-	-	-
		Amount outstanding	-	-	-	-	-
		Provision thereon	-	-	-	-	-
7	Write-offs of restructured accounts during the FY	No. of borrowers	-	-	-	-	-
		Amount outstanding	-	-	-	-	-
		Provision thereon	-	-	-	-	-
8	Restructured Accounts as on March 31 of the FY (closing figures)	No. of borrowers	-	-	-	-	-
		Amount outstanding	-	-	-	-	-
		Provision thereon	-	-	-	-	-

Toyota Financial Services India Limited
Notes to the financial statements for the year ended 31 March 2021

Disclosure required in terms of the Revised Regulatory Framework for NBFC issued by RBI on 10 November 2014 (continued)
(Amounts included herein are based on current and previous year financials as per Ind AS)

(E) Sector-wise NPAs

		Percentage of NPAs to Total Advances in that sector	
Sl.No.	**Sector**	**31 March 2021**	**31 March 2020**
1	Agriculture & allied activities	-	-
2	MSME	-	-
3	Corporate borrowers	-	-
4	Services	-	-
5	Unsecured personal loans	-	-
6	Auto loans*	4.48%	2.38%
7	Other personal loans	-	-

* Includes financing to Dealers / Other corporate customers on cars and accessories.

(iv) Movement of NPAs

(Amounts are in INR Million)

Sl.No.	**Sector**	**31 March 2021**	**31 March 2020**
(i)	Net NPAs to Net Advances (%)	1.93	0.82
(ii)	Movement of NPAs (Gross)		
	(a) Opening balance	1,693.14	1,670.21
	(b) Additions during the year#	2,342.87	1,057.49
	(c) Reductions during the year *	833.22	1,034.56
	(d) Closing balance	3,202.79	1,693.14
(iii)	Movement of Net NPAs		
	(a) Opening balance	566.90	729.08
	(b) Additions during the year	1,252.89	541.82
	(c) Reductions during the year	480.27	704.00
	(d) Closing balance	1,339.52	566.90
(iv)	Movement of provisions for NPAs (excluding provisions on standard assets)		
	(a) Opening balance	1,126.24	941.13
	(b) Provisions made during the year	1,089.98	515.67
	(c) Write-off / write-back of excess provisions *	352.95	330.56
	(d) Closing balance	1,863.27	1,126.24

\# Additions does not include cases which have become NPA during the year and subsequently moved out of NPA in the same year.
* Balancing figure.

(v) Overseas Assets (for those with Joint Ventures and Subsidiaries abroad)
The Company does not have any Overseas Assets (for those with Joint Ventures and Subsidiaries abroad).

(vi) Off-balance Sheet SPVs sponsored (which are required to be consolidated as per accounting norms)
The Company does not have any off-balance sheet SPVs sponsored.

(i) Disclosure of Customer Complaints

Sl.No.	**Particulars**	**31 March 2021**	**31 March 2020**
(a)	No. of complaints pending at the beginning of the year	1	14
(b)	No. of complaints received during the year	959	1,061
(c)	No. of complaints redressed during the year	945	1,074
(d)	No. of complaints pending at the end of the year	15	1

Disclosure of Frauds reported during the year vide DNBS.PD.CC NO.256/03.10.042/2011-12 Dated 2 March 2012

(Amounts are in INR Million)

Particulars	**31 March 2021**	**31 March 2020**
a. Persons involved		
Customers	6.61	12.68
Collection Agency	-	2.33
Dealer	-	164.79
Total	**6.61**	**179.80**
b. Type of Fraud		
Misappropriation and criminal breach of trust	-	-
Fraudulent encashment/ manipulation of books of account	-	-
Cheating and forgery	6.61	179.80

Non-Banking Financial Company- Systemically Important Non- Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 are given in Annexure I.

Toyota Financial Services India Limited
Notes to the financial statements for the year ended 31 March 2021

Disclosure required in terms of the Revised Regulatory Framework for NBFC issued by RBI on 10 November 2014 (continued)
(Amounts included herein are based on current and previous year financials as per Ind AS)

(v) Maturity pattern of certain assets and liabilities as at 31 March 2021

31 March 2021 **(Amounts are in INR Million)**

Particulars	Upto 30/31 days	Over 1 month upto 2 Month	Over 2 months upto 3 months	Over 3 month & up to 6 month	Over 6 Month & up to 1 year	Over 1 year & up to 3 years	Over 3 years & up to 5 years	Over 5 years	Total
Liabilities									
Borrowings	1,542.06	1,500.00	1,096.87	3,207.84	12,863.64	22,084.37	-	-	42,294.78
Foreign Currency Borrowings	17.32	20.47	104.47	-	-	14,622.50	-	-	14,764.76
Assets *									
Advances (net of NPA provision)	5,253.66	3,149.80	2,556.94	6,307.31	10,897.65	27,838.60	11,406.79	799.06	68,209.81
Cash and cash equivalents	1,563.34	-	-	-	-	-	-	-	1,563.34
Investments	-	697.25	-	-	291.90	-	-	-	989.15
Foreign Currency Assets #	-	-	-	-	-	-	-	-	-
Foreign Currency Liabilities #	8.86	-	-	-	-	-	-	-	8.86

31 March 2020 **(Amounts are in INR Million)**

Particulars	Upto 30/31 days	Over 1 month upto 2 Month	Over 2 months upto 3 months	Over 3 month & up to 6 month	Over 6 Month & up to 1 year	Over 1 year & up to 3 years	Over 3 years & up to 5 years	Over 5 years	Total
Liabilities									
Borrowings	3,334.02	3,560.97	4,366.89	7,102.63	13,837.86	14,973.72	1,496.47	-	48,672.56
Foreign Currency Borrowings	-	17.21	105.34	-	-	12,815.60	-	-	12,938.15
Assets *									
Advances (net of NPA provision)	1,603.61	2,061.76	4,763.66	8,155.44	11,952.65	29,774.19	9,323.21	1,136.92	68,771.44
Cash and cash equivalents	4,971.56	400.00	-	-	-	-	-	-	5,371.56
Investments	-	-	-	-	-	-	-	-	-
Foreign Currency Assets #	-	-	-	-	-	-	-	-	-
Foreign Currency Liabilities #	26.92	-	-	-	-	-	-	-	26.92

* Excludes advance income tax/ tax deducted at source (net of provisions) and other advances (not related to lending activity).
# The Company do not have any foreign currency assets and liabilities in relation to its principal operations.
Cashflows denote expected cashflow of financial liabilities and assets. The amounts includes accrued interest payments & interest income.

46 Disclosure pursuant to Reserve Bank of India notification DOR (NBFC).CC.PD.No.109 /22.10.106/201920 dated 13 March 2020 pertaining to Asset Classification as per RBI Norms

31 March 2021 **(Amounts are in INR Million)**

Asset Classification as per RBI Norms	Asset classification as per Ind AS 109	Gross Carrying Amount as per Ind AS	Loss Allowances (Provisions) as required under Ind AS 109	Net Carrying Amount	Provisions required as per IRACP norms	Difference between Ind AS 109 provisions and IRACP norms
(1)	(2)	(3)	(4)	(5)=(3)-(4)	(6)	(7)=(4)-(6)
Performing Assets						
Standard	Stage 1	62,599.01	468.10	62,130.91	248.86	219.24
	Stage 2	5,617.98	878.61	4,739.37	44.09	834.52
Subtotal for Performing Assets (A)		68,216.99	1,346.71	66,870.28	292.95	1,053.76
Non-Performing Assets (NPA)						
Substandard	Stage 3	2,389.06	1,090.89	1,298.17	238.83	852.06
Doubtful						
up to 1 year	Stage 3	23.57	6.86	16.71	4.80	2.06
1 to 3 years	Stage 3	93.17	68.14	25.03	65.21	2.93
More than 3 years	Stage 3	1.21	1.21	0.00	1.21	-
Subtotal for doubtful						
Loss	Stage 3	695.78	696.17	(0.39)	695.58	0.59
Subtotal for NPA (B)		3,202.79	1,863.27	1,339.52	1,005.63	857.64
Other items such as guarantees, loan commitments, etc. which are in the scope of Ind AS 109 but not covered under current Income Recognition, Asset Classification and Provisioning (IRACP) norms	Stage 1	5,049.09	10.52	5,038.57	-	10.52
	Stage 2	652.29	7.63	644.66	-	7.63
	Stage 3	-	-	-	-	-
Subtotal (C)		5,701.38	18.15	5,683.23	-	18.15
	Stage 1	67,648.10	478.62	67,169.48	248.86	229.76
	Stage 2	6,270.27	886.24	5,384.03	44.09	842.15
	Stage 3	3,202.79	1,863.27	1,339.52	1,005.63	857.63
Total (A+B+C)		77,121.16	3,228.13	73,893.03	1,298.58	1,929.55

The Company has assessed its Expected Credit Loss in line with the RBI circular RBI/2019-20/170 DOR (NBFC).CC.PD.No.109/22.10.106/2019-20 dated March 13, 2020. Accordingly, no impairment reserve is required to be created.

31 March 2020						**(Amounts are in INR Million)**
Asset Classification as per RBI Norms	**Asset classification as per Ind AS 109**	**Gross Carrying Amount as per Ind AS**	**Loss Allowances (Provisions) as required under Ind AS 109**	**Net Carrying Amount**	**Provisions required as per IRACP norms**	**Difference between Ind AS 109 provisions and IRACP norms**
(1)	(2)	(3)	(4)	(5)=(3)-(4)	(6)	(7)=(4)-(6)
Performing Assets						
Standard	Stage 1	66,261.33	938.75	65,322.58	262.81	675.94
	Stage 2	3,236.27	354.31	2,881.96	28.06	326.25
Subtotal for Performing Assets (A)		69,497.60	1,293.06	68,204.54	290.87	1,002.19
Non-Performing Assets (NPA)						
Substandard	Stage 3	915.19	379.84	535.35	86.31	293.53
Doubtful						
up to 1 year	Stage 3	7.19	3.28	3.91	3.50	(0.22)
1 to 3 years	Stage 3	76.43	49.16	27.27	55.37	(6.21)
More than 3 years	Stage 3	-	-	-	-	-
Subtotal for doubtful						
Loss	Stage 3	694.33	693.96	0.36	691.24	2.72
Subtotal for NPA (B)		1,693.14	1,126.24	566.90	836.42	289.82
Other items such as guarantees, loan commitments, etc. which are in the scope of Ind AS 109 but not covered under current Income Recognition, Asset Classification and Provisioning (IRACP) norms	Stage 1	869.56	23.34	846.22	-	23.34
	Stage 2	339.21	20.39	318.82	-	20.39
	Stage 3	-	-	-	-	-
Subtotal (C)		1,208.77	43.73	1,165.04	-	43.73
	Stage 1	67,130.89	962.09	66,168.80	262.81	699.28
	Stage 2	3,575.48	374.70	3,200.78	28.06	346.64
	Stage 3	1,693.14	1,126.24	566.90	836.42	289.82
Total (A+B+C)		72,399.51	2,463.03	69,936.48	1,127.29	1,335.74

The Company has considered 5% additional provision in respect of accounts which are default but standard upon extending asset classification benefit based on RBI circular DOR.No.BP.BC.63/21.04.048/2020-21 dated 17 April 2020 pertaining to Asset Classification and provisioning in terms of COVID19 Regulatory Package.

47 Disclosure pursuant to Reserve Bank of India notification DOR.NBFC (PD) CC. No.102/03.10.001/2019-20 dated 4 November 2019 pertaining to Liquidity Risk Management Framework

(Amounts are in INR Million)

	Particulars	Quarter ended 31 March 2021		Quarter ended 31 December 2020	
		Total Unweighted Value (average)*	Total Weighted Value (average)**	Total Unweighted Value (average)#	Total Weighted Value (average)**
High Quality Liquid Assets					
1	Total High Quality Liquid Assets	1,033.77	1,033.77	873.98	873.98
	- Cash	190.93	190.93	278.19	278.19
	- Government Securities	842.84	842.84	595.79	595.79
Cash Outflows					
2	Deposits (for deposit taking companies)	-	-	-	-
3	Unsecured wholesale funding	1,634.38	1,879.53	710.44	817.01
4	Secured wholesale funding	1,033.75	1,188.81	2,181.30	2,508.49
5	Additional requirements, of which				
(i)	Outflows related to derivative exposures and other collateral requir	-	-	-	-
(ii)	Outflows related to loss of funding on debt products	-	-	-	-
(iii)	Credit and liquidity facilities	-	-	-	-
6	Other contractual funding obligations	735.88	846.27	480.14	552.16
7	Other contingent funding obligations	716.02	823.43	724.50	833.17
8	**Total Cash Outflows**	**4,120.03**	**4,738.04**	**4,096.38**	**4,710.83**
Cash Inflows					
9	Secured Lending	-	-	-	-
10	Inflow from Fully Performing Exposures	3,798.62	2,848.97	4,227.27	3,170.45
11	Other Cashflows	1,079.49	809.62	3,163.58	2,372.69
12	**Total Cash Inflows**	**4,878.11**	**3,658.59**	**7,390.85**	**5,543.14**
13	**Total HQLA**		**1,033.77**		**873.98**
14	**Total Net Cash Inflows/(Outflows)**		**1,184.51**		**1,177.71**
15	**Liquidity coverage ratio (%)**		**87%**		**74%**

* The average unweighted amounts are calculated by taking the simple average of monthly observations for the months of January 2021, February 2021 and March 2021.

** The average weighted amounts are calculated by applying the RBI predefined stress percentage to cash inflows and outflows.

The disclosure standards of aforesaid circular requires the Company to disclose the quantitative disclosures for all four quarters for the year ended 31 March 2021. Since the LCR guidelines were applicable to the Company for the first time effective from 1 December 2020, the Company has presented the disclosures from the month of December 2020. Accordingly, the numbers for the quarter ended 31 December 2020 represent the monthly observations for the month of December 2020.

Notes :

1 In order to strengthen and raise the standard of the Asset Liability Management (ALM) framework applicable to NBFCs, Reserve Bank of India ("RBI") has decided to revise the extant guidelines on liquidity risk management for NBFCs. RBI has issued a circular in that aspect vide circular RBI/2019-20/88, DOR.NBFC (PD) CC. No.102/03.10.001/2019-20 dated 4 November 2019 which requires NBFCs to adhere to guidelines of liquidity coverage ratio.

Liquidity coverage ratio (LCR) standard is introduced in order to ensure that a NBFC's has an adequate stock of unencumbered high quality liquid assets (HQLA) to survive a significant liquidity stress lasting for a period of 30 days. LCR is defined as a ratio of HQLA to the total net cash outflows estimated for the next 30 calendar days. Total net cash outflows is defined as the total expected cash outflows minus total expected cash inflows for the subsequent 30 calendar days.

2 As per the RBI guidelines, all non-deposit taking NBFCs with asset size of ₹ 5,000 crore and above but less than ₹ 10,000 crore, shall be required to minimum LCR in the phased manner from 1 December, 2020 as given below.

From	December 1, 2020	December 1, 2021	December 1, 2022	December 1, 2023	December 1, 2024
Minimum LCR	30%	50%	60%	85%	100%

3 As per the prevailing guidelines on March 2021, the Company's monthly average LCR, for the quarter ended 31 March 2021 was 87% as compared to the requirement of 30%. The Average LCR for the quarter ended 31 March 2021 was 87% as against 74% for the quarter ended 31 December 2020 which is well above present prescribed minimum requirement of 30%. The average HQLA for the quarter ended 31 March 2021 was ₹ 1,034 millions as against ₹ 874 millions for the quarter ended 31 December 2020. During the same period the composition of Government securities in the HQLA was 82% for the quarter ended 31 March 2021 as against 68% for the quarter ended 31 December 2020.

4 Liquidity management is driven by the ALM Policy, approved by the Board. The Treasury department of the Company reports to Asset Liability Management Committee (ALCO).

5 The Company has HQLA in form of Cash balances, Government Securities & T-bills issued by Central Government. No haircut requirement for these assets for the purpose of LCR as per RBI circular.

6 Primary components of the outflows are repayment of existing debts, undrawn uncommitted lines, other contractual funding obligations, etc. Primary components of the inflows are collection from business receivables, fixed deposits with bank etc.

7 The Company has taken a derivative to economically hedge the external commercial borrowings. The settlement date of these derivatives is in FY 22-23 and the Company is not contractually required to provide any liquidity for any downgrade or collateral requirements. Hence, no impact is considered in outflows with respect to derivatives.

Toyota Financial Services India Limited
Notes to the financial statements for the year ended 31 March 2021

48 Disclosure pursuant to Reserve Bank of India Circular DOR.No.BP.BC.63/21.04.048/2020-21 dated 17 April 2020 pertaining to Asset Classification and Provisioning in terms of COVID19 Regulatory Package

(Amounts are in INR Million)

Sl.No.	Particulars	31 March 2021	31 March 2020
1	Respective amounts in SMA/overdue categories, where the moratorium/deferment was extended*	6,582.13	4,707.69
2	Respective amount where asset classification benefits is extended**	-	303.88
3	General provision made***	-	-
4	General provision adjusted during the period against slippages and the residual provisions	-	-

* Outstanding as on 31 March 2021 and 31 March 2020 respectively on account of all cases in SMA/overdue categories where the moratorium benefit was extended by the Company up to 31 August 2021.

** There are NIL accounts where asset classification benefits is extended till 31 March 2021, Post the moratorium period the movement of aging has been at actuals.

*** The Company, being NBFC, has complied with IndAS and guidelines duly approved by the Board for recognition of the impairments.

49 Disclosure pursuant to SEBI Circular SEBI/HO/DDHS/CIR/P/2018/144, dated 26 November 2018

(Amounts are in INR Million)

Sl.No.	Particulars	Details
1	Name of the company	Toyota Financial Services India Limited
2	Highest Credit Rating During the previous FY along with name of the Credit Rating Agency	CRISIL AAA (Stable) & CRISIL A1+ by CRISIL Limited ICRA AAA (Stable) & ICRA A1+ by ICRA Limited
3	Security Listed	Debt listed - Non Convertible Debenture
4	Financial Year	2020-21
5	Outstanding borrowing of company as on 31st March, 2021 (based on audited financials)	57,059.55
6	Whether framework applicable?	Yes
7	Incremental Borrowing in the current FY (a)	16,850.00
8	Mandatory borrowing through debt securities in the current FY (b) = 25% of (a)	4,212.50
9	Actual borrowings done through debt securities in the current FY	13,250.00
10	Shortfall in mandatory borrowing through debt securities, if any, for the current FY (d)= (b)-(c)	Nil
11	Compliance Status	Complied

50 Disclosure pursuant to Reserve Bank of India Circular DOR.No.BP.BC/3/21.04.048/2020-21 dated 6 August 2020 pertaining to Resolution Framework for COVID-19-related Stress

Type of borrower*	Number of accounts where resolution plan has been implemented under this window (A)	exposure to accounts mentioned at (A) before implementation of the plan (B)	Of (B), aggregate amount of debt that was converted into other securities (C)	Additional funding sanctioned, if any, including between invocation of the plan and implementation (D)	Increase in provisions on account of the implementation of the resolution plan (E)
Personal Loans	199	188.62	-	-	72.18
Corporate persons**	464	278.92	-	-	99.30
of which MSMEs	463	276.92	-	-	98.85
Others	0	-	-	-	-
Total	663	467.54	-	-	171.48

*Auto loans and auto related loan

** As defined in Section 3(7) of the Insolvency and Bankruptcy Code, 2016

The Company, being NBFC, has complied with IndAS and its Expected Credit Loss policy duly approved by the Board for the purpose of provision on such restructuring accounts. Column E denotes total provision held on such accounts as at 31 March 2021.

Toyota Financial Services India Limited
Notes to the financial statements for the year ended 31 March 2021

51 The Indian Parliament has approved the Code on Social Security, 2020 which may impact the contributions by the Company towards Provident Fund and Gratuity. The effective date from which the changes are applicable is yet to be notified and the rules for quantifying the financial impact are yet to be determined. The Company will complete their evaluation and will give appropriate impact in the financial statements in the year in which, the Code becomes effective and the related rules to determine the financial impact are notified.

52 The Government of India, Ministry of Finance, vide its notification dated 23 October 2020, had announced a scheme for COVID-19 Relief for grant of ex-gratia payment of difference between compound interest and simple interest for six months to borrowers in specified loan accounts. The Company had implemented the ex-gratia scheme and credited to the accounts of or remitted amounts to the eligible borrowers an amount of INR 54.09 million as per the Scheme. Further, the Company in accordance with the scheme had submitted a claim for reimbursement of INR 54.09 Million with designated officer(s) / cell at State Bank of India (which functions as a nodal agency of Government of India under the scheme for settlement of claims of lending institutions). The reimbursement amount is receivable as on 31 March 2021 and is grouped under "Other Financial Assets".

53 In accordance with the judgement of The Honourable Supreme Court of India in the matter of Small Scale Industrial Manufacturers Association vs. UOI & Ors. and other connected matters and in accordance with the instructions in paragraph 5 of the RBI circular dated 07 April 2021 issued in this connection, the Company shall refund / adjust 'interest on interest' to all borrowers including those who had availed of working capital facilities during the moratorium period, irrespective of whether moratorium had been fully or partially availed, or not availed. As required by RBI notification, the methodology for calculation of such interest on interest has recently been circulated by the Indian Banks Association. Accordingly, in accordance with the policy adopted by the Board based on the methodology recommended by IBA, the Company has estimated the amount to be refunded and made a provision of INR 19.90 million for the year ended 31 March 2021. The estimated amount is reduced from interest income and provision is created and grouped under "Other Financial Liabilities".

Further, the Company had not classified any additional borrower accounts as impaired (non-performing assets) which were not declared non-performing till 31 August 2020, in view of the Supreme Court order dated 3 September 2020 (Public Interest Litigation (PIL) by Gajendra Sharma Vs Union of India & ANR). The Honourable Supreme Court of India vide order dated 23 March 2021 has stated that interim relief granted vide an interim order dated 3 September 2020 stands vacated. Accordingly, the accounts which were not declared NPAs basis such interim relief have now been declared as NPAs. Under the Ind AS Expected Credit Loss framework such accounts continue to be classified as Stage 3 (wherever applicable) and continue to be provided for accordingly.

54 Indian economy was on the course of recovery from the negative impact of COVID induced lockdowns of 2020; when a severe second wave that has significantly increased the number of cases in India, threatens to impact the economy again. The Government of various states are responding to the latest outbreak with localized lockdowns and attempting to accelerate the pace of vaccination. The extent to which the COVID-19 second wave will continue to impact the Company's performance depend on ongoing as well as future developments, which are uncertain, including, among other things, actions to contain its spread, pace of normalization of economic activity and consequentially the delinquency trends.

The Company has separately incorporated estimates, assumptions and judgements specific to the impact of the COVID-19 pandemic and the associated support packages in the measurement of impairment loss allowance. The Company has been duly servicing its debt obligations, maintains a healthy capital adequacy ratio and has adequate capital and financial resources to run its business. Taking into consideration the impact arising from the COVID-19 pandemic on the economic environment, the Company has, during the year, continued to undertake a risk assessment of its credit exposures and in addition to the model determined ECL provision, it has recorded a total additional management overlay of Rs 696 millions as on 31 March 2021 (as on 31 March 2020: Rs. 827 millions) in the Balance sheet, to reflect deterioration in the macroeconomic outlook and other factors. The final impact of this pandemic is very uncertain and the actual impact may be different than that estimated based on the conditions prevailing as at the date of approval of these financial results. The management will continue to closely monitor the material changes in the macro- economic factors impacting the operations of the Company.

For **B S R & Associates LLP**
Chartered Accountants
ICAI Firm Registration No. 116231W/W - 100024

ROHIT JOSEPH ALEXANDER Digitally signed by ROHIT JOSEPH ALEXANDER Date: 2021.05.27 21:46:54 +05'30'

Rohit Alexander
Partner
Membership No. 222515

Bangalore
27 May 2021

For and on behalf of the Board of Directors of
Toyota Financial Services India Limited

RAJA NARAYANASWAMY Digitally signed by RAJA NARAYANASWAMY Date: 2021.05.27 18:02:40 +05'30'

Narayanaswamy Raja
Managing Director & CEO
DIN: 06840450

Bangalore
27 May 2021

MANABU UENO Digitally signed by MANABU UENO Date: 2021.05.27 18:02:02 +05'30'

Manabu Ueno
Whole-time Director
DIN:08635145

Bangalore
27 May 2021

ANUPAM VASDANI Digitally signed by ANUPAM VASDANI Date: 2021.05.27 18:39:43 +05'30'

Anupam Vasdani
Chief Financial Officer

Panchkula
27 May 2021

R NITHYA PRABHU Digitally signed by R NITHYA PRABHU Date: 2021.05.27 17:58:44 +05'30'

R Nithya Prabhu
Company Secretary
Membership No. F9087
Coimbatore
27 May 2021

Toyota Financial Services India Limited
Notes to the financial statements for the year ended 31 March 2021

Annexure 1 forming part of the financial statements for the year ended 31 March 2021

Schedule to the Balance Sheet of a Non-Deposit Taking Non-Banking Financial Company

(as required in terms of Paragraph 18 of Master Direction-Non-Banking Financial Company-Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016

(Amounts are in INR Million)

Particulars	31 March 2021		31 March 2020	
	Amount outstanding	**Amount overdue**	**Amount outstanding**	**Amount overdue**
Liabilities Side				
(1) Loans and advances availed by the NBFC inclusive of interest accrued thereon but not paid:				
(a) Debentures # : Secured*	16,224.17	-	17,288.54	-
: Unsecured	7,188.28	-	7,178.06	-
(other than falling within the meaning of public deposits)				
(b) Deferred Credits	-	-	-	-
(c) Term Loans*	33,647.09	-	35,124.01	-
(d) Intercorporate loans and borrowing	-	-	-	-
(e) Commercial Paper	-	-	1,937.52	-
(f) Other Loans (Working Capital Loans from Banks and Book Overdraft)	-	-	83.00	-
(2) Break-up of (1)(f) above (Outstanding public deposits inclusive of interest accrued thereon but not paid:				
(a) In the form of Unsecured Debentures	-	-	-	-
(b) In the form of partly secured Debentures i.e. debentures	-	-	-	-
where there is a shortfall in the value of security	-	-	-	-
(c) Other public deposits	-	-	-	-

* Including Interest accrued but not due
# Balances as per financials as computed under IND AS under Effective Interest Rate 'EIR'

Asset Side

Particulars	31 March 2021	31 March 2020
(3) Break-up of Loans and Advances including bills receivables [other than those included in (4) below]:		
(a) Secured	68,209.81	68,771.44
(b) Unsecured*	-	-
(4) Break-up of Leased Assets and stock on hire and other assets counting towards asset financing act		
(i) Lease assets including lease rentals under sundry debtors:		
(a) Financial lease	-	-
(b) Operating lease	1.53	2.05
(ii) Stock on hire including hire charges under sundry debtors:		
(a) Assets on hire	-	-
(b) Repossessed Assets	-	-
(iii) Other loans counting towards asset financing activities	-	-
(a) Loans where assets have been repossessed	-	-
(b) Loans other than (a) above	-	-
(5) Break-up of Investments :		
Current investments:		
1. Quoted		
(i) Shares: (a) Equity	-	-
(b) Preference	-	-
(ii) Debentures and bonds	-	-
(iii) Units of Mutual funds	-	-
(iv) Government Securities	989.15	-
(v) Others	-	-
2. Unquoted		
(i) Shares: (a) Equity	-	-
(b) Preference	-	-
(ii) Debentures and Bonds	-	-
(iii) Units of Mutual funds	-	-
(iv) Government Securities	-	-
(v) Others	-	-

* Excludes advance income tax/tax deducted at source (net of provisions) and other advances (not related to lending activity)

Toyota Financial Services India Limited
Notes to the financial statements for the year ended 31 March 2021

Annexure 1 forming part of the financial statements for the year ended 31 March 2021

Schedule to the Balance Sheet of a Non-Deposit Taking Non-Banking Financial Company

(Amounts are in INR Million)

Particulars	31 March 2021	31 March 2020
Long Term investments		
1. Quoted		
(i) Shares: (a) Equity	-	-
(b) Preference	-	-
(ii) Debentures and Bonds	-	-
(iii) Units of Mutual funds	-	-
(iv) Government Securities	-	-
(v) Others	-	-
2. Unquoted		
(i) Shares: (a) Equity	-	-
(b) Preference	-	-
(ii) Debentures and Bonds	-	-
(iii) Units of Mutual funds	-	-
(iv) Government Securities	-	-
(v) Others	-	-

Please see note 2 below

Category	31 March 2021 Amount net of provisions			31 March 2020 Amount net of provisions		
	Secured	Unsecured	Total	Secured	Unsecured	Total
1. Related Parties						
(a) Subsidiaries	-	-	-	-	-	-
(b) Companies in the same group	-	-	-	-	-	-
('c) Other related parties	-	-	-	-	-	-
2. Other than related parties*	68,209.81	-	68,209.81	68,771.44	-	68,771.44
Total	68,209.81	-	68,209.81	68,771.44	-	68,771.44

*Provision for impairment of loans have been bifurcated on weighted average basis of secured and unsecured loan amount as disclosed in the financials.

(6) Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted): (Please see note 3 below)

Category	31 March 2021 Market Value/ Break-up or fair value or NAV	31 March 2021 Book Value (Net of Provisions)	31 March 2020 Market Value/ Break-up or fair value or NAV	31 March 2020 Book Value (Net of Provisions)
1. Related Parties				
(a) Subsidiaries**	-	-	-	-
(b) Companies in the same group	-	-	-	-
(c) Other than related parties	-	-	-	-
2. Other than related parties				
Total	-	-	-	-

** As per Accounting Standard of ICAI (Please see Note 3)

(7) Other Information

	Particulars	31 March 2021	31 March 2020
(i)	Gross Non Performing Assets		
	(a) Related Parties	-	-
	(b) Other than related parties	3,202.79	1,693.14
(ii)	Net Non-Performing Assets		
	(a) Related Parties	-	-
	(b) Other than related parties	1,863.27	1,126.24
(iii)	Assets acquired in satisfaction of debt	0.60	0.60

Notes:

1. The provision -point xix of paragraph 3 of chapter -2 of the Directions is applicable to NBFC-MFI.
2. Provisioning norms shall be applicable as prescribed in Master Direction-Non-Banking Financial Company-Systemically Important Non- Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016.
3. All Accounting Standards and Guidance Notes issued by ICAI are applicable including for valuation of investments and other assets as also assets acquired in satisfaction of debt. However, market value in respect of quoted investments and break up/fair value/NAV in respect of unquoted investments should be disclosed irrespective of whether they are classified as long term or current in (5) above.

NOTICE OF 10TH ANNUAL GENERAL MEETING

NOTICE is hereby given that the Tenth Annual General Meeting of the Members of Toyota Financial Services India Limited will be held on Tuesday, September 28, 2021, at 2.00 PM (IST), through Video Conferencing ("VC") via Microsoft Teams / Other Audio-Visual Means (OAVM), deemed to be held at the registered office of the Company at No. 21, Centropolis, First Floor, 5th Cross Langford Road, Shanti Nagar, Bengaluru 560025 to transact the following business:

Ordinary Business:

1. To receive, consider and adopt the Audited Financial Statements of the Company as on March 31, 2021, including the audited Balance Sheet as on March 31, 2021, the Statement of Profit and Loss and the Cash Flow Statement for the year ended as on that date together with Reports of Directors and Auditors thereon.

2. To re-appoint Mr. Hao Quoc Tien (DIN: 08346688), who retires by rotation, being eligible, offers himself for reappointment.

3. To appoint the Statutory Auditors of the Company

   To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:

   "RESOLVED THAT pursuant to the provisions of section 139 and other applicable provisions, if any, of the Companies Act, 2013 and the rules made there under (including any statutory modification(s) or re-enactment thereof for the time being in force) and RBI guidelines on appointment of Statutory Auditors of NBFCs, based on recommendation of the Audit Committee and the Board of Directors of the Company, M/s. MSKA & Associates, Chartered Accountants (ICAI Firm Registration No. 105047W) be and is hereby appointed as the Statutory Auditors of the Company, to hold office for a period of 3 (three) consecutive years from the conclusion of 10th (Tenth) Annual General Meeting held in the year 2021 till the conclusion of the 13th (Thirteenth) Annual General Meeting of the Company to be held in the year 2024, subject to the firm satisfying the eligibility norms each year, at a remuneration of Rs. 60,00,000 for Financial Year 2021-22 including fees payable for Limited Review Reports, Regulatory Certificates and Tax Audit but excluding actual travelling and out of pocket expenses incurred in connection with the audit, fees for other non-audit services / certifications, taxes as applicable, during the appointed period, with a power to the Board/Audit Committee to alter, vary and finalise the terms and conditions of appointment and remuneration, as may be deemed necessary, including any revision in remuneration during the remaining tenure of two years.

   RESOLVED FURTHER THAT the Board of Directors (including the Audit Committee of the Board) be and is hereby authorised do all such other acts, matters, deeds and things as may be deemed necessary or expedient to give effect to this resolution and for the matters connected therewith or incidental thereto."

Special Business:

4. Issue of Non - Convertible Debentures:

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

"RESOLVED THAT subject to the provisions of Section 180 (1) (c), Section 42, Section 71 and all other applicable provisions of the Companies Act, 2013 and rules & regulations made there under, Master direction of Reserve Bank of India for Non-Banking Financial Company dated September 01, 2016 ("RBI Master Direction"), the Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008, SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021 and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, including any amendment, modification, variation or re-enactment to any of the foregoing and other applicable laws, guidelines, direction consent of the Members of the Company be and is hereby accorded, to the Board of Directors of the Company (hereinafter referred to as the "Board" which term shall be deemed to include any committee(s) constituted/to be constituted by the Board, from time to time, to exercise its powers conferred by this resolution), for a period of 1 (one) year from the date hereof, to raise funds for eligible activities as per applicable laws, by way of issuance of Non-Convertible Debentures, secured or unsecured, fixed rate or market/benchmark linked, on private placement basis, in one or more tranches/ series, on such terms and conditions including the price, coupon, premium/ discount, tenor etc., as may be determined by the Board of Directors, based on the prevailing market condition, provided that the aggregate amount to be raised through the issuance of the Non-Convertible Debentures pursuant to the authority under this resolution along with the Non-Convertible Debentures already issued by the Company remains below the limit of Rs. 45,000 Million (Rupees Forty Five Thousand Million only).

RESOLVED FURTHER THAT the Board of Directors of the Company (including any Committee(s) constituted/ to be constituted by the Board, from time to time to exercise its powers conferred by this resolution thereof), be and is hereby authorised to do all such acts, deeds, matters and things and to execute all such agreements, documents, instruments, applications etc. as may be required, with power to settle all questions, difficulties or doubts that may arise in regard to the aforesaid Resolution as it may in its sole discretion deem fit and to delegate all or any of its powers herein conferred to any of the Directors and/or Officers of the Company, to give effect to this Resolution."

5. Appointment of Ms. Sunita Handa (DIN: 08215176) as an Independent Director of the Company:

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

"RESOLVED THAT pursuant to the provisions of Sections 149, 152, 161 and any other applicable provisions of the Companies Act, 2013 ("the Act") and the rules made thereunder and Schedule IV to the Act and the provisions of the Articles of Association of the Company, Ms. Sunita Handa (DIN: 08215176), who was appointed as an Additional Director of the Company with effect from September 10, 2021 and holds office up to the date of the ensuing Annual General Meeting ("AGM") and is eligible for appointment and in respect of whom the Company has received a notice under provisions of Section 160 of the Act, proposing her candidature for the office of the Director, be and is hereby appointed as an Independent Director of the Company, not liable to retire by rotation, to hold office for a term of 1(one) year effective from September 10, 2021 to September 9, 2022."

By order of the Board of Directors
For Toyota Financial Services India Limited

-Sd-

Date: September 2, 2021
Place: Bangalore

Nithya Prabhu R
Company Secretary
ICSI Membership No: F9087

NOTES:

1. A Statement pursuant to Section 102 of the Companies Act, 2013, relating to the Special Business to be transacted at the meeting is annexed hereto.

2. In view of the continuing COVID-19 pandemic, the Ministry of Corporate Affairs ('MCA') has vide its General Circular No. 20/2020 dated May 5, 2020 in relation to 'Clarification on holding of annual general meeting (AGM) through VC read with General Circular No. 14/ 2020 dated April 8, 2020 and the General Circular No. 17/ 2020 dated April 13, 2020 in relation to 'Clarification on passing of ordinary and special resolutions by companies under the Companies Act, 2013 and the rules made thereunder on account of the threat posed by COVID-19' and Circular no. 02/2021 dated January 13, 2021 in relation to "Clarification on holding of annual general meeting (AGM) through video conferencing (VC) or other audio visual means" (collectively referred to as 'MCA Circulars') permitted the holding of the AGM through VC, without the physical presence of the Members at a common venue. In compliance with the provisions of the Companies Act & MCA Circulars, the 10th AGM of the Company is being held through VC on Tuesday, September 28, 2021 at 2.00 PM (IST). The procedure for joining the AGM through VC/ OAVM is mentioned in this Notice

3. The deemed venue for the 10th AGM will be the registered office of the Company.

4. As the Annual General Meeting will be conducted through VC / OAVM, the facility for appointment of Proxy by the Members is not available for this AGM and hence the Proxy Form and Attendance Slip including Route Map are not annexed to this Notice.

5. Corporate Members intending to have their authorised representatives to attend and vote at the Meeting are requested to send a scanned copy of authorizing their representative to attend and vote on their behalf at the Meeting to the Company at the following email ID: cs@tfsin.co.in

6. In line with MCA Circulars, the Notice calling the AGM along with the Annual Report for FY 2020-21 is being sent through electronic mode to those Members whose email addresses are registered with the Company / Depositories. Members may note that the Notice and the Annual Report will also be available on the website of the Company

7. All documents referred to in the accompanying notice and the statement shall be open for inspection at the Registered Office of the Company during normal business hours from 11 AM to 1 PM (IST) on all working days, up to and including the date of the Annual General Meeting of the Company and will also be available for inspection at the meeting.

Instructions for Members for attending the AGM through VC are as under:

1. The Members will be provided with a facility to attend the AGM through two-way VC through the Microsoft Teams system, and they may access the same through the link to be shared by the Company separately before the meeting. The attendance of the Members attending the AGM through VC will be counted for the purpose of reckoning the quorum under Section 103 of the Act. The Notice convening the 10th AGM will be uploaded on the website of the Company at www.toyotafinance.co.in.

2. Members may join the Meeting through Laptops, Smartphones, Tablets and iPads. Further, Members will be required to use Internet with a good speed to avoid any disturbance during the Meeting.

3. Members are encouraged to submit their questions in advance with respect to the Accounts or the business to be transacted at the AGM. These queries may be submitted from their registered e-mail address, mentioning their name to reach the Company's e-mail address at cs@tfsin.co.in before 1.30 PM (IST) on Tuesday, September 21, 2021. The designated email Id for casting vote, if demanded for poll at AGM will be cs@tfsin.co.in.

4. Members who would like to express their views or ask questions during the AGM may pre-register themselves as a speaker by sending their request from their registered e-mail address mentioning their name at cs@tfsin.co.in before 1.30 PM (IST) on Tuesday, September 21, 2021. Those Members who have registered themselves as a speaker will only be allowed to express their views/ask questions during the AGM.

5. Further, Members may join the AGM through VC facility through Microsoft Teams link to be shared separately, by following the instructions provided here. Such facility shall be kept open for the Members 15 minutes before the scheduled time of the commencement of the AGM.

6. Members who need assistance before or during the AGM, can contact IT Service Desk of the Company on +1-800-258-9099/ itservicedesk@tfsin.co.in or Mr. Nithya Prabhu on +91-98940-89913/ r.nithyaprabhu@tfsin.co.in.

By order of the Board of Directors
For Toyota Financial Services India Limited

-Sd-

Date: September 2, 2021
Place: Bangalore

Nithya Prabhu R
Company Secretary
ICSI Membership No: F9087

Annexure to Notice:

Explanatory Statement in respect of Special Business pursuant to Section 102 of the Companies Act, 2013 and other items:

Item no. 3:

M/s. B S R & Associates LLP, Chartered Accountants (Firm Registration No. 116231W/W-100024) were re-appointed as Statutory Auditors of the Company at the 7th Annual General Meeting (AGM) from the conclusion of that AGM till the conclusion of the 12th AGM.

M/s. B S R & Associates LLP, Chartered Accountants, have been auditors of the Company for three consecutive years, which is the maximum term for statutory auditors of NBFC as per the circular issued by RBI on 'Guidelines for Appointment of Statutory Central Auditors (SCAs)/Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs)', dated April 27, 2021.

Hence, the existing Statutory Auditors can hold office only upto the conclusion of the ensuing AGM. Accordingly, it is now proposed to appoint M/s MSKA & Associates, Chartered Accountants (Registration No. 105047W) as Statutory Auditors of the Company from the conclusion of this AGM (10th) till the conclusion of the 13th AGM of the Company. As per the requirement of the Companies Act, 2013 (the Act), M/s MSKA & Associates, Chartered Accountants have confirmed that the appointment, if made, would be within the limits specified under Section 141(3)(g) of the Act and they are not disqualified to be appointed as Statutory Auditors in terms of proviso to Section 139(1) and Sections 141(2) and 141(3) of the Act and the provisions of the Companies (Audit and Auditors) Rules, 2014. Further M/s MSKA & Associates have also confirmed their eligibility as per RBI Regulations. The Audit Committee and the Board of Directors at their meeting held on September 2, 2021, have also recommended their appointment as Statutory Auditors of the Company.

The fees payable to M/s MSKA & Associates is Rs. 60,00,000 for Financial Year 2021-22 including fees payable for Limited Review Reports, Regulatory Certificates and Tax Audit but excluding actual travelling and out of pocket expenses incurred in connection with the audit, fees for other non-audit services / certifications, taxes as applicable, during the appointed period, with a power to the Board/Audit Committee to alter, vary and finalise the terms and conditions of appointment and remuneration, as may be deemed necessary, including any revision in remuneration during the remaining tenure of two years.

The Board recommends the Resolution at Item No. 3 of the accompanying Notice for approval of the Members.

None of the Directors, Key Managerial Personnel and their relatives are in any way concerned or interested, financially or otherwise in passing of the Resolution at Item No. 3 of the accompanying Notice.

Item no. 4:

The Company has been raising funds by issuing redeemable Non-Convertible Debentures, secured or unsecured (hereinafter referred to as "Debt Securities"), on private placement basis, from time to time.

In terms of Section 71 which deals with the issue of debentures read with Section 42 of the Companies Act, 2013, which deals with the offer or invitation for subscription of Debt Securities of the Company on private placement basis read with Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014, a Company can make private placement of its Debt Securities only after receipt of prior approval of its shareholders by way of a special resolution. The Companies (Prospectus and Allotment of Securities) Rules, 2014 further provides that the said Special Resolution must be passed in respect of all offers/invitations for the Debt Securities to be issued during a year and such a special resolution is required to be passed every year.

Accordingly, the Shareholders are requested to provide necessary approvals to the Board of the Company for raising funds through the issuance of Non-Convertible Debentures for a period of 1 year, within the borrowing limits approved by the Shareholders. The proceeds of the Issue will be utilized for eligible activities as per applicable laws and shall not be used for investment in capital markets and real estate or any other restricted purpose specified by the RBI.

The said approval shall be the basis for the Board to determine the terms and conditions of any issuance of non-convertible debentures by the Company for a period of 1 year from the date on which the Shareholders have provided the approval by way of Special Resolution. All Non-Convertible Debentures issued by the Company pursuant to such authority granted by the Shareholders shall be priced on the basis of the prevailing market conditions and as may be approved by the Board at such time.

The shareholders at the 9th Annual General Meeting held on September 24, 2020 had accorded their approval to the Company for issuance of Non-Convertible Debentures up to a limit of Rs. 45,000 Million (Rupees Forty Five Thousand Million only). As on March 31, 2021 the NCDs raised by the Company stands at Rs. 16,000 Million.

The NCDs proposed to be issued by the Company will be issued for cash either at par or premium or at a discount to face value depending upon the prevailing market conditions.

The Board recommends the Resolution at Item No. 4 of the accompanying Notice for approval of the Members.

None of the Directors / Key Managerial Personnel of the Company / their relatives are, in any way, concerned or interested, financially or otherwise, in the said resolution.

Item no. 5:

On September 2, 2021, the Board of Directors appointed Ms. Sunita Handa as an Additional Director of the Company effective September 10, 2021, in the capacity of Independent Director till the ensuing Annual General Meeting of the Company.

In terms of the Companies Act, 2013, the Nomination and Remuneration Committee and the Board have recommended the appointment of Ms. Sunita Handa as an Independent Director in the ensuing Annual General Meeting of the Company pursuant to the provisions of Sections 149, 152 and other applicable provisions of the

Companies Act, 2013. The Company has also received a notice in writing under Section 160 of the Companies Act, 2013, from a Member proposing the candidature of Ms. Sunita Handa to be appointed as Director of the Company.

The Company has received a declaration from Ms. Sunita Handa confirming that she meets the criteria of independence under the Companies Act, 2013 and other applicable Regulations. Further, the Company has also received her consent to act as a Director in terms of section 152 of the Companies Act, 2013 and a declaration that she is not disqualified from being appointed as a Director in terms of Section 164 of the Companies Act, 2013.

In the opinion of the Board, Ms. Sunita Handa fulfils the conditions specified in the Companies Act, 2013 and rules made thereunder for her appointment as an Independent Director of the Company and is independent of the management.

Ms. Sunita Handa will be entitled to receive remuneration by way of sitting fees as approved by the Board of Directors and reimbursement of expenses for participation in the Board / Committee Meetings.

Ms. Sunita Handa is a seasoned banking professional from State Bank of India (SBI) with over three decades of insightful experience, more than half of it in technology initiatives and implementations involving inter-alia; Tech-Channels, Fintechs, Payment Systems, Digital for MSMEs, Corporates & Governments and digitalisation in SBI's Overseas Offices. She is an energetic and enthusiastic Team Leader with a proven track record of business & revenue enhancement and digital transformation by management of large-scale technology projects using her exceptional analytical skills. Headed teams that are responsible for developing and implementing Bank's various technology initiatives in Mobility, e-Commerce, ATMs, SWIFT, Treasury, Payments, UPI, Digital Collections/ Payments/ Cash Management for MSMEs, Corporates and Govts. as also the tech operations in Bank's offices in 25 countries across the Globe. The Board of Directors is of the opinion that it would be in the interest of the Company to appoint her as an Independent Director for a period of one year with effect from September 10, 2021.

Draft letter of appointment of Ms. Sunita Handa setting out the terms and conditions of appointment is being made available for inspection by the Members through electronic mode.

Additional information in respect of Ms. Sunita Handa pursuant to the Secretarial Standards on General Meetings is provided at Annexure A to this Notice. A brief profile of Ms. Sunita Handa is also provided at Annexure B to this Notice.

The Board of Directors recommends the resolution proposing the appointment of Ms. Sunita Handa as an Independent Director of the Company, as set out in Item No. 5 for approval of the Members by way of a Special Resolution.

Except Ms. Sunita Handa and/or her relatives, none of the Directors and Key Managerial Personnel of the Company and/or their relatives are concerned or interested, financially or otherwise, in the resolution set out at Item No. 5.

By order of the Board of Directors
For Toyota Financial Services India Limited

-Sd-

Date: September 2, 2021
Place: Bangalore

Nithya Prabhu R
Company Secretary
ICSI Membership No: F9087

ANNEXURE-A

Details of Director seeking appointment at the 10th Annual General Meeting to be held on September 28, 2021:

Name of the Director	Ms. Sunita Handa
Date of Birth	31-Aug-1961
Age	59 Years 11 Months
Date of Appointment	10-Sep-2021
Relationship with Directors and Key Managerial Personnel	Nil
Expertise in specific functional area	Ms. Sunita Handa is a seasoned banking professional from Bank with over three decades of insightful experience, more than half of it in technology initiatives and implementations. Technology implementations led by her in Payment Systems, Transaction Banking & Finance for Individuals, MSMEs & Corporates have elevated Bank to leadership position in Digital Banking and winner of IBA's Best Technology Bank Award.
Qualification(s)	M.Sc (Maths), CAIIB, Executive Leadership Program (Wharton)
Board Membership of other Companies	Nil
Chairmanships/Memberships of the Committees of other public limited companies	Nil
Number of equity shares held in the Company	Nil

ANNEXURE-B

Brief profile of Director seeking appointment at the 10th Annual General Meeting to be held on September 28, 2021:

Ms. Sunita Handa has done M.Sc in Maths from Delhi University. She is a seasoned banking professional from State Bank of India (SBI) with over three decades of insightful experience, more than half of it in technology initiatives and implementations involving inter-alia; Tech-Channels, Fintechs, Payment Systems, Digital for MSMEs, Corporates & Governments and digitalisation in SBI's Overseas Offices. She was posted in Frankfurt (2008 to 2012) as Sr VP to head Bank's IT operations in Germany. An energetic and enthusiastic Team Leader with a proven track record of business & revenue enhancement and digital transformation by management of large-scale technology projects using her exceptional analytical skills. Presently heading the teams that are responsible for developing and implementing Bank's various technology initiatives in Mobility, e-Commerce, ATMs, SWIFT, Treasury, Payments, UPI, Digital Collections/ Payments/ Cash Management for MSMEs, Corporates and Govts. as also the tech operations in Bank's offices in 25 countries across the Globe. She was a director on the Board of SWIFT India DS Pvt. Ltd., Member of the NPCI Innovation Council. She was also honoured by The Economic Times with the prestigious Digital Warriors Award for leading The Best Transitions during Pandemic.