



***Unlocking Values,  
Nurturing Growth***



**isarc**

**INDIA SME ASSET RECONSTRUCTION COMPANY LIMITED**

**Principal Sponsors**

Small Industries Development Bank of India (SIDBI)  
SIDBI Venture Capital Limited

**Sponsors**

Punjab National Bank  
Bank of Baroda

**Chief Executive Officer**

Shri Rishi Dwivedi

**Chief Financial Officer**

Shri K Prakash

**Company Secretary**

Kum. Prity Adwani

**Statutory Auditors**

M/s. Desai Saksena & Associates.  
Chartered Accountants

**Bankers**

State Bank of India  
IDBI Bank Ltd.

**Registered Office**

Swavalamban Bhavan,  
Plot No. C-11, G- Block,  
Bandra- Kurla Complex,  
Bandra (East), Mumbai 400051  
Telephone: +91 22 2675 2600  
E-mail : isarc@isarc.in  
Website : www.isarc.in

**Registrar & Share Transfer Agent**

Satellite Corporate Services Private Limited  
Unit No. 49, Bldg No.13-A-B, 2nd Floor,  
Samhita Commercial Co-Op. Soc. Ltd.  
Off Andheri Kurla Road, MTNL Lane,  
Sakinaka, Mumbai - 400 072  
Email Id : service@satellitecorporate.com  
Telephone: +91 22 2852 0461

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**BOARD OF DIRECTORS  
(AS ON 07.09.2020)**



**Shri Manoj Mittal**  
Nominee Director - SIDBI



**Shri Anup Sankar Bhattacharya**  
Independent Director



**Smt. Rachna Dikshit**  
Independent Director



**Shri Shyam Sundar Barik**  
Independent Director



**Shri Manjit Singh Kochar**  
Nominee Director - PNB



**Shri Virendra Khandelwal**  
Nominee Director - BOB

## **NOTICE OF 12<sup>TH</sup> ANNUAL GENERAL MEETING**

Notice is hereby given that the 12<sup>th</sup> Annual General Meeting of the Members of **India SME Asset Reconstruction Company Limited** will be held through Video Conference on Wednesday, September 30, 2020 at 12.30 p.m. to transact the business stated herein, in compliance with the provisions of the Companies Act, 2013 and the Rules made thereunder read with General Circular No. 14/2020 dated 8<sup>th</sup> April 2020, General Circular No. 17/2020 dated 13<sup>th</sup> April 2020 and General Circular 20/2020 dated 5<sup>th</sup> May 2020 issued by the Ministry of Corporate Affairs:

### **Ordinary Business:**

1. To receive, consider and adopt the Audited Financial Statement of the Company for the Financial Year ended March 31, 2020 and the Reports of the Directors' and Auditors' thereon.
2. To appoint a Director in place of Shri Manjit Singh Kochar (08298764), who retires by rotation and being eligible, has offered himself for reappointment.
3. To delegate the powers to Board of Directors to fix the remuneration of the Statutory Auditors.

**“RESOLVED THAT** pursuant to the provisions of Sections 139, 142 and other applicable provisions, if any, of the Companies Act, 2013, read with the Companies (Audit and Auditors) Rules, 2014, as may be applicable powers to fix the remuneration of Statutory Auditors appointed by Comptroller and Auditor General of India (C&AG) be delegated to the Board of Directors of the Company for the current Financial Year 2020-21 and for the subsequent financial years as and when the appointment of statutory auditors is made by C&AG.”

### **Special Business:**

4. Appointment of Smt. Rachna Dikshit as an Independent Director of the Company  
To consider and if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution:

**“RESOLVED THAT** pursuant to the provisions of Section 149, 152, 161(1) and other applicable provisions if any of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 and other applicable rules made thereunder, read with Schedule IV to the Companies Act, 2013, the Articles of Association of the Company and the approval and recommendation of the Nomination & Remuneration Committee and the Board of Directors of the Company, Smt. Rachna Dikshit (DIN: 08759332), who was appointed as an Additional, Independent Director of the Company of the Board of Directors and who holds office upto the date of this Annual General Meeting in terms of Section 161 of the Companies Act, 2013, and in respect of whom the Company has received a notice in writing from a member under Section 160 of the Companies Act, 2013, proposing her candidature for the office of a Director of the Company, be and is hereby appointed as an Independent Director of the Company to hold office for 3 (three) consecutive years with effect from July 03, 2020 to July 02, 2023 and shall not be liable to retire by rotation.

**India SME Asset Reconstruction Company Limited**

CIN: U67190MH2008PLC181062

**Registered Office:**

Swavalamban Bhavan, C-11, 'G' Block, Bandra - Kurla Complex,

Bandra (E), Mumbai - 400051

Email: [isarc@isarc.in](mailto:isarc@isarc.in) website: [www.isarc.in](http://www.isarc.in)

Place: Mumbai

**Date: September 07, 2020****By order of the Board of Directors****Sd/-****Prity Adwani****Company Secretary & Compliance Officer****M No. A42690****Notes:-**

1. The relevant explanatory statement pursuant to the provisions of Section 102(1) of the Companies Act, 2013, read with the relevant Rules made thereunder (the "Act"), setting out the material facts and reasons, in respect of Item No.4 of this Notice, is annexed herewith.
2. In view of the prevailing lock down enforced across India, due to the outbreak of COVID-19 Pandemic and the restrictions imposed on gathering of people through social distancing norms, the Ministry of Corporate Affairs ("MCA") vide General Circular No. 14/ 2020 dated 8th April 2020, General Circular No. 17/2020 dated 13th April 2020 and General Circular No. 20/2020 dated 5th May 2020 ("the relevant Circulars"), has permitted companies to hold annual general meetings through Video Conferencing ("VC") or other audio visual means ("OAVM"), during the calendar year 2020. In compliance with the relevant Circulars and other applicable provisions of the Act, the 12th Annual General Meeting of the Members of the Company (the "AGM"), is being conducted through VC.
3. In terms of the relevant Circulars, the Members are requested to take note of the following:
  - Notice convening the AGM of the Company and the Annual Report for the financial year 2019-20 are being sent only by email to those Members who have registered their email address with the Company and have also been uploaded on the website of the Company viz [www.isarc.in](http://www.isarc.in)
  - Since the AGM is being held through VC, physical attendance of the Members has been dispensed with. Accordingly, the facility for appointment of proxies by Members is not available and as such the Proxy Form and Attendance Slip are not annexed to this Notice.
  - Pursuant to the relevant Circulars, representatives of the Members may be appointed for the purpose of participation and voting in AGM. Corporate Members intending to authorize their representatives to attend the AGM are requested to email the same to [cs@isarc.in](mailto:cs@isarc.in), along with certified true copy of the latest Board Resolution or Power of Attorney, authorizing their representative to participate and vote at the AGM, on their behalf.
  - Members are requested to send their queries, if any, on Annual Report, to the Company Secretary, not less than 2 days before the date of Meeting, so that the requisite information/ explanations can be provided in time.
  - Details for attending the AGM through VC / OAVM will be shared with the members

separately.

- Attendance of Members at the AGM through VC shall be counted for the purpose of reckoning the quorum, under the provisions of Section 103 of the Act read with the relevant Circulars.
- 4. Pursuant to Section 139 of the Companies Act, 2013, the Auditors of a Government Company and deemed Government Company are to be appointed or re-appointed by the Comptroller and Auditor General of India (CAG) and in pursuant to Section 142 of the Companies Act, 2013, their remuneration has to be fixed by the Company in the Annual General Meeting or in such manner as the Company in general meeting may determine.
- 5. M/s U. G. Devi & Co., Chartered Accountants, Mumbai have been reappointed as the Statutory Auditors of the Company for the year 2020-21 by CAG through their letter August 18, 2020 Accordingly, the Members may authorize the Board to fix an appropriate remuneration of Statutory Auditors as may be deemed fit by the Board for the current Financial Year 2020-21 and for the subsequent financial years as and when the appointment of statutory auditors is made by C&AG..
- 6. All the documents referred to in this Notice and the Explanatory Statement setting out the material facts in respect of Item no 1 and the Statutory Registers, will be made available for inspection by the Company and as such the Members are requested to send an email to [cs@isarc.in](mailto:cs@isarc.in).
- 7. In case a demand for poll is made by any member for any item to be discussed in Annual General Meeting, members may cast their vote at the designated email address i.e. [cs@isarc.in](mailto:cs@isarc.in).
- 8. Since the AGM is being held through VC, the route map for the AGM venue, is not attached.
- 9. Members may contact the Company for conveying grievances, if any, relating to the conduct of the AGM, at the following address:

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CIN: U67190MH2008PLC181062

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Bandra (E), Mumbai - 400051

Email: [isarc@isarc.in](mailto:isarc@isarc.in) website: [www.isarc.in](http://www.isarc.in)

Place: Mumbai

**By order of the Board of Directors**

**Date: September 07, 2020**

**Sd/-**

**Prity Adwani**

**Company Secretary & Compliance Officer**

**M No. A42690**

**Statements pursuant to Section 102 of the Companies Act, 2013 setting out all the material facts relating to the Special Business as set out in Items No. 4 of this Notice.**

**Item No. 4**

Pursuant to the provisions of Section 161 of the Companies Act, 2013 ("the Act") read with the provisions of the Articles of the Company, Smt. Rachna Dikshit was appointed as Additional Director of the Company by the Board at its meeting held on July 03, 2020 to hold office up to the date of this Annual General Meeting of the Company.

Brief Profile of Smt. Rachna Dikshit is given as Annexure A.

Smt. Dikshit possesses relevant expertise and experience for being appointed as an Independent Director of the Company and fulfils the conditions specified in the Act and the rules made thereunder and that she is independent of management. Smt. Dikshit has furnished to the Board the requisite declaration contemplated u/s 149(7) of the Act stating that she is qualified to be appointed as an Independent Director within the meaning of Section 149(6) of the Act.

In view of the above, approval of the Members is sought to appoint her as an Independent Director for the first term of three (3) years with effect from July 03, 2020 to July 02, 2023 and whose office shall not be liable to retire by rotation.

Smt. Dikshit as an Independent Director is required to abide by the code for Independent Directors specified in Schedule IV of the Act and be governed and guided by the provisions contained therein. Formal Letter of appointment will be issued to Smt. Dikshit upon his appointment. The terms and conditions of appointment shall be open for inspection at the registered office of the Company by any member during normal business hours and shall also be available on the Website of the Company i.e. [www.isarc.in](http://www.isarc.in).

The Board is of opinion that it would be interest of the Company to appoint Smt. Dikshit as an Independent Director of the Company. Hence the provision of Section 160 for deposit of requisite amount for proposing candidature of person other than retiring Director will not be applicable.

Except Smt. Dikshit, none of the Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested, financially or otherwise in this resolution set out at item no. 4.

The Board of Directors accordingly recommends the ordinary resolution set out at Item No. 4 of the accompanying Notice for the approval of the Members.

**India SME Asset Reconstruction Company Limited**

CIN: U67190MH2008PLC181062

**Registered Office:**

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Bandra (E), Mumbai - 400051

Email: [isarc@isarc.in](mailto:isarc@isarc.in) website: [www.isarc.in](http://www.isarc.in)

Place: Mumbai

**Date: September 07, 2020**

**By order of the Board of Directors**

**Sd/-  
Prity Adwani  
Company Secretary & Compliance Officer  
M No. A42690**

**Annexure - A**
**Brief Profile of Directors seeking appointment/reappointment at the Annual General Meeting**

Information as required under Clause 1.2.5 of the Secretarial Standard on General Meetings (SS-2) is given hereunder:

|   |   |
|---|---|
| <b>Name</b>   | <b>Shri Manjit Singh Kochar*</b>  |
| DIN   | 08298764  |
| Age   | 58  |
| Qualification and Expertise in specific functional areas                      | Shri Manjit Singh Kochar, Nominee Director nominated by United Bank of India (UBI) on the Board of the Company. Shri Kochar is Deputy General Manager & Chief Regional Manager, Mumbai with UBI (Currently Punjab National Bank). Shri Kochar holds Bachelor's in Science, CAIIB and DISA (IIBF). |
| Terms and conditions of appointment   | Nominee Director.   |
| Details of remuneration sought to be paid                                     | Nil   |
| Details of the remuneration last drawn ((FY 2019-20)                          | Nil   |
| Date of first appointment on the Board  | January 25, 2019  |
| Shareholding in the Company   | Nil   |
| Relationship with other Directors, Manager and other Key Managerial Personnel | None  |
| The number of Meetings of the Board attended during (FY 2019-20)              | 3/3   |
| Other Directorships (excluding Axis Finance Limited)                          | NIL   |
| Membership / Chairmanship of Committees of other Board                        | NIL   |

\*Please note that Punjab National Bank has issued a letter No. GBMD/ISARC/2020-21 dated July 27, 2020 for appointment of Shri Rajneesh Karnatak as a Nominee Director in place of Shri Manjit Singh Kochar. Company is in process of getting the necessary approvals for appointment of Shri Karnatak. Shri Manjit Singh Kochar will be the Nominee Director of the Company till the appointment of Shri Rajneesh Karnatak on the Board of ISARC.

|   |   |
|---|---|
| <b>Name</b>   | <b>Smt. Rachna Dikshit</b>  |
| DIN   | 08759332  |
| Age   | 61  |
| Qualification and Expertise in specific functional areas                      | Smt. Dikshit has done Bachelor of Arts from Lucknow, master's in political science from Allahabad University and she is also a Certified Associate Indian Institute of Bankers. She joined Reserve Bank of India and worked there as a Regional Director of Punjab, Haryana & UT Chandigarh regions. She also worked as General Manager, Financial Inclusion & Development Department, Chandigarh and New Delhi and as a General Manager and Deputy General Manager in the Department of Banking Regulation, Mumbai Central Office. |
| Terms and conditions of appointment   | Independent Director not liable to retire by rotation.  |
| Details of remuneration sought to be paid                                     | Nil   |
| Details of the remuneration last drawn ((FY 2019-20)                          | NA  |
| Date of first appointment on the Board  | July 03, 2020   |
| Shareholding in the Company   | Nil   |
| Relationship with other Directors, Manager and other Key Managerial Personnel | None  |
| The number of Meetings of the Board attended during (FY 2019-20)              | NA  |
| Other Directorships (excluding Axis Finance Limited)                          | Nil   |
| Membership / Chairmanship of Committees of other Board                        | Nil   |

## DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the 12th Annual Report of the Company on the business, operations and state of affairs of the Company together with the Audited Financial Statements for the financial year ended March 31, 2020.

### Financial Results

Brief particulars of the financial performance of the Company during the Financial Year (FY) 2019-20 and previous year are as under:-

| (₹ in Lakhs) |  |                         |                         |
|--------------|--|-------------------------|-------------------------|
| Sl. No.      | Particulars  | Year ended Mar 31, 2020 | Year ended Mar 31, 2019 |
| I            | <b>Revenue from operation</b>                                      | 459                     | 849                     |
| II           | Other Income   | 500                     | 402                     |
| <b>III</b>   | <b>Total revenue (I +II)</b>                                       | <b>959</b>              | <b>1,251</b>            |
| IV           | Operating Expenses   | 423                     | 670                     |
| <b>V</b>     | <b>Operating Profit (III-IV)</b>                                   | <b>536</b>              | <b>581</b>              |
| VI           | Provisions for SRs/ Diminution in value of SR as per RBI Guideline | 1211                    | 1059                    |
| VII          | Provision for Advances to Trusts                                   | 21                      | 70                      |
| VIII         | Write-off of SRs   | 0                       | 283                     |
| <b>IX</b>    | <b>EBITDA (V- VI-VII-VIII)</b>                                     | <b>(696)</b>            | <b>(831)</b>            |
| X            | Interest   | 0                       | 0                       |
| XI           | Depreciation   | 6                       | 8                       |
| <b>XII</b>   | <b>PBT (IX – X - XI)</b>   | <b>(702)</b>            | <b>(839)</b>            |
| XIII         | Tax  | 137                     | 82                      |
| <b>XIV</b>   | <b>PAT (XII - XIII)</b>  | <b>(839)</b>            | <b>(921)</b>            |
| <b>XV</b>    | <b>Earnings Per Share (EPS) (Basic &amp; Diluted)</b>              | <b>(0.83)</b>           | <b>(0.92)</b>           |

### State of Company's Affairs:

The operating and financial performance of the Company has been given in the Management Discussion and Analysis Report which forms part of this Board Report.

### The change in the nature of business, if any

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

### Financial Performance

The performance of the company in brief during FY 2019-20 is as under:

- During the year another 6 trusts completed 8 year of their life resulting in loss of management fees to the tune of Rs. 85 lakhs. Further, the recovery suffered due to lockdown across country and closure of Courts and Tribunals during March, 2020, as some large amounts of expected recoveries could not be realised. In view of these factors, revenue from Operation decreased by 45.88% as compared to the previous year.

- b. Operating expense has come down to ₹423 lakh from ₹670 lakh in previous year.
- c. As per RBI extant guidelines, we have provided for diminution in the value of SRs to the tune of ₹1211 lakh in F.Y. 2019-20 (Previous Year provision/write-off ₹1342 lakh).
- d. As a result, though the company earned operating profit of ₹536 lakh in the year, it has booked net loss of ₹839 lakh during 2019-20.
- e. Net worth of the Company has decreased from ₹12,072 lakh in FY 2018-19 to ₹11,231 lakh in 2019-20, mainly due to provisioning of SRs.
- f. It may also be noted that the Cash and Deposits with Banks has increased from Rs. 6,539 lakh as on March 31, 2019 to ₹7,175 lakh as on March 31, 2020.

### **Dividend**

The Board of Directors of your company, after considering holistically the relevant circumstances has decided that it would be prudent, not to recommend any Dividend for the year under review.

### **Transfer of Unclaimed Dividend etc. to Investor Education and Protection Fund (IEPF)**

Since there was no amount lying w.r.t unpaid/unclaimed Dividend, the provisions of Section 125 of the Companies Act, 2013 does not apply.

### **Deposits**

During the year under review, the Company had neither accepted nor held any deposits from the public and shall not accept any deposits from the public without obtaining prior approval from the Reserve Bank of India.

### **Management Discussion and Analysis**

#### **a. Business Environment for Asset Reconstruction Companies**

The continuous growth of NPAs in the Indian Financial Sector has created a large opportunity for the growth of ARCs as an effective player in resolution/recovery efforts of Banks/Financial Institutions. Moreover, Regulatory changes including the Insolvency and Bankruptcy Code, SARFAESI Amendments, Changes in FDI rules and RBI amendments have given a boost to asset reconstruction industry. These changes have enabled the early identification of distress; re-emphasised on core role of ARCs, unified code and process, time bound resolution and liquidation; eased the capital flow to ARCs by allowing up to 100% FDI and clearly defined roles and rights of various stakeholders. The recovery rates and resolution timelines have also improved.

There is significant potential opportunity for stressed-assets investors, given around Rs 9.4 lakh crore NPAs in the banking system as on March 31, 2019. Of this, the corporate segment, which has seen active interest from most investors, is estimated at around 70%. Large stressed borrowers have debt aggregating to Rs 5.4 lakh crore, which is a huge attraction for such investors.

However, regulatory changes in recent years have been aimed at putting ARCs' skin in the game and diversifying the potential investor base for stressed assets. In August 2014, the minimum investment requirement by ARCs for the acquired assets was increased to 15% from 5%. The norms for investments in ARCs and security receipts (SRs) - including for foreign investors - were eased subsequently. But the real push came when the

provisioning norms for the selling banks were changed, wherein their investments in SRs over 50% (effective April 1, 2017) led to higher provisioning requirement by banks. This limit is now at 10%, effective April 1, 2018.

Therefore, the business model of ARCs has become more capital-intensive, with a need to either put in their own funds or bring in other investors. Hence last few years saw a structural shift, with a substantial jump in the cash share of the acquisition cost, resulting in sizeable investments by investor groups, apart from the selling institutions and ARCs. That said, several ARCs have been able to rope in external investors to subscribe to the SRs.

Given the higher capital requirement, the partnership model will be the way forward for ARCs. It could be via various routes, ranging from investment in ARCs, investments in SRs to direct investments in stressed assets. With a higher cash share becoming a norm, ARCs will need to focus more on resolutions and attracting capital from shareholders and co-investors.

## **b. Operations**

### **(i) Asset Acquisition:**

During the year majority of shareholders have decided to sell their shareholding in ISARC and appointed a Merchant Banker to run the divestment process. The Merchant Banker has initiated the process of divestment. As the process of divestment is in progress, the Merchant Banker has advised to maintain status quo on acquisition of new account, to avoid any disruption in due diligence process. Accordingly, no bid for acquisition was submitted during the year.

### **(ii) Asset Resolution / Recovery:**

During the year, the gross & net recovery (after management fee and all commissions & expenses) stood at ₹ 2,465 lakh & ₹ 2,014 lakh respectively. Security Receipt (SRs) worth Rs. 12.86 crore were redeemed during FY 2019-20 (Rs. 13.87 crore in the previous year) to SR holders including ISARC. The cumulative gross recovery (since commencement of business) till March 31, 2020 aggregated ₹ 27,631 lakh of which ₹ 14,053 lakh had been redeemed to SR holders including ISARC. The recovery suffered due to lockdown across country and closure of Courts and Tribunals during March, 2020, as some large amounts of expected recoveries could not be realised.

### **(iii) Assets under Management:**

The aggregate SR issuance (since commencement of business) amounts to ₹ 54,391 lakh, out of which, SRs amounting to ₹ 399,99 lakh were outstanding as on March 31, 2020, SR amounting to ₹ 14,054 lakh has been redeemed and SRs amounting to Rs 338 lakh has been written off till March 31, 2020. The AUM (including additional funding), since commencement of business is Rs.55,095 lakh whereas as on March 31, 2020 the Net AUM of the Company is ₹40,043 lakh.

### **(iv) Ratings of security receipts & Net Asset Value (NAV) of SRs:**

As on March 31, 2020 aggregate SRs amounting to ₹ 34,757 lakh have been rated by rating agencies under the recovery ratings scale as per the guidelines issued by RBI to SC/RC companies and the corresponding NAVs have been communicated to the SR holders.

## Material Changes and Commitments

The recovery suffered as some large amounts of expected recoveries could not be realised due to lockdown across country and closure of Courts and Tribunals during March, 2020. Except that, there were no material changes and commitments, affecting the financial position of the Company which occurred between the end of the financial year of the Company to which the financial statements relate and the date of the report.

## Risk Management

The Board of Directors of the Company has framed a Risk Management Policy and has formed a Risk Management Committee to frame, implement and monitor the risk management plan for the Company. The committee is responsible for reviewing the risk management plan and ensuring its effectiveness. The Committee ensures that the Company has a suitable framework for Risk Management and oversees the implementation of the risk management policy. The Audit Committee has additional oversight in the area of financial risks and controls. Major risks identified are systematically addressed through mitigating actions on a continuing basis.

## Corporate Governance Report

Your company continues to adopt the best practices of Corporate Governance to ensure transparency, integrity and accountability in its functioning. The Corporate Governance Report highlighting these endeavours has been incorporated as a separate section, forming part of this Report as **Annexure-A**.

## Directors & Key Managerial Personnel (KMP)

The composition of the Board is in compliance with the applicable provisions of the Companies Act, 2013, ("Act") and the rules framed thereunder, guideline(s) issued by the Reserve Bank of India and other applicable laws inter alia with respect to appointment of women director, non-executive director(s) and independent director(s).

### a. Cessation of Directors & KMP

Shri Mohammad Mustafa having DIN: 06887517, Chairman and a Director nominated by SIDBI is ceased to be a Director on the Board of the Company with effect from August 27, 2020.

Shri Golak B. Panda having DIN: 06890772, Nominee Director, ceased to be a Director on the Board of the Company and Committees of the Board with effect from May 20, 2019 pursuant to withdrawal of his nomination by Bank of Baroda.

Term of appointment Shri Gauri Shankar (DIN: 06764026), as an Independent Director of the Company expired on the date 11<sup>th</sup> Annual General Meeting (AGM) on September 23, 2019 and he was not re-appointed at the 11<sup>th</sup> AGM, accordingly he ceased to be an Independent Director on the Board and Committees of the Board.

Smt. Bhama Krishnamurthy (DIN: 02196839) an Independent Director of the Company resigned from the directorship of ISARC with effect from October 22, 2019, accordingly she ceased to be an Independent Director on the Board and Committees of the Board.

Shri Subhendu Moitra (DIN: 00041619) has resigned as a Managing Director & CEO (Key Managerial Personnel) of the Company with effect from July 14, 2020.

Smt. Vandana Kacholia, Company Secretary & Key Managerial Personnel (KMP) of the Company resigned with effect from August 31, 2019. Shri Partha Sarathi Sen also resigned from the post of Chief Financial Officer (CFO) & Compliance Officer and Key Managerial Personnel (KMP) of the Company with effect from September 12, 2019.

Shri Manjit Singh Kochar, Director, being longest in office, is liable to retire by rotation in compliance with Section 152(6) and other applicable provisions of Companies Act, 2013 and being eligible offered himself for re-appointment at the ensuing general meeting.

#### **b. Appointment of Directors & KMP**

The Company has received approval from Reserve Bank of India (RBI) for appointment of Shri Virendra Kumar Khandelwal (DIN: 08450201), who has been nominated as Director on the Board of Company by Bank of Baroda in place of Shri Golak B. Panda (DIN: 06890772), whose nomination was withdrawn from the Board of the Company. The Board of ISARC in its meeting held on July 03, 2020 noted the nomination received from Bank of Baroda, one of sponsor of ISARC for appointment of Shri Virendra Kumar Khandelwal (DIN: 08450201).

ISARC also received approval from Reserve Bank of India (RBI) for appointment of Smt. Rachna Dikshit (DIN: 08759332), as an Independent Woman Director on its Board. The Board of ISARC in its meeting held on July 03, 2020 approved the appointment of Smt. Rachna Dikshit (DIN: 08759332) as an Additional Director and as an Independent Woman Director subject to approval of shareholders at their ensuing 12<sup>th</sup> Annual General Meeting.

Kum. Prity Adwani was appointed as Company Secretary & Compliance Officer and designated as Key Managerial Personnel (KMP) by the Board of ISARC at its meeting held on July 03, 2020 with immediate effect.

Shri K Prakash, Assistant General Manager (AGM) deputed by SIDBI has been appointed as Chief Financial Officer (CFO) and designated as Key Managerial Personnel (KMP) by the Board of ISARC at its meeting held on July 03, 2020 with effect from July 13, 2020.

Shri Rishi Dwivedi, General Manager (GM) deputed from SIDBI has been appointed as Chief Executive Officer (CEO on interim basis) till the appointment of MD & CEO in the Company.

#### **c. Appointment of Independent Directors**

In compliance with the provisions of Section 149 of the Companies Act, 2013, Smt. Rachna Dikshit (DIN: 08759332) was appointed as an Additional Director and an Independent Woman Director subject to approval of Shareholders at their ensuing 12<sup>th</sup> Annual General Meeting.

##### **(i) Independent Directors' Declaration (u/s 149(7) of the Companies Act, 2013):**

The Independent Directors have submitted the Declarations of Independence as required pursuant to section 149(7) of the Companies Act, 2013, stating that they meet the criteria of independence as provided in 149(6) of the Act. The profile of

Independent Directors forming part of the Corporate Governance Report, is annexed as **Annexure-A** to this report.

## **(ii) Annual Evaluation of Directors, Committee and Board**

In Compliance with the provisions of the Companies Act, 2013, the Board adopted a formal mechanism for evaluation of the Board, Board Committees and individual Directors, including the Chairman of the Board.

### **Disclosures related to Board, Committees and Policies**

#### **a. Board Meetings**

The Board of Directors met 3 times during the financial year ended March 31, 2020 in compliance with the provisions of the Companies Act, 2013 and rules made thereunder. All the Directors actively participated in the meetings and contributed valuable inputs on the matters brought before the Board from time to time. Additionally, during the financial year ended March 31, 2020, the Independent Directors held a separate meeting in compliance with the requirements of Schedule IV of the Companies Act, 2013.

#### **b. Directors' Responsibility Statement**

Pursuant to the requirement under Section 134(5) of the Companies Act, 2013, with respect to Directors' Responsibility Statement, it is hereby confirmed that:

- (a) in the preparation of the annual accounts for financial year ended March 31, 2020, the applicable accounting standards and RBI guidelines had been followed along with proper explanation relating to material departures;
- (b) the Directors had selected such accounting policies and 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 as at March 31, 2020 and of the loss of the Company for the year ended on that date;
- (c) the Directors had 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; and
- (d) the Directors had prepared the annual accounts for financial year ended March 31, 2020 on a 'going concern' basis.
- (e) the Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

#### **c. Audit Committee**

The Audit Committee comprised three members, two of whom are Independent Directors and one Nominee Director. The recommendations made by the Audit Committee during the year were accepted by the Board. The details of Audit Committee are provided in the Corporate Governance Report which is annexed as **Annexure-A** to this report.

#### **d. Nomination and Remuneration Committee**

The Nomination and Remuneration Committee, comprised three members, is in existence in accordance with the provisions of Section 178(3) of the Companies Act, 2013. The

details of Committee are provided in the Corporate Governance Report which is annexed as **Annexure-A** to this report.

**e. Risk Management Committee**

The Risk Management Committee comprised three members. The details of Committee are provided in the Corporate Governance Report which is annexed as **Annexure-A** to this report.

**f. Corporate Social Responsibility Committee**

The Corporate Social Responsibility (CSRC) Committee comprised four members. The details of Committee are provided in the Corporate Governance Report which is annexed as **Annexure-A** to this report.

**g. Other Board Committees**

For details of other Board Committee viz. Executive Committee is provided in Corporate Governance Report which is annexed as **Annexure-A** to this report.

**Extract of Annual Return**

Pursuant to the provisions of Section 134(3)(a) and Section 92(3) of the Companies Act, 2013 read with rule 12(1) of the Companies (Management and Administration) Rules, 2014, the copy of Annual Return for the financial year ended March 31, 2020 in the prescribed form MGT-7 once prepared shall be disclosed on the Company's website at <http://isarc.in/about.htm#d>.

**Corporate Social Responsibility**

The Company sees itself as an essential part of society and is well aware of its responsibilities beyond financial considerations towards improving the quality of life of the communities at large. A report on your Company's CSR activities is attached as **Annexure-B** to the report.

The CSR Policy of the company is placed on the website of the Company (<http://isarc.in/about.htm#d>).

**Secretarial Standards:**

The Company complies with the applicable Secretarial Standards issued by the Institute of Company Secretaries of India.

**Auditors and Auditors' Report**

**a. Statutory Auditors:**

In accordance with the provisions of Section 139(5) of the Companies Act, 2013 and the Rules framed thereunder (the Act), the Statutory Auditors of your Company are appointed by the Comptroller and Auditor General of India (C&AG). M/s Desai Saksena & Associates, Chartered Accountants, was appointed as Statutory Auditor for the financial year 2019-20.

The statutory auditors have not reported any incident of fraud during the year under review. Further, the auditor's report does not contain any qualification, reservation or adverse remark.

**b. Internal Auditors**

In terms of provisions of Section 138 of the Act and other applicable laws, M/s. Ray & Ray, Chartered Accountants, were the Internal Auditors of the Company for the FY 2019-20. The Internal Audit reports are reviewed by the Audit Committee on periodical basis.

**c. Goods and Service Tax (GST) Auditor**

M/s Parekh Shah & Lodha, Chartered Accountants was appointed as GST Auditor of the Company to carry out the Goods and Service Tax (GST) audit for the financial year 2018-19.

**d. Secretarial Audits:**

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Secretarial Audit has been carried out by Shri Umesh P Maskeri, Practicing Company Secretary, (UPM), Mumbai for the financial year 2019-20 which confirms that the Company has complied with all the applicable provisions of the corporate laws, guidelines, rules, etc. The Secretarial Audit report for the financial year ended March 31, 2020 is attached as **Annexure-C** to this Report.

The Secretarial Audit Report does not contain any qualification, reservation or adverse remark.

**Review of Accounts by Comptroller and Auditor General of India**

The C&AG vide their letter dated August 31, 2020 has stated that their office has decided not to conduct supplementary audit of the financial statements of the Company for the year ended March 31, 2020 and as such have no comments to make under Section 143(6)(b) of the Companies Act, 2013.

**Particulars of loan, guarantees or investments**

During the year under review, the Company has not given any loan or provided any guarantee and has not made any investments in terms of Section 186 of the Companies Act, 2013.

**Particulars of Contracts or Arrangement with Related Parties**

All the Related Party Transactions entered by the Company are on arm's length basis and in the ordinary course of business. The disclosure in this regard forming part of this report is provided in the financial statement. All the Related Party Transactions as required under applicable accounting standards are reported in the Notes to the financial statement.

Relevant Form (AOC-2) for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 is given as **Annexure D** to this Report.

During the year, the Company has not entered into any contract/arrangement/transaction with related parties which may have a potential conflict with the interest of the Company at large.

Prior omnibus approval of the Audit Committee is obtained for the transactions which are of a foreseen and repetitive nature. The transactions entered into pursuant to the omnibus approval so granted are audited and a statement giving details of all related party transactions is placed before the Audit Committee for their review on a periodical basis.

None of the Directors has any pecuniary relationship or transactions with the Company.

### **Disclosure of Order passed by Regulators or Courts or Tribunal**

During the year under review, no such order was passed by the regulators or courts or tribunals which impacts the going concern status and Company's operations in future.

### **Internal Financial Control (IFC)**

Your Company has adequate internal control on Financial Reporting for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies; accuracy and completeness of the accounting records; timely preparation of reliable financial information, which is commensurate with the operations of the Company. These are routinely tested and certified by Statutory as well as Internal Auditors. Significant audit observations, if any and follow up actions thereon are reported to the Audit Committee. The Audit Committee reviews adequacy and effectiveness of the Company's internal control environment and monitors the implementation of audit recommendations.

### **Compliance with the Sexual Harassment of Women at workplace (Prevention, Prohibition & Redressal) Act, 2013**

Your Company is committed to prevent sexual harassment of women at workplace and takes prompt action in the event of reporting of such incidents.

The company has in place a Policy for prevention of Sexual Harassment at the Workplace in line with the requirements of the Sexual Harassment of Women at the Workplace (Prevention, Prohibition & Redressal) Act, 2013. Internal Complaints Committee (ICC) has been set up to redress complaints received regarding sexual harassment. All employees (permanent, contractual, temporary, trainees) are covered under this policy.. During the year the Company has not received any complaints in this regard.

### **Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo**

Since the Company does not carry any manufacturing activities, disclosures are not applicable pertaining to conservation of energy, technology absorption, foreign exchange earnings and outgo, are not applicable to your company during the year under review. The Company is however, constantly pursuing its goal of technological up-gradation in a cost effective manner for delivering quality customer service.

### **Human Resources**

Your Company believes that employees are its main strength. The Company has operated on lean but effective staff structure and the same shall be suitably augmented to suit the business requirements of the Company from time to time.

The company has undertaken steps for employee's health and safety while ensuring continuous operations during the COVID 19 pandemic. Prior to the lockdown, precautionary measures such as hand sanitizers for all employees, discontinuation of group meetings, encouraging use of digital channels, restriction on non-essential domestic travel were implemented. Post Lockdown, many employees are working from home, regular connects and reviews through Microsoft Teams Software.

## Acknowledgements

Your Directors express their appreciation and gratitude for the co-operation, assistance and guidance received from Government of India, Reserve Bank of India (RBI), shareholders, bankers, regulatory bodies and other business constituents during the year under review.

Your Directors also place on record their deep sense of appreciation for the commitment displayed by all executives, officers and staff, resulting in the successful performance of the Company during the year.

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

**Mumbai**  
**September 07, 2020**

**Sd/-**  
**Shri Anup Sankar Bhattacharya**  
**Director**  
**DIN: 02719232**

**Sd/-**  
**Shri Shyam Sundar Barik**  
**Director**  
**DIN: 08184820**

**Annexure – A****Report on Corporate Governance**

The Directors' Report on the compliance of the Corporate Governance is given below:

**1. Company's Philosophy on Corporate Governance**

The Company believes that good Corporate Governance practices ensure ethical and efficient conduct of the affairs of the Company and also help in maximising value for all its stakeholders like customers, employees and society at large in order to build an environment of trust and confidence among all the constituents.

The Company recognises that good corporate governance is a continuous exercise and reiterates its commitment to pursue highest standards of corporate governance such as empowerment and integrity of its employees, transparency in decision making process, fair & ethical dealings with all, and last but not the least, accountability to all the stakeholders.

ISARC's governance structure is based on the principles of freedom to the executive management within a given framework to ensure that the powers vested in the executive management are exercised with due care and responsibility so as to meet the expectation of all the stakeholders. In line with these principles, the Company has formed three tiers of Corporate Governance structure, viz.:

- (a) The Board of Directors:** The primary role of the Board is to protect the interest and enhance value for all the stakeholders. It conducts overall strategic supervision and control by setting the goals & targets, policies, reporting mechanism & accountability and decision-making process to be followed.
- (b) Committees of Directors:** Such as Audit Committee, Executive Committee, Nomination & Remuneration Committee, Risk Management Committee, Corporate Social Responsibility Committee, etc. are focused on financial reporting, audit & internal controls, compliance issues, appointment and remuneration of Directors and Senior Management Employees, sustainable development and business and risk management framework.
- (c) Executive Management:** The entire business including the support services are managed with clearly demarcated responsibilities and authorities at different levels.

**2. Board of Directors****(a) Composition**

The Board of Directors comprises an optimum combination of Executive and Non-Executive Directors (which includes Independent and Nominee Directors). Independent Directors are persons with proven record in the fields of Audit / Accounts, Finance, Management, Law and Banking.

The Board of Directors take active participation in the Board and Committee Meetings by providing valuable inputs to the Management on various aspects of audit / accounts, policy direction, governance, compliance, etc. and thus enhance the transparency in the decision-making process of the Board of Directors.

In compliance with the provisions of the Companies Act, 2013 the composition of Board of Directors of the Company is as follows:

| Nature of Directorship                    | No. of Directors |
|---|------------------|
| Nominee Directors*                        | 3                |
| Non-Independent & Executive – MD & CEO ** | 0                |
| Independent Directors***                  | 3                |
| <b>Total Directors</b>                    | <b>6</b>         |

**Note:**

\* As on March 31, 2020 there were 4 Nominee Directors of the Company viz: Shri Mohammad Mustafa & Shri Manoj Mittal Nominee Directors, nominated by Small Industries Development Bank of India (SIDBI) and Shri Manjit Singh Kochar Nominee Director nominated by United Bank of India. Shri Mohammad Mustafa ceased to be a Nominee Director of the Company w.e.f. August 27, 2020 and Shri Virendra Kumar Khandelwal, Nominee Director has been nominated by Bank of Baroda with effect from July 03, 2020.

\*\* As on March 31, 2020 there was 1 Executive Director of the Company: Shri Subhendu Moitra. However, he has resigned as MD & CEO w.e.f. July 14, 2020

\*\*\* As on March 31, 2020 there were 2 Independent Directors of the Company viz; Shri Anup Sankar Bhattacharya and Shri Shyam Sundar Barik. During the year term of office of Shri Gauri Shankar, as an Independent Director expired on the date of 11<sup>th</sup> Annual General Meeting (AGM) held on September 23, 2019 and was not re-appointed. Smt. Bhama Krishnamurthy resigned as an Independent Director of the Company w.e.f. October 22, 2019. Smt. Rachna Dikshit was appointed as an Additional Director of ISARC on July 03, 2020 and as an Independent Woman Director subject to approval of shareholders at 12<sup>th</sup> AGM.

None of the Directors is related to each other or with any employees of the Company.

**(b) Profile of Directors:**

The Brief profile of each Director is given below:

**1) Shri Manoj Mittal (Nominee Director - SIDBI)**

Shri Manoj Mittal assumed charge as Deputy Managing Director of SIDBI as appointed Whole Time Director of SIDBI by Government of India with effect from January 22, 2016.

Shri Mittal is a strategic thinker with keen business acumen in understanding financial as well as non-financial requirements of MSMEs. Shri Mittal holds a B.Tech in Mechanical Engineering, CAIIB and Post Graduate Diploma in Business Management.

Shri Mittal is the member of Nomination and Remuneration Committee of the Board of Directors of the Company.

**2) Shri Manjit Singh Kochar (Nominee Director – United Bank of India)**

Shri Manjit Singh Kochar, Nominee Director nominated by United Bank of India (UBI) on the Board of the Company with effect from January 25, 2019. Shri Kochar is Deputy General Manager & Chief Regional Manager, Mumbai with UBI (Currently Punjab National Bank). Shri Kochar holds Bachelor's in Science with CAIIB, DISA (IIBF).

Shri Kochar is the member of the Audit Committee, Corporate Social Responsibility Committee and Risk Management Committee of the Board of Directors of the Company.

### 3) Shri Anup Sankar Bhattacharya (Independent Director)

Shri Anup Sankar Bhattacharya was appointed as an Independent Director in the 10<sup>th</sup> Annual General Meeting held on September 28, 2018.

Shri Bhattacharya was the Director of Institute of Banking Personnel Selection. He was Member of the Governing Council of Indian Institute of Banking & Finance. He is an Honorary Fellow of Indian Institute of Banking & Finance. Shri Bhattacharya is Ex-Chairman and Managing Director of Bank of Maharashtra. He is having rich experience and in-depth knowledge of the Banking Industry from across various markets in India.

Shri Anup Sankar Bhattacharya is the Chairman of Nomination & Remuneration Committee and Corporate Social Responsibility Committee of the Board of ISARC. He is also member of Audit Committee, Executive Committee and Risk Management Committee of the Board of Directors of the Company.

### 4) Shri Shyam Sundar Barik (Independent Director)

Shri Shyam Sundar Barik, retired Chief General Manager-in-charge, Dept. of Banking Regulation, Reserve Bank of India, was appointed as Independent Director in the 10<sup>th</sup> Annual General Meeting held on September 28, 2018.

Shri Barik holds Post Graduation in Economics and a CAIIB. Shri Barik has worked for more than 31 years with RBI in the areas such as currency management, regulation and supervision of commercial banks and urban cooperative banks, redressal of customer grievances under Banking Ombudsman Scheme, financial inclusion and financial literacy etc. He has vast experience in the field of banking and finance.

Shri Barik is the Chairman of the Audit Committee, Executive Committee & Risk Management Committee of the Board of Directors of the Company. He is also member of Nomination & Remuneration Committee and Corporate Social Responsibility Committee of the Board of Directors of ISARC.

### 5) Shri Virendra Kumar Khandelwal (Nominee Director- Bank of Baroda)

Shri Virendra Kumar Khandelwal, General Manager of Bank of Baroda (BOB) was appointed as Nominee of Bank of Baroda on the Board of the ISARC in place of Shri Golak B. Panda with effect from July 03, 2020.

Shri Khandelwal is currently a General manager- Recovery at BOB, Mumbai. He is Bachelor in Commerce with LLB, MBA and CAIIB. He has 28 years of experience at various verticals of BOB like Corporate Credit, Risk Management, Credit Monitoring, Debt recovery etc.

### 6) Smt. Rachna Dikshit (an Additional Director & an Independent Woman Director)

Smt. Rachna Dikshit who retired as Regional Director, Reserve Bank of India (RBI) was appointed as an Additional Director of ISARC on July 03, 2020 and as an Independent Woman Director subject to approval of shareholders at 12<sup>th</sup> AGM.

Smt Dikshit is MA in Political Science with CAIB. During her long experience with RBI in addition to supervisory functions she closely coordinated with other Financial Institutions and Government functionaries. She performed the role of spearheading financial literacy an inclusion for the unbanked and underbanked population which are marginalized and interacted with small, medium and micro enterprises to push banking assistance. During her posting as GM, Department of Banking Regulation, RBI Central Office, she was responsible for Financial Institutions Division and Credit Information Division. She was also part of the Kapoor Committee constituted by the Governor of RBI to study Credit Flow to SSIs in 1998.

### (c) Meetings, agenda and proceedings etc. of the Board Meeting

The Board of Directors oversees the overall functioning of the Company which includes formulating plans & strategy, reviewing the performance, defining the Company's policy and oversees its implementation in attaining its objectives. The Board has constituted various committees to facilitate the smooth and efficient flow of the decision-making process.

During the financial year 2019-20, three (3) Board Meetings were held. The meetings were held on May 20, 2019, August 27, 2019 and December 17, 2019. The agenda of the meetings was pre-circulated with adequate notes, explanations and supporting documents.

The attendance record of the Directors at the Board Meetings during the year ended March 31, 2020, and at the 11<sup>th</sup> Annual General Meeting held on September 23, 2019 is as follows:

| Name of the Director          | Category                                    | No. of Board Meetings held / attended |   | Attendance at the last AGM |
|-------------------------------|---|---------------------------------------|---|----------------------------|
|                               |   |                                       |   |                            |
| Shri Mohammad Mustafa, IAS *  | Chairman & Nominee Director-SIDBI           | 3                                     | 3 | Yes                        |
| Shri Manoj Mittal             | Nominee Director-SIDBI                      | 3                                     | 3 | Yes                        |
| Smt. Bhama Krishnamurthy***   | Independent Director                        | 3                                     | 2 | Yes                        |
| Shri Gauri Shankar***         | Independent Director                        | 3                                     | 2 | Yes                        |
| Shri Anup Sankar Bhattacharya | Independent Director                        | 3                                     | 3 | Yes                        |
| Shri Subhendu Moitra ****     | Managing Director & Chief Executive Officer | 3                                     | 3 | Yes                        |
| Shi Shyam Sundar Barik        | Independent Director                        | 3                                     | 3 | Yes                        |
| Shri Manjit Singh Kochar      | Nominee Director- UBI                       | 3                                     | 3 | NA                         |

\* Shri Mohammad Mustafa ceased to be a Chairman and Nominee Director w.e.f. August 27, 2020

\*\*Smt. Bhama Krishnamurthy resigned from the directorship of the Company w.e.f. October 22, 2019

\*\*\*Term of office of Shri Gauri Shankar as an Independent Director expired on September 23, 2019.

\*\*\*\* Shri Subhendu Moitra resigned as MD & CEO w.e.f. July 14, 2020

### (d) Separate Meeting of Independent Directors

As stipulated by the Code of Independent Directors under Schedule IV of the Companies Act, 2013, a separate meeting of the Independent Directors of the Company was held on March 13, 2020 to review the performance of the Board, Chairman and Board-Management relations.

### (e) Evaluation of the Board's Performance

Pursuant to the provisions of the Act, the Board has carried out an annual evaluation of its own performance, the individual Directors (including the Chairman) as well as an evaluation of the working of all Board Committees. The criteria for evaluating the performance of the Board as a whole covered effectiveness of Board processes, information, functioning and guidance on the Strategies and business plan, etc. The criteria for evaluation of individual Directors covered parameters such as contribution at meetings, guidance to Management, etc. The criteria for evaluation of the Committee of the Board covered areas related to quality of Board Committee, pursuing laid down object of the Committee, etc. The feedback of the Independent Directors was also taken into consideration while carrying out the performance evaluation.

### (f) Code of Conduct

The Independent Directors are adhering to the Code of Conduct prescribed under Schedule IV of the Companies Act, 2013.

## 3. Committees of the Board of Directors

The Board of Directors has constituted Committees of Directors of your Company in line with the best practices in corporate governance.

### (a) Audit Committee

The Board has constituted a well-qualified Audit Committee, two of the members are Independent Directors and one Nominee Director. The Audit Committee comprises Shri Shyam Sundar Barik as Chairman, Shri Anup Sankar Bhattacharya and Shri Manjit Singh Kochar as members. The members of the Audit Committee have requisite financial and management expertise.

The Committee was reconstituted vide Board Circular resolution dated October 22, 2019 with the induction of Shri Manjit Singh Kochar as member of the Committee in place of Smt. Bhama Krishnamurthy, who resigned as an Independent Director of ISARC.

During the financial year ended March 31, 2020 the Audit Committee met three (3) times on April 30, 2019, August 26, 2019 and March 13, 2020. The attendance of each committee members is as under:

| Sl. No. | Name of the Directors            | Category                        | No. of meetings held / attended |   |
|---------|----------------------------------|---------------------------------|---------------------------------|---|
| 1       | Shri Gauri Shankar*              | Chairman & Independent Director | 3                               | 2 |
| 2       | Shri Shyam Sundar Barik          | Chairman & Independent Director | 3                               | 3 |
| 3       | Smt. Bhama Krishnamurthy**       | Independent Director            | 3                               | 2 |
| 4       | Shri Anup Sankar Bhattacharya*** | Independent Director            | 3                               | 1 |
| 5       | Shri Manjit Singh Kochar***      | Nominee Director                | 3                               | 1 |

\* Term of office of Shri Gauri Shankar as an Independent Director expired on September 23, 2019.

\*\* Smt. Bhama Krishnamurthy resigned from the directorship of the Company w.e.f. October 22, 2019

\*\*\* Shri Anup Sankar Bhattacharya an Independent Director and Shri Manjit Singh Kochar Nominee Director were inducted as member of Audit Committee with effect from October 22, 2019.

**(b) Executive Committee**

The Board had constituted the Executive Committee which comprises three members viz. Shri Shyam Sundar Barik as Chairman, Shri Anup Sankar Bhattacharya and Shri Subhendu Moitra as members.

The Committee was reconstituted vide Board Circular resolution dated October 22, 2019 with the induction of Shri Anup Sankar Bhattacharya as member of the Committee and election of Shri Shyam Sundar Barik as Chairman of the Committee. Smt. Bhama Krishnamurthy resigned from the directorship of the Company w.e.f. October 22, 2019 and term of office of Shri Gauri Shankar as an Independent Director expired on September 23, 2019 and was not reappointed. The nomination of Shri Golak B. Panda withdrawn by Bank of Baroda vide letter dated April 12, 2019 which has been noted by the Board in the meeting held on May 20, 2019.

The role, powers and scope of functions and duties of the Executive Committee include, inter alia, approval or otherwise for acquisitions of financial assets.

During the financial year ended March 31, 2020, no meeting of the EC was held, but EC approved resolutions by circulation on June 21, 2019 and December 27, 2019.

**(c) Nomination and Remuneration Committee**

The Nomination and Remuneration Committee (NRC) comprises three members including two Independent Directors and one Nominee Director, viz. Shri Anup Sankar Bhattacharya as Chairman, Shri Manoj Mittal and Shri Shyam Sundar Barik as members.

The NRC functions, inter alia, in accordance with Section 178 of the Companies Act, 2013, identify persons who are qualified to become Directors, recommend to the Board for their appointment and removal and carry out evaluation of every Director's performance besides these it also functions in accordance with the following terms of reference:

- (i) Motivate employees and to promote excellence in their performance, recognize merits and achievements, retain talent in the Company and finally, to promote the feeling of belongingness.
- (ii) Take all decisions relating to Human Resources, including pertaining to attraction and retention strategies for employees, employee development strategies, compensation (including salaries and salary adjustments, incentives / benefits), methodology for performance rating, etc., within the broad framework approved by Board.

In addition to the term of reference of the NRC, ISARC also have the Nomination and Remuneration policy in place which formulates the criteria for determining qualifications, competencies, positive attributes and independence for the appointment of a Director and also criteria for determining the remuneration of the Directors, Key Managerial Personnel and other employees. The Nomination and Remuneration Policy is placed on the website of the Company at <http://isarc.in/about.htm#d>.

During the financial year ended March 31, 2020, no meeting of the NRC was held.

**(d) Risk Management Committee**

The Risk Management Committee (RMC) comprises three members including Independent Directors. The RMC comprises as Shri Shyam Sundar Barik as Chairman, Shri Anup Shankar Bhattacharya and Shri Manjit Singh Kochar as members.

The Committee was reconstituted vide Board Circular resolution dated April 5, 2019 with the induction of Shri Shyam Sundar Barik as Chairman of the Committee. The nomination of Shri Golak B. Panda withdrawn by Bank of Baroda vide letter dated April 12, 2019 which has been noted by the Board in the meeting held May 20, 2019

The Committee was further reconstituted vide Board Circular resolution dated October 22, 2019 with the induction of Shri Anup Sankar Bhattacharya and Shri Manjit Singh Kochar as member of the Committee. Smt. Bhama Krishnamurthy resigned from the directorship of the Company w.e.f. October 22, 2019 and term of office of Shri Gauri Shankar as an Independent Director expired on September 23, 2019 and was not reappointed.

During the financial year ended March 31, 2020, no meeting of the RMC was held.

**(e) Corporate Social Responsibility Committee**

The Corporate Social Responsibility Committee (CSRC) comprise Four members viz. Shri Anup Sankar Bhattacharya as Chairman, Shri Shyam Sundar Barik, Shri Manjit Singh Kochar and Shri Subhendu Moitra as members of the Committee.

The Committee was reconstituted vide Board Circular resolution dated April 5, 2019 with the induction of Shri Manjit Singh Kochar as member of the Committee.

The Committee was further reconstituted vide Board Circular resolution dated October 22, 2019 with the induction of Shri Anup Sankar Bhattacharya as Chairman and Shri Shyam Sundar Barik & Shri Subhendu Moitra as member of the Committee. Smt. Bhama Krishnamurthy resigned from the directorship of the Company w.e.f. October 22, 2019 and term of office of Shri Gauri Shankar as an Independent Director expired on September 23, 2019 and was not reappointed.

During the financial year ended March 31, 2020, the CSRC did not meet but approved a resolution by circulation on March 26, 2020.

**4. General Body Meeting**

The 11<sup>th</sup> Annual General Meeting of the Company was held at MSME Development Centre, C-11, G-Block, Bandra-Kurla Complex, Bandra (East), Mumbai-400051 on Monday, September 23, 2019 at 3.00 p.m.

During the year, no Extra Ordinary General Meeting of the Company was held.

**5. General Shareholders' Information****1) Share Capital**

During the year under review, there have been no changes in the share capital of the Company. As on March 31, 2020, the Authorized, Issued, Subscribed and Paid-up Share Capital of the Company is Rs 100/- Crore only.

**2) Investor Correspondence:**

The Company Secretary  
India SME Asset Reconstruction Company Ltd.  
Swavalamban Bhavan, Plot No. C-31,  
G-Block, Bandra-Kurla Complex, Bandra (East), Mumbai 400051  
Telephone: +91 22 2675 2600  
E-mail : [isarc@isarc.in](mailto:isarc@isarc.in)  
Website : [www.isarc.in](http://www.isarc.in)

**3) Subsidiaries / Joint Venture / Associate Companies**

Your Company does not have any Subsidiary, Joint Venture or Associate Companies in accordance with the provisions of the Act, and hence, disclosure regarding the same is not applicable.

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

**Mumbai  
September 07, 2020**

**Sd/-  
Shri Anup Sankar Bhattacharya  
Director  
DIN: 02719232**

**Sd/-  
Shri Shyam Sundar Barik  
Director  
DIN: 08184820**

**Annexure B****Annual Report on CSR Activities**

1. A brief outline of the Company's CSR policy, including overview of projects or program proposed to be undertaken and a reference to the web-link to the CSR policy and projects or program.

The Company sees itself as an essential part of society and is well aware of its responsibilities beyond financial considerations towards improving the quality of life of the communities at large.

The CSR Policy of the company can be accessed at the website of the Company on the link <http://isarc.in/about.htm#d>.

2. Composition of the CSR Committee:

| SI. No. | Name of the Directors         | Category                | Position |
|---------|-------------------------------|-------------------------|----------|
| 1       | Shri Anup Sankar Bhattacharya | Independent Director    | Chairman |
| 3       | Shri Shyam Sundar Barik       | Independent Director    | Member   |
| 4       | Shri Manjit Singh Kochar      | Nominee Director        | Member   |
| 5       | *Shri Subhendu Moitra         | Managing Director & CEO | Member   |

\* Shri Subhendu Moitra resigned as MD & CEO w.e.f. July 14, 2020

3. Average net profit of the Company for last three financial years: Average Profit before tax for last three financial years is ₹11.77 lakh.

4. Prescribed CSR Expenditure (two percent of the amount as in item 3 above):

The Company was required to spend ₹31.03 lakh towards CSR.

(Current year ₹0.23 lakh and last year unutilized CSR budget of ₹ 30.80 lakh).

5. Details of CSR spend for the financial year 2019-20

a) Total amount spent for the financial year: Nil.

b) Amount unspent, if any 31.03 lakh

6. Reasons for failure to spend the two percent of the average net profit of the last three financial years or any part thereof:

ISARC selects proposals only after thorough due diligence of suitable implementing agency with proven records for CSR implementation. However, during the financial year 2019-20, the Company was unable to spend any amount towards any activity in pursuance of its

Corporate Social Responsibility Policy mainly due to non-availability of suitable proposals and timely information by the Trusts/Society. The efforts for scouting of proposal was also adversely affected due to shortage of manpower.

#### 7. Responsibility statement

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

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

**Mumbai  
September 07, 2020**

**Sd/-  
Shri Anup Sankar Bhattacharya  
Director  
DIN: 02719232**

**Sd/-  
Shri Shyam Sundar Barik  
Director  
DIN: 08184820**

**Annexure-C**

**Form No. MR-3**  
**SECRETARIAL AUDIT REPORT**  
**For the Financial Year ended March 31, 2020**  
**Pursuant to Section 204(1) of the Companies Act, 2013 and Rule 9 of the Companies**  
**(Appointment and Remuneration of Managerial Personnel) Rules, 2014**

To The Members,

**India SME Asset Reconstruction Company Limited**

(CIN : U67190MH2008PLC181062)

Swavalamban Bhavan, C-11, G Block Bandra Kurla Complex,  
Bandra East Mumbai -400051

I have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **India SME Asset Reconstruction Company Limited** (hereinafter called **the Company**) incorporated on April 11, 2008 having CIN: U67190MH2008PLC181062 and Registered Office at Swavalamban Bhavan, C-11, G Block, Bandra Kurla Complex, Bandra East, Mumbai 400 051. Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/ statutory compliances and expressing my opinion thereon.

Based on my verification of the 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, I hereby report that in my opinion, the company has, during the audit period covering the Financial Year ended on March 31, 2020 complied with the statutory provisions listed hereunder and also that the Company has proper Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the Financial Year ended on March 31, 2020 according to the provisions of:

- i) The Companies Act, 2013 (“the Act”) and the rules made thereunder;
- ii) The Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 .
- iii) The Securitization Companies and Reconstruction Companies (Reserve Bank) Guidelines and Directions, 2003.
- iv) The Securities Contracts (Regulation) Act, 1956 (“SCRA”) and the rules made thereunder;
- v) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- vi) During the period, no transactions relating to Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings observed under Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder

vii) The Company being an unlisted company, the following Regulations and Guidelines and laws are not applicable:

A. 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, 1992;
- (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
- (d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999;
- (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 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;
- (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998:

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

I have relied on the representation made by the Company and its officers for the systems and the mechanism formed by the Company for the compliances under the applicable Acts/laws and regulations to the Company.

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

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India: Applicable with effect from July 1, 2015
- (ii) The Company being an unlisted entity, the provisions of the Securities and Exchange Board of India (Listing obligations and Disclosure Requirements) Regulations, 2015 is not applicable

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

1. Appointment of woman director:

Company is in the process of filling up the vacancy of woman director, caused by the resignation of Mrs. Bhama Krishnamurthy on October 22, 2019.

2. Appointment of Company Secretary and Chief Financial Officer :

Company is in the process of filling up of the vacancies caused by the resignation of Mrs. Vandana Kacholia as Company Secretary on August 31, 2019 and Mr. Partha Sarathi Sen, Chief Financial Officer on September 12, 2019.

I further report that, on the basis of Management Representation and having regard to the compliance system prevailing in the company and on examination of the relevant records and documents in pursuance thereof on test basis, the company has complied with the following law as applicable specifically to the company:

- a. The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002
- b. Regulatory Guidelines and Regulations issued by Reserve Bank of India issued under Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002
- c. The Securitisation Companies and Reconstruction Companies (Reserve Bank) Guidelines and Directions, 2003

**I 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, except as mentioned above. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

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

All decisions at Board Meetings and Committee Meetings are carried out unanimously as recorded in the minutes of the Board of Directors and Committees of the Board, as the case may be.

I further report that during the audit period, there are no event/action have taken place which is having a major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards etc.

I further report that based on review of compliance mechanism established by the Company, I am of the opinion that the Company has 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.

I further report that during the period under review, owing to complete lockdown, imposition of curfew and restrictions including guidelines on social distancing stipulated by the Government of India, Government of Maharashtra and Brihanmumbai Municipal Corporation owing to the outbreak of COVID 19 pandemic, I have not been able to visit the office of the Company during the period from March 20, 2020 to the date of this report so as to verify certain original records and documents. Under these circumstances, I have relied on the email communications and scanned copies of some of the records and documents made

available to me by the officials of the Company, during the course secretarial audit. Company has however agreed to make available the relevant original records and documents as soon as the lock down is lifted and normalcy of operations is restored.

**UMESH P MASKERI**  
PRACTICING COMPANY SECRETARY  
FCS No 4831 COP No. 12704  
UDIN F004831B000338560

(This document has been digitally signed) Place:  
Mumbai Date : June 13, 2020

Note: This report is to be read with our letter of even date which is annexed as ANNEXURE II and forms an integral part of this report.

## ANNEXURE II

To The Members,  
India SME Asset Reconstruction Company Limited  
(CIN : U67190MH2008PLC181062)  
Swavalamban Bhavan, C-11, G Block Bandra Kurla Complex,  
Bandra East Mumbai -400051

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

1. Maintenance of secretarial records is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on test basis to ensure that correct facts are reflected in Secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
4. Wherever required, we have obtained the management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of corporate and other applicable laws, rules, regulations, standards is the responsibility of management.

Our examination was limited to the verification of procedures on test basis. 6. The Secretarial Audit Report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

**UMESH P MASKERI**  
PRACTICING COMPANY SECRETARY  
FCS No 4831 COP No. 12704  
UDIN F004831B000338560  
(This document has been digitally signed)  
Place: Mumbai Date : June 13, 2020

**Annexure D**
**FORM 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 contracts/arrangements entered into by the Company with related parties referred to in sub Sd/- section (1) of section 188 of the Companies Act, 2013 including certain arm's 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  | : | NIL |
| b) | Nature of contracts/arrangements/transactions   | : | NIL |
| c) | Duration of the contracts / arrangements / transactions   | : | NIL |
| d) | Salient terms of the contracts or arrangements or transactions including the value, if any                        | : | NIL |
| e) | Justification for entering into such contracts or arrangements or transactions                                    | : | NIL |
| f) | Date (s) of approval by the Board   | : | NIL |
| g) | Amount paid as advances, if any   | : | NIL |
| h) | Date on which the special resolution was passed in general meeting as required under first proviso to Section 188 | : | NIL |

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

|    |   |   |  |
|----|---|---|--|
| i) | Name (s) of the related party and nature of relationship *  | : | 1. Small Industries Development Bank of India (SIDBI)<br>2. SIDBI Venture Capital Limited (SVCL) |
| j) | Nature of contracts/arrangements/transactions   | : | 1. Deputation Charges (SIDBI)<br>2. Rent Paid (SIDBI)<br>3. Electricity Charges (SVCL)           |
| k) | Duration of the contracts / arrangements / transactions   | : | Continuous   |
| l) | Salient terms of the contracts or arrangements or transactions including the value, if any                        | : | As specified in Related Party Disclosures forming part of Financial Statements                   |
| m) | Justification for entering into such contracts or arrangements or transactions                                    | : | NA   |
| n) | Date (s) of approval by the Board   | : | Transaction at arm's length and in ordinary course of business                                   |
| o) | Amount paid as advances, if any   | : | NIL  |
| p) | Date on which the special resolution was passed in general meeting as required under first proviso to Section 188 | : | Transaction at arm's length and in ordinary course of business                                   |

\* Please note that the transaction with the trusts are in the ordinary course of business and are at arm's length basis. Disclosures for the transactions with trusts are disclosed in Related Party Disclosures forming part of Financial Statements.

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

**Mumbai**  
**September 07, 2020**

**Sd/-**  
**Shri Anup Sankar Bhattacharya**  
**Director**  
**DIN: 02719232**

**Sd/-**  
**Shri Shyam Sundar Barik**  
**Director**  
**DIN: 08184820**

**SHAREHOLDING PATTERN**  
(As on 07.09.2020)

| Sr. No. | Name of the Shareholder                    | Shareholding (%) |
|---------|--|------------------|
| 1       | Small Industries Development Bank Of India | 15.00            |
| 2       | Sidbi Venture Capital Limited              | 11.00            |
|         | <b>Public Sector Banks Sponsors</b>        |                  |
| 3       | Punjab National Bank*                      | 20.90            |
| 4       | Bank of Baroda                             | 14.00            |
| 5       | Union Bank Of India                        | 8.00             |
| 6       | Punjab And Sind Bank                       | 5.00             |
| 7       | Indian Bank**                              | 4.00             |
| 8       | Canara Bank                                | 4.00             |
| 9       | Bank of Maharashtra                        | 4.00             |
| 10      | Uco Bank                                   | 4.00             |
| 11      | <b>Financial Institutions</b>              |                  |
| 12      | Life Insurance Corporation Of India        | 9.00             |
| 13      | Kerala Financial Corporation               | 0.35             |
| 14      | Andhra Pradesh State Financial Corporation | 0.35             |
| 15      | Rajasthan Financial Corporation            | 0.10             |
|         | <b>Other Companies</b>                     |                  |
| 16      | Apitco Limited                             | 0.30             |
|         | <b>Total</b>                               | <b>100.00</b>    |

\*Shareholding of Punjab National bank (PNB) has been increased to 20.90 % due to merger United Bank of India and Oriental Bank of Commerce (holding 10% and 1.90% respectively) with PBN w.e.f. April 01, 2020.

\*\*Allahabad Bank had 4% shareholding in ISARC. However, due to the merger of Allahabad Bank with Indian Bank w.e.f. April 01, 2020, Indian Bank holds 4% shareholding in ISARC.

## Independent Auditors' Report

To the members of,

**India SME Asset Reconstruction Company Limited**

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

### Opinion

We have audited the accompanying standalone financial statements of **India SME Asset Reconstruction Company Limited** ("the Company"), which comprises the Balance Sheet as at 31<sup>st</sup> March 2020, the Statement of Profit and Loss, the Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2020, and its loss, 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 Companies Act, 2013. Our responsibilities under those Standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Companies Act, 2013 and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other Information

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

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

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

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

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Companies Act, 2013, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls system in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

### Report on Other Legal and Regulatory Requirements

1. As required by Section 143(3) of the Act, based on our audit, 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 and the Cash Flow Statement dealt with by this Report are in agreement with the books of accounts.
  - d) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 3 of the Companies (Accounting Standards) Rules, 2006 and the Guidelines issued by the Reserve Bank of India from time to time under SARFAESI Act, to the extent applicable.
  - e) On the basis of the written representations received from the directors as on 31st March, 2020 and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2020 from being appointed as a director in terms of Section 164(2) of the Act.
  - f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "**Annexure A**". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.

- g) With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of Section 197(16) of the Act, as amended:

In our opinion and to the best of our information and according to the explanations given to us, the remuneration paid by the Company to its directors during the year is in accordance with the provisions of section 197 read with Schedule V to the Act.

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

- i. The Company has disclosed the impact of pending litigations on its financial position in its standalone financial statements – Refer Note 31 to the standalone financial statements;
- ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
- iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

2. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Companies Act, 2013, we give in the '**Annexure B**' a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
3. As required by section 143(5) of the Act, we give in the '**Annexure C**', a statement on the directions issued by the Comptroller & Auditor General of India.

For **Desai Saksena & Associates**  
Chartered Accountants  
Firm's Registration No: 102358W

Sd/-  
**Dr. S. N. Desai**  
Partner  
Membership No: 032546  
UDIN: 20032546AAAAAZ7171

Place: Mumbai  
Date: 3<sup>rd</sup> July 2020

## **Annexure 'A' to the Independent Auditors Report**

(Referred to in our report of even date)

We have audited the internal financial controls over financial reporting of **India SME Asset Reconstruction Company Limited** (the 'Company') as of 31<sup>st</sup> March 2020 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

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

The Company's Board of Directors is responsible for establishing and maintaining internal financial controls based on the internal control with reference to financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on audit of Internal Financial Controls over financial reporting (the 'Guidance Note') issued by the Institute of Chartered Accountants of India (ICAI). 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 fraud 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 (the 'Act').

### **Auditors' Responsibility**

Our responsibility is to express an opinion on the Company's internal financial control with reference to financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on audit of internal financial control over financial reporting (the 'Guidance Note') and the Standards on Auditing issued by the ICAI and deemed to be prescribed u/s 143(10) of the Act, to the extent applicable, to an audit of internal financial control, both issued by the ICAI. 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 reporting were established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system with reference to financial reporting and their operating effectiveness. Our audit of internal financial control with reference to financial reporting included obtaining an understanding of internal financial control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risks. 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 control with reference to financial reporting.

### **Meaning of internal financial control over financial reporting**

A Company's internal financial control with reference to financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and

the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Company's internal financial control with reference to financial reporting includes those policies and procedures that:

- 1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- 2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with the generally accepted accounting principles, and the receipts and expenditure of the Company are being made only in accordance with authorizations of Management and directors of the Company; and
- 3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have been material effect on the financial statements.

### **Inherent Limitations of Internal Financial Control over Financial Reporting**

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

### **Opinion**

In our opinion, the Company has, in all material respects, an adequate internal financial controls system with reference to financial reporting and such internal financial controls with reference to financial reporting were operating effectively as at 31<sup>st</sup> March, 2020, based on the internal financial control with reference to financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on audit of internal financial control over financial reporting issued by the ICAI.

For **Desai Saksena & Associates**  
Chartered Accountants  
Firm's Registration No: 102358W

Sd/  
**Dr. S. N. Desai**  
Partner  
Membership No: 032546  
UDIN: 20032546AAAAAZ7171

Place: Mumbai  
Date: 3<sup>rd</sup> July 2020

## **Annexure B to the Independent Auditors' Report:**

(Referred to in our report of even date)

- i)
  - a. The Company has maintained proper records showing full particulars, including quantitative details and situation of its fixed assets.
  - b. As per the information given to us, fixed assets have been physically verified by management in a phased periodical manner and no material discrepancies were noticed on such physical verification.
  - c. As per the information and explanations given to us, the Company does not own any immovable property and hence this clause is not applicable.
- ii) The Company is into the services sector, primarily rendering asset reconstruction and securitization services. Accordingly, it does not hold any physical inventories. Thus, Paragraph 3(ii) of the Order is not applicable.
- iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register required to be maintained under section 189 of the Act. Accordingly, clause (iii) of the Order is not applicable.
- iv) According to the information and explanations given to us, the Company has not given loan or guarantees or made investments and hence paragraph 3(iv) of the Order is not applicable to the Company.
- v) According to the information and explanations given to us, the Company has not accepted any deposits from the public in terms of the provisions of sections 73 to 76 or any other relevant provisions of the Act and the rules framed thereunder and hence paragraph 3(v) of the Order is not applicable to the Company.
- vi) To the best of our knowledge and as explained, the Central Government has not prescribed the maintenance of Cost Records under section 148 (1) of the Act for any of the services rendered by the Company and hence paragraph 3(vi) of the Order is not applicable to the Company.
- viii)a. According to the information and explanations given to us and on the basis of our examination of records of the Company, the Company is generally regular in depositing with the appropriate authorities, amounts deducted / accrued in the books of accounts in respect of undisputed statutory dues including Income Tax, Goods & Services Tax and other material statutory dues applicable to it and as on 31<sup>st</sup> March, 2020, no undisputed amounts payable in respect of the above dues were outstanding for a period of more than 180 days from the date they became payable.
- b. According to the information and explanations given to us, details of statutory dues which were outstanding as on 31<sup>st</sup> March 2020 on account of any dispute with the appropriate authorities are as below:

| Sr No | Name of the Statute  | Nature of Dues | Financial Year to which it pertains | Forum where dispute is pending | Amount (Rs.) |
|-------|----------------------|----------------|-------------------------------------|--------------------------------|--------------|
| 1.    | Income Tax Act, 1961 | Income Tax     | 2011-12                             | CIT (A)                        | 5,900/-*     |

\*This amount does not include the amount of penalty, if any, which may be levied by the Income Tax authorities pursuant to the penalty proceedings initiated u/s 271(1) (c.) of the Income Tax Act, 1961 for furnishing inaccurate particulars of income.

- viii) As per the information and explanations given to us by the management, the Company does not have any loans or borrowings from any financial institution, bank, Government or debenture holders during the year. Hence the provisions of paragraph 3(viii) of the Order are not applicable to the Company.
- xi) As per the information and explanations given to us, the Company has not raised any money by way of initial public offer or further public offer (including debt instruments) and term loans. Hence the provisions of paragraph 3(ix) of the Order are not applicable to the Company.
- x) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing principles in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of any such case by the management.
- xi) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has paid / provided for managerial remuneration in accordance with the 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, paragraph 3(xii) of the Order is not applicable.
- xiii) According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with sections 177 and 188 of the Act where applicable and 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 under review. Accordingly, paragraph 3(xiv) of the Order is not applicable.
- 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 them. Accordingly, paragraph 3(xv) of the Order is not applicable.
- xvi) In our opinion and according to the information and explanations given to us, the Company is not required to be registered under section 45-IA of the Reserve Bank of India Act 1934.

For **Desai Saksena & Associates**

Chartered Accountants

Firm's Registration No: 102358W

Sd/

**Dr. S. N. Desai**

Partner

Membership No: 032546

UDIN: 20032546AAAAAZ7171

Place: Mumbai

Date: 3<sup>rd</sup> July 2020

**Annexure 'C' to the Independent Auditors Report**

(Referred to in our report of even date)

- i. Whether the company has system in place to process all the accounting transactions through IT system? If yes, the implications of processing of accounting transactions outside IT system on the integrity of the accounts along with the financial implications, if any, may be stated:

As per the information and explanations given to us, the Company uses Tally ERP Accounting Package to maintain its books of accounts and process the accounting transactions through IT systems.

- ii. Whether there is any restructuring of an existing loan or cases of waiver/write off of debts /loans/interest etc. made by a lender to the company due to the company's inability to repay the loan? If yes, the financial impact may be stated:

As per the information and explanations given to us, there were no cases of waiver/write off of debts /loans/interest etc. made by a lender to the company due to the company's inability to repay the loan during the FY 2019-20.

- iii. Whether funds received/receivable for specific schemes from central/ state agencies were properly accounted for/ utilized as per its term and conditions? List the cases of deviation:

As per the information and explanations given to us, the Company has neither received funds for specific schemes from central / state agencies nor are such funds receivable from the said agencies for the FY 2019-20.

Our comments given above in response to the directions issued u/s 143(5) of the Act are based on the information and explanations given to us by the Management of the Company and our examination of the books of accounts and records produced before us during our audit.

For **Desai Saksena & Associates**  
Chartered Accountants  
Firm's Registration No: 102358W

Sd/  
**Dr. S. N. Desai**  
Partner  
Membership No: 032546  
UDIN: 20032546AAAAAZ7171

Place: Mumbai  
Date: 3<sup>rd</sup> July 2020

**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6)(b) OF THE COMPANIES ACT, 2013 ON THE FINANCIAL STATEMENTS OF INDIA SME ASSET RECONSTRUCTION COMPANY LIMITED (ISARC) FOR THE YEAR ENDED 31 MARCH 2020**

The preparation of financial statements of India SME Asset Reconstruction Company Limited for the year ended 31 March 2020 in accordance with the financial reporting framework prescribed under the Companies Act, 2013 (Act) is the responsibility of the management of the company. The statutory auditor appointed by the Comptroller and Auditor General of India under section 139(5) of the Act is responsible for expressing opinion on the financial statements under section 143 of the Act based on independent audit in accordance with the standards on auditing prescribed under section 143(10) of the Act. This is stated to have been done by them vide their Audit Report dated 3 July 2020.

I, on behalf of the Comptroller and Auditor General of India, have decided not to conduct the supplementary audit of the financial statements of India SME Asset Reconstruction Company Limited for the year ended 31 March 2020 under section 143 (6)(a) of the Act.

For and on behalf of the  
Comptroller and Auditor General of India

Sd/-  
**(P V Hari Krishna)**  
Principal Director of Audit (Shipping), Mumbai

Place :Mumbai  
Date : 31.08.2020

**INDIA SME ASSET RECONSTRUCTION COMPANY LIMITED**  
**BALANCE SHEET AS AT MARCH 31, 2020**

| (Amount in ₹)                     |         |                         |                      |                         |                      |
|-----------------------------------|---------|-------------------------|----------------------|-------------------------|----------------------|
| Particulars                       | Note No | As at<br>March 31, 2020 |                      | As at<br>March 31, 2019 |                      |
| <b>I EQUITY AND LIABILITIES</b>   |         |                         |                      |                         |                      |
| <b>1 Shareholders' Funds</b>      |         |                         |                      |                         |                      |
| (a) Share Capital                 | 2       | 1,000,000,000           |                      | 1,000,000,000           |                      |
| (b) Reserves and surplus          | 3       | 123,296,867             | <b>1,123,296,867</b> | 207,206,049             | <b>1,207,206,049</b> |
| <b>2 Non-Current Liabilities</b>  |         |                         |                      |                         |                      |
| (a) Other Long Term Liabilities   | 4       | -                       |                      | 474,346                 |                      |
| (b) Long Term Provisions          | 5       | 162,460                 | <b>162,460</b>       | 528,885                 | <b>1,003,231</b>     |
| <b>3 Current Liabilities</b>      |         |                         |                      |                         |                      |
| (a) Short Term Borrowings         | 6       | 15,500                  |                      | -                       |                      |
| (b) Trade Payables                | 7       | 1,902,055               |                      | 9,252,900               |                      |
| (c) Other Current Liabilities     | 8       | 2,998,452               |                      | 4,134,450               |                      |
| (d) Short Term Provisions         | 9       | 63,655                  | <b>4,979,662</b>     | 142,604                 | <b>13,529,954</b>    |
| <b>TOTAL</b>                      |         |                         | <b>1,128,438,989</b> |                         | <b>1,221,739,234</b> |
| <b>II ASSETS</b>                  |         |                         |                      |                         |                      |
| <b>1 Non Current Assets</b>       |         |                         |                      |                         |                      |
| (a) Property, Plant & Equipment   | 10      |                         |                      |                         |                      |
| Tangible                          |         | 1,005,108               |                      | 1,448,156               |                      |
| Intangible                        |         | 72,662                  |                      | 263,037                 |                      |
| (b) Non Current Investments       | 11      | 291,349,488             |                      | 450,341,833             |                      |
| (c) Deferred Tax Assets (Net)     | 12      | 542,737                 |                      | 522,786                 |                      |
| (d) Long Term Loans and Advances  | 13      | 62,156,267              |                      | 70,280,448              |                      |
| (e) Other Non Current Assets      | 14      | -                       | <b>355,126,262</b>   | -                       | <b>522,856,260</b>   |
| <b>2 Current Assets</b>           |         |                         |                      |                         |                      |
| (a) Trade Receivables             | 15      | 5,834,842               |                      | 4,905,167               |                      |
| (b) Cash and Bank Balances        | 16      | 717,518,927             |                      | 653,876,910             |                      |
| (c) Short Term Loans and Advances | 17      | 20,142,352              |                      | 12,697,924              |                      |
| (d) Other Current Assets          | 18      | 29,816,606              | <b>773,312,727</b>   | 27,402,973              | <b>698,882,974</b>   |
| <b>TOTAL</b>                      |         |                         | <b>1,128,438,989</b> |                         | <b>1,221,739,234</b> |

The accompanying notes are integral part of the financial statements.

As per our report of even date  
 For **Desai Saksena & Associates**  
 Chartered Accountants  
 Firm Reg. No.: 102358W

For and on behalf of Board of Directors  
**INDIA SME ASSET RECONSTRUCTION COMPANY LIMITED**

Sd/-  
**Dr. S. N. Desai**  
 Partner  
 M. No.: 032546  
 UDIN:20032546AAAAAZ7171  
 Mumbai, July 3, 2020

Sd/-  
**Shyam Sundar Barik**  
 Director  
 DIN:08184820  
 Sd/-  
**Prity Adwani**  
 Company Secretary  
 M.NO: A42690

Mumbai, July 3, 2020

Sd/-  
**Subhendu Moitra**  
 Managing Director & CEO  
 DIN:00041619

**INDIA SME ASSET RECONSTRUCTION COMPANY LIMITED**  
**STATEMENT OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2020**

(Amount in ₹)

| Particulars |  | Note No | For the year ended<br>March 31, 2020 | For the year ended<br>March 31, 2019 |
|-------------|--|---------|--------------------------------------|--------------------------------------|
| I           | Revenue from Operations                          | 19      | 45,945,288                           | 84,891,956                           |
| II          | Other Income                                     | 20      | 50,053,727                           | 40,175,489                           |
| III         | <b>Total Revenue (I + II)</b>                    |         | 95,999,015                           | 125,067,445                          |
| IV          | <b>Expenses:</b>                                 |         |                                      |                                      |
|             | (a) Employee Benefit Expense                     | 21      | 25,821,078                           | 33,485,212                           |
|             | (b) Depreciation and Amortization Expense        | 10      | 633,423                              | 770,584                              |
|             | (c) Other Expenses                               | 22      | 139,672,023                          | 174,704,684                          |
|             | Total Expenses                                   |         | 166,126,524                          | 208,960,480                          |
| V           | <b>Profit Before Tax (III - IV)</b>              |         | <b>(70,127,509)</b>                  | <b>(83,893,035)</b>                  |
| VI          | <b>Tax Expense:</b>                              |         |                                      |                                      |
|             | (a) Current Tax                                  |         | 13,686,215                           | 8,167,093                            |
|             | (b) MAT Credit Availment/(Entitlement)           |         | -                                    | -                                    |
|             | (c) Deferred Tax                                 | 12      | (19,949)                             | 34,174                               |
|             | (d) Income Tax - Earlier years                   |         | 115,407                              | -                                    |
|             |  |         | 13,781,673                           | 8,201,267                            |
| VII         | <b>Profit for the Year (V - VI)</b>              |         | <b>(83,909,182)</b>                  | <b>(92,094,302)</b>                  |
| VII         | <b>Earnings per Equity Share of ₹ 10/- each:</b> | 23      |                                      |                                      |
|             | (1) Basic  |         | (0.84)                               | (0.92)                               |
|             | (2) Diluted                                      |         | (0.84)                               | (0.92)                               |

The accompanying notes are integral part of the financial statements.

As per our report of even date  
 For **Desai Saksena & Associates**  
 Chartered Accountants  
 Firm Reg. No.: 102358W

**Sd/-**  
**Dr. S. N. Desai**  
 Partner  
 M. No.: 032546  
 UDIN:20032546AAAAAZ7171  
 Mumbai, July 3, 2020

For and on behalf of Board of Directors  
**INDIA SME ASSET RECONSTRUCTION COMPANY LIMITED**

**Sd/-**  
**Shyam Sundar Barik**  
 Director  
 DIN:08184820  
**Sd/-**  
**Prity Adwani**  
 Company Secretary  
 M.NO:A42690

Mumbai, July 3, 2020

**Sd/-**  
**Subhendu Moitra**  
 Managing Director & CEO  
 DIN:00041619

**INDIA SME ASSET RECONSTRUCTION COMPANY LIMITED**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2020**

(Amount in ₹)

| PARTICULARS  | Year Ended<br>31.03.2020 | Year Ended<br>31.03.2019 |
|--|--------------------------|--------------------------|
| <b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>                                    |                          |                          |
| Profit before Taxation   | (70,127,509)             | (83,893,035)             |
| Adjustments for:   |                          |                          |
| Add: Depreciation and Amortization Expense                                       | 633,423                  | 770,584                  |
| Add: Bad Debts   | -                        | 4,962,233                |
| Add: Provision for Deferred Rent   | -                        | -                        |
| Add: Loss on sale of Fixed Assets  | -                        | 7,939                    |
| Add: Provision for Security Receipts   | 110,099,783              | 104,996,549              |
| Add: Provision for Diminution in Value of Security Receipts                      | 10,949,891               | 884,555                  |
| Add: Provision for Advances to Trusts  | 2,112,366                | 6,994,049                |
| Less: Reversal of Provision for Deferred Rent                                    | 474,346                  | 632,424                  |
| Less: Interest on Fixed Deposits having maturity of more than three months       | 30,406,067               | 23,012,987               |
| <b>Operating Profit before Working Capital changes</b>                           | <b>22,787,541</b>        | <b>11,077,463</b>        |
| <b>Changes in Working Capital</b>  |                          |                          |
| <b>Adjustments for Operating Assets</b>  |                          |                          |
| Trade Receivables  | (929,675)                | 18,104,964               |
| Security Deposits:   | 3,432,240                | -                        |
| Short Term Loans and Advances  | (7,444,428)              | (8,958,718)              |
| Other Current Assets   | (6,300,428)              | 4,180,143                |
| <b>Adjustments for Operating Liabilities</b>                                     |                          |                          |
| Short Term Borrowings  | 15,500                   | (28,818)                 |
| Trade Payables   | (7,350,846)              | 4,187,419                |
| Changes in provision   | (445,374)                | (349,464)                |
| Other Current Liabilities  | (1,135,998)              | 1,147,053                |
|  | (20,159,009)             | 18,282,579               |
| <b>Cash generated from / used in Operation</b>                                   | <b>2,628,532</b>         | <b>29,360,042</b>        |
| Less: Taxes paid   | 2,989,268                | 26,999,109               |
| <b>Net Cash Flow from Operating Activities (A)</b>                               | <b>(360,736)</b>         | <b>2,360,933</b>         |
| <b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>                                    |                          |                          |
| Capital Expenditure on Fixed Assets  | -                        | (86,556)                 |
| Net Decrease in Investments:   |                          |                          |
| Security Receipts of Trusts  | 37,942,671               | 137,155,477              |
| Sale of Fixed Assets   | -                        | 5,301                    |
| Advances given to Trusts   | (8,232,780)              | (703,091)                |
| Fixed Deposits having maturity of more than three months but less than 12 months | (51,192,908)             | (366,807,560)            |
| Fixed Deposits having maturity of more than 12 months                            | -                        | 174,083,626              |
| Interest Received  | 34,292,862               | 4,277,913                |
| <b>Net Cash Flow from Investing Activities (B)</b>                               | <b>12,809,845</b>        | <b>(52,074,890)</b>      |

**INDIA SME ASSET RECONSTRUCTION COMPANY LIMITED**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2020**

(Amount in ₹)

| PARTICULARS  | Year Ended<br>31.03.2020 | Year Ended<br>31.03.2019 |
|--|--------------------------|--------------------------|
| <b><u>C. CASH FLOW FROM FINANCING ACTIVITIES</u></b>   | -                        | -                        |
| Net Cash Flow from Financing activities (C)  | -                        | -                        |
| <b>Net Increase in Cash and Cash Equivalents (A + B + C)</b>   | 12,449,109               | (49,713,957)             |
| <b>Cash and Cash Equivalents at beginning of the year</b>  | 240,569,350              | 290,283,307              |
| <b>Cash and Cash Equivalents at end of the year</b>  | <b>253,018,459</b>       | <b>240,569,349</b>       |
| <b>Reconciliation of Cash and Cash Equivalents with the Balance Sheet:</b>                                     |                          |                          |
| Cash and Cash Equivalents as per Balance Sheet (Refer Note 16)   | 717,518,927              | 653,876,910              |
| <b>Less:</b> Bank balances not considered as Cash and Cash Equivalents as defined in AS 3 Cash Flow Statements | (464,500,468)            | (413,307,560)            |
| <b>Cash and Cash Equivalents at end of the year</b>  | <b>253,018,459</b>       | <b>240,569,350</b>       |

The accompanying notes are integral part of the financial statements.

As per our report of even date  
 For **Desai Saksena & Associates**  
 Chartered Accountants  
 Firm Reg. No.: 102358W

For and on behalf of Board of Directors  
**INDIA SME ASSET RECONSTRUCTION COMPANY LIMITED**

**Sd/-**  
**Shyam Sundar Barik**  
 Director  
 DIN:08184820

**Sd/-**  
**Subhendu Moitra**  
 Managing Director & CEO  
 DIN:00041619

**Sd/-**  
**Dr. S. N. Desai**  
 Partner  
 M. No.: 032546  
 UDIN:20032546AAAAAZ7171  
 Mumbai, July 3, 2020

**Sd/-**  
**Prity Adwani**  
 Company Secretary  
 M.NO:A42690  
 Mumbai, July 3, 2020

**INDIA SME ASSET RECONSTRUCTION COMPANY LIMITED  
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020**

**NOTE 1: SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS**

**A. Company Overview:**

India SME Asset Reconstruction Company Limited ('the Company') was incorporated under the provisions of Companies Act, 1956 on April 11, 2008 and is registered with Reserve Bank of India ('RBI') as an Asset Reconstruction Company to carry on the business of Securitization or Asset Reconstruction under the provisions of Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 ('SARFAESI Act') since March 5, 2009.

**B. Significant Accounting Policies:**

**1. Basis of preparation of financial statements:**

The financial statements are prepared under the historic cost convention in accordance with the Generally Accepted Accounting Principles ('GAAP') in India, the provisions of the Companies Act, 2013 ('the Act') and the applicable accounting standards as prescribed under Section 133 of the Act read with Rule 7 of the Companies (Accounts) Rules 2014, and the Guidelines/Directions issued by the RBI from time to time under SARFAESI Act. The Accounting policies applied in the preparation and presentation of the financial statements in the current year are the same as those applied in the previous year, except for the changes elaborated in the subsequent pages.

All the assets and liabilities are classified as current or non-current based on Company's normal operating cycle and other criteria set out in Schedule III of the Act. The Company has ascertained its operating cycle as 12 months for this classification.

**2. Use of Estimates:**

The preparation of Financial Statements in conformity with Generally Accepted Accounting Principles ('GAAP') in India requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent liabilities on the date of financial statements and the reported amount of revenue and expenses during the reporting period. Accounting estimates could change from period to period and the actual results could differ from those estimates. Changes in estimates are reflected in the period in which changes are made and, if material, their effects are disclosed in the notes to the financial statements.

**3. Revenue Recognition:**

The Company sets up various trusts and schemes under the trusts for acquisition of financial assets and the income which accrues to it is accounted for as under:

- a) Management fee is recognized on accrual basis in terms of the provisions of the relevant trust deed/offer document. However, management fees which remains outstanding for a period exceeding 180 days and/or NAV of SRs fall below 50%

**INDIA SME ASSET RECONSTRUCTION COMPANY LIMITED**  
**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020**  
**NOTE 1: SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS (CONTD....)**

**3. Revenue Recognition (Contd....):**

- of FV of SRs is derecognized and the same gets recognized again only on actual receipts basis on recovery in accordance with the RBI guidelines.
- b) Yield on investment in Security Receipts is on excess realization over acquisition cost of investments at the rates agreed in the trust deed / offer documents. It is recognized when the same is distributed by the respective trusts.
- c) Upside income represents the realizations made from the investments in security receipts over and above acquisition cost of investments and yield at the prescribed rates. It is recognized when the same is distributed by the respective trusts.
- d) Interest Income:
- Interest income is recognized on accrual basis.
  - In case of Non Performing Assets ('NPA'), as per the income recognition and asset classification norms of RBI, interest income which had been recognized on accrual basis gets derecognized on the date of an asset becoming NPA and till the time the asset is NPA, no further income is recognized on the same on accrual basis. The interest income which gets derecognized gets recognized again only on actual receipt basis.
- e) Interest on advances to the trusts is recognized on accrual basis in terms of the provisions of the relevant trust deed/offer document. However, Interest on advances to the trusts which remains outstanding for a period exceeding 180 days and/or NAV of SRs fall below 50% of FV of SRs is derecognized and the same gets recognized again only on actual receipts basis on recovery in accordance with the RBI guidelines.
- f) Incentive Income is recognized on accrual basis as per the terms of contract. However, Incentive Income which remains outstanding for a period exceeding 180 days is derecognized and the same gets recognized again only on actual receipts basis on recovery in accordance with the RBI guidelines.
- g) Other fee income - Any fee income other than (a) to (f) above (e.g. advisory fees, processing fees, commission income etc.) is recognized on accrual basis as per the terms of contract.

The above stated accounting policies are in accordance with the guidelines and /or directions issued by the RBI from time to time.

**4. Property, Plant & Equipment:**

Property, Plant & Equipment are carried at cost of acquisition less accumulated depreciation. The cost of Property, Plant & Equipment includes non-refundable taxes,

**INDIA SME ASSET RECONSTRUCTION COMPANY LIMITED  
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020**

**NOTE 1: SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS (CONTD....)**

duties, freight and other incidental expenses related to the acquisition and installation of the respective assets.

Property, Plant & Equipment are reviewed for impairment in terms of Accounting Standard 28 "Impairment of Assets" and necessary provision for impairment loss, if any, is made. The same is reviewed at each reporting date.

**5. Depreciation:**

- a) Depreciation is provided on the straight-line method using useful life prescribed in Part C of Schedule II of the Companies Act, 2013.
- b) Individual assets costing less than ₹5,000/- are depreciated in full in the year of acquisition.
- c) Depreciation is calculated on a pro-rata basis from the date on which the asset is put to use till the date the assets are sold or disposed or till the date of the financial statements, as the case may be.
- d) Intangible assets are amortized over their estimated useful life on a straight line basis, commencing from the date the asset is available to the company for its use.

**6. Investments:**

- a) Investments in Security Receipts (SR) held by the company are aggregated for the purpose of arriving at a net depreciation or appreciation of the investment value. Average of latest range of ratings obtained from credit rating agencies is considered for the NAV of the investment. Net depreciation, if any is provided for and net appreciation, if any, is ignored based on valuation Guidelines/ Directions issued by RBI from time to time.
- b) Investments in Financial Assets and in Security Receipts of Trusts have been classified as Non-Current Assets as the resolution period exceeds 12 months and as it is difficult to precisely ascertain the period of recovery.
- c) Financials Assets acquired on the books of the Company are classified under Standard Assets, Sub-Standard Assets, Doubtful Assets and Loss Assets as per applicable RBI Guidelines/Directions. Income recognition and provisioning norms on each of the above categories are applied as per the aforesaid RBI Guidelines/ Directions.

**7. Leases:**

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases. Operating lease payments are recognized as an expense in the Statement of profit and loss on a straight-line basis over the lease term in accordance with AS 19.

**INDIA SME ASSET RECONSTRUCTION COMPANY LIMITED**  
**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020**  
**NOTE 1: SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS (CONTD....)**

**8. Employees Benefits:**

**a) Short-Term Benefits:**

Short term employee benefits are expensed out in the period in which employees render their services.

**b) Post Employment Benefits:**

• **Gratuity:**

The Company has an obligation towards gratuity, defined benefit retirement plan covering eligible employees. The plan provides a lumpsum payment to vested employees at retirement, death while in employment or on termination of employment of an amount equivalent to 15 days salary payable to each completed year of service or part thereof in excess of six months. Vesting occurs upon completion of five years of service. The company has obtained insurance policies with the Life Insurance Corporation of India ("LIC") and makes an annual contribution to LIC for amounts notified by LIC. The company accounts for gratuity benefits payable in future based on an independent external actuarial valuation carried out at the end of the year using the projected unit credit method. Actuarial gains and losses are recognized in the statement of profit and loss in the period in which they arise.

• **Other Long-Term Benefits – Compensated Absences**

The Company provides for encashment of leave or leave with pay subject to certain rules. The employees are entitled to accumulate leave subject to certain limits for future encashment / availment. The Company makes provision for compensated absences based on an independent actuarial valuation carried out at the end of the year under projected unit credit method. Actuarial gains / losses are recognized in the Statement of profit and loss.

**9. Expenses incurred by the Company on behalf of the Trusts:**

The expenses incurred on behalf of the trusts are shown as recoverable from the trust in the balance sheet under the head 'Advances to Trusts'. These expenses are reimbursable to the Company as per terms of the respective trust deed/offer document.

**10. Provision for Advances to Trusts**

The Company has decided to make provision against advances given to trusts which have remained outstanding for a significant period of time.

In accordance with this change, the Company has made provision for the value of advances given to trusts which have remained outstanding for a period exceeding three years as at the Balance Sheet date.

**INDIA SME ASSET RECONSTRUCTION COMPANY LIMITED**  
**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020**  
**NOTE 1: SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS (CONTD....)**

**11. Expenses incurred not resulting in acquisition of Financial Assets:**

Acquisition related expenses with respect to valuation, due diligence and bidding fees relating to the financial assets, which do not materialize into acquisition, are expensed out in the year in which it is incurred.

**12. Earnings Per Share:**

**Basic:**

In arriving at the basic earnings per share, the Company's net profit after tax, computed in terms of the Indian GAAP is divided by the weighted average number of equity shares outstanding on the last day of the reporting period.

**Diluted:**

The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share, and also the weighted average number of equity shares that could have been issued on the conversion of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the period, unless issued at a later date.

**13. Taxes on Income:**

**a) Current Tax:**

The current charge for income tax is calculated in accordance with the relevant tax regulations applicable to the company.

**b) Deferred Tax:**

Deferred Tax resulting from "timing differences" between taxable and accounting income that originate in one year and are capable of reversal in one or more subsequent years is accounted for using the tax rates and laws that are enacted or substantively enacted as on the balance sheet date. The deferred tax asset is recognized and carried forward only to the extent that there is a reasonable/virtual certainty, as the case may be, that the asset will be realized in future.

**c) Minimum Alternate Tax Policy:**

Minimum Alternate Tax ('MAT') credit is recognized as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. In the year in which the MAT credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in guidance note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the profit and loss account and shown as MAT Credit Entitlement. The Company reviews the same at each

**INDIA SME ASSET RECONSTRUCTION COMPANY LIMITED**  
**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020**  
**NOTE 1: SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS (CONTD....)**

balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that the Company will pay normal Income Tax during the specified period.

**14. Provisions, contingent liabilities and contingent assets:**

Provisions are recognized for liabilities that can be measured only by using a substantial degree of estimation if:

- a) The Company has a present obligation as a result of a past event,
- b) A probable outflow of resources is expected to settle the obligation, and
- c) The amount of the obligation can be reliably estimated.

A Contingent Liability is disclosed in case of:

- a) A present obligation arising from past events, when it is not probable that an outflow of resources will be required to settle the obligation,
- b) A present obligation when no reliable estimate is possible,
- c) A possible obligation arising from past events where the probability of outflow of resources is not remote.

Contingent assets are neither recognized nor disclosed.

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

**15. Cash & Cash Equivalents:**

Cash and cash equivalents comprise cash, balances in current accounts, fixed deposits with banks with maturities upto three months and fixed deposits with banks with sweep in facility which can be encashed by the Company at any point of time.

**16. Cash Flow Statement:**

Cash flows are reported using the indirect method, whereby profit before tax is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows.

**17. Prior Period Items:**

Prior period items are the incomes or expenses which arise in the current financial year as a result of errors or omissions in the preparation of the financial statements of earlier financial years.

**INDIA SME ASSET RECONSTRUCTION COMPANY LIMITED**  
**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020**

(Amount in ₹)

**NOTE 2: SHARE CAPITAL**

| Particulars                             | March 31, 2020     |                      | March 31, 2019     |                      |
|---|--------------------|----------------------|--------------------|----------------------|
|   | No. of shares      | Amount (₹)           | No. of shares      | Amount (₹)           |
| <b>Authorised</b>                       |                    |                      |                    |                      |
| Equity Shares of ₹ 10/- each            | 100,000,000        | 1,000,000,000        | 100,000,000        | 1,000,000,000        |
| <b>Issued, Subscribed &amp; Paid up</b> |                    |                      |                    |                      |
| Equity Shares of ₹ 10/- each            | 100,000,000        | 1,000,000,000        | 100,000,000        | 1,000,000,000        |
| <b>Total</b>                            | <b>100,000,000</b> | <b>1,000,000,000</b> | <b>100,000,000</b> | <b>1,000,000,000</b> |

**Notes:**
**a) Reconciliation of the shares outstanding at the beginning and at the end of the year**

| Particulars                               | March 31, 2020     |                      | March 31, 2019     |                      |
|---|--------------------|----------------------|--------------------|----------------------|
|   | No. of shares      | Amount (₹)           | No. of shares      | Amount (₹)           |
| At the beginning of the year              | 100,000,000        | 1,000,000,000        | 100,000,000        | 1,000,000,000        |
| Issued during the year                    | -                  | -                    | -                  | -                    |
| Bought back during the year               | -                  | -                    | -                  | -                    |
| <b>Outstanding at the end of the year</b> | <b>100,000,000</b> | <b>1,000,000,000</b> | <b>100,000,000</b> | <b>1,000,000,000</b> |

**b) Statement showing list of the shareholders holding shares more than 5%**

| Name of Shareholder                        | March 31, 2020     |              | March 31, 2019     |              |
|--|--------------------|--------------|--------------------|--------------|
|  | No. of Shares held | % of Holding | No. of Shares held | % of Holding |
| Small Industries Development Bank of India | 15,000,000         | 15           | 15,000,000         | 15           |
| SIDBI Venture Capital Limited              | 11,000,000         | 11           | 11,000,000         | 11           |
| Bank of Baroda                             | 14,000,000         | 14           | 10,000,000         | 10           |
| United Bank of India                       | 10,000,000         | 10           | 10,000,000         | 10           |
| Punjab National Bank                       | 9,000,000          | 9            | 9,000,000          | 9            |
| Life Insurance Corporation of India        | 9,000,000          | 9            | 9,000,000          | 9            |
| <b>Total</b>                               | <b>68,000,000</b>  |              | <b>64,000,000</b>  |              |

As per records of the company, including the register of shareholders/members and other declarations received from shareholders regarding beneficiary interest, the above shareholding represents both legal and beneficial ownership of shares.

**c) Terms/rights attached to equity shares**

The Company has only one class of equity shares having a par value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share and to receive dividend thereon. The dividend, proposed by the Board of Directors, is subject to approval of the shareholders in the ensuing Annual General Meeting. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

**INDIA SME ASSET RECONSTRUCTION COMPANY LIMITED**  
**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020**

(Amount in ₹)

|   | As at 31.03.2020   | As at 31.03.2019   |
|---|--------------------|--------------------|
| <b>NOTE 3: RESERVES AND SURPLUS</b>                 |                    |                    |
| <b>Surplus (Statement of Profit and Loss):</b>      |                    |                    |
| Balance as per last Financial Statements            | 207,206,049        | 299,300,351        |
| Add: Net profit for the current year                | (83,909,182)       | (92,094,302)       |
|   | <b>123,296,867</b> | <b>207,206,049</b> |
| <b>NOTE 4: OTHER LONG TERM LIABILITIES</b>          |                    |                    |
| Deferred Rental Payments                            | -                  | 474,346            |
|   | <b>-</b>           | <b>474,346</b>     |
| <b>NOTE 5: LONG TERM PROVISIONS</b>                 |                    |                    |
| Provision for Employee Benefits:                    |                    |                    |
| Compensated Absences (Refer Note 24)                | 162,460            | 528,885            |
|   | <b>162,460</b>     | <b>528,885</b>     |
| <b>NOTE 6: SHORT TERM BORROWINGS</b>                |                    |                    |
| Unsecured:  |                    |                    |
| Loans and advances from related parties:            |                    |                    |
| Advance from Trusts (Refer Note 25 (B)(II)(6))      | 15,500             | -                  |
|   | <b>15,500</b>      | <b>-</b>           |
| <b>NOTE 7: TRADE PAYABLES</b>                       |                    |                    |
| Trade Payables:                                     |                    |                    |
| Micro, Small and Medium Enterprises (Refer Note 29) | -                  | 22,153             |
| Others  | 1,902,055          | 9,230,747          |
|   | <b>1,902,055</b>   | <b>9,252,900</b>   |
| <b>NOTE 8: OTHER CURRENT LIABILITIES</b>            |                    |                    |
| Other Payables:                                     |                    |                    |
| Statutory Liabilities                               | 2,998,452          | 4,134,450          |
|   | <b>2,998,452</b>   | <b>4,134,450</b>   |
| <b>NOTE 9: SHORT TERM PROVISIONS</b>                |                    |                    |
| Provision for Employee Benefits:                    |                    |                    |
| Compensated Absences (Refer Note 24)                | 63,655             | 142,604            |
|   | <b>63,655</b>      | <b>142,604</b>     |

**INDIA SME ASSET RECONSTRUCTION COMPANY LIMITED**  
**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020**  
**NOTE 10: PROPERTY, PLANT & EQUIPMENT**

| Particulars               | Gross Block                            |                             |                              | Depreciation/Amortisation              |  |                                    | Net Block                   |  |  |  |
|---------------------------|--|-----------------------------|------------------------------|--|--|------------------------------------|-----------------------------|--|--|--|
|                           | As on<br>01.04.2019                    | Additions                   | Deductions                   | As on<br>31.03.2020                    | As on<br>01.04.2019                    | For the<br>Year                    | Deductions                  | As on<br>31.03.2020                    | As at<br>31.03.2019                    |  |
| <b>Tangible Assets:</b>   |  |                             |                              |  |  |                                    |                             |  |  |  |
| Plant & Machinery:        |  |                             |                              |  |  |                                    |                             |  |  |  |
| Vehicles                  | 1,053,642<br>(1,053,642)               | -<br>-                      | -<br>-                       | 1,053,642<br>(1,053,642)               | 1,000,771<br>(961,224)                 | -<br>(39,547)                      | -<br>-                      | 1,000,771<br>(1,000,771)               | 52,871<br>(52,871)                     | 52,871<br>(92,418)                     |
| Office Equipments         | 1,049,746<br>(1,046,676)               | -<br>(35,218)               | -<br>(32,148)                | 1,049,746<br>(1,049,746)               | 765,848<br>(621,948)                   | 136,993<br>(165,893)               | -<br>(21,993)               | 902,841<br>(765,848)                   | 146,905<br>(283,898)                   | 283,898<br>(424,728)                   |
| Computers                 | 1,786,623<br>(1,817,573)               | -<br>-                      | -<br>(30,950)                | 1,786,623<br>(1,786,623)               | 1,432,505<br>(1,212,360)               | 187,484<br>(250,297)               | -<br>(30,152)               | 1,619,989<br>(1,432,505)               | 166,634<br>(354,118)                   | 354,118<br>(605,213)                   |
| Furniture & Fixtures      | 1,407,813<br>(1,429,675)               | -<br>(18,338)               | -<br>(40,200)                | 1,407,813<br>(1,407,813)               | 650,544<br>(564,642)                   | 118,571<br>(123,816)               | -<br>(37,914)               | 769,115<br>(650,544)                   | 638,698<br>(757,269)                   | 757,269<br>(865,033)                   |
| <b>Sub Total (A)</b>      | <b>5,297,824</b><br><b>(5,347,566)</b> | <b>-</b><br><b>(53,556)</b> | <b>-</b><br><b>(103,298)</b> | <b>5,297,824</b><br><b>(5,297,824)</b> | <b>3,849,668</b><br><b>(3,360,174)</b> | <b>443,048</b><br><b>(579,553)</b> | <b>-</b><br><b>(90,059)</b> | <b>4,292,716</b><br><b>(3,849,668)</b> | <b>1,005,108</b><br><b>(1,448,156)</b> | <b>1,448,156</b><br><b>(1,987,392)</b> |
| <b>Intangible Assets:</b> |  |                             |                              |  |  |                                    |                             |  |  |  |
| Software                  | 598,419<br>(598,419)                   | -<br>-                      | -<br>-                       | 598,419<br>(598,419)                   | 363,684<br>(177,351)                   | 179,925<br>(186,333)               | -<br>-                      | 543,609<br>(363,684)                   | 54,810<br>(234,735)                    | 234,735<br>(421,068)                   |
| Trademark                 | 33,000<br>-                            | -<br>(33,000)               | -<br>-                       | 33,000<br>(33,000)                     | 4,698<br>-                             | 10,450<br>(4,698)                  | -<br>-                      | 15,148<br>(4,698)                      | 17,852<br>(28,302)                     | 28,302<br>-                            |
| <b>Sub Total (B)</b>      | <b>631,419</b><br><b>(598,419)</b>     | <b>-</b><br><b>(33,000)</b> | <b>-</b><br><b>-</b>         | <b>631,419</b><br><b>(631,419)</b>     | <b>368,382</b><br><b>(177,351)</b>     | <b>190,375</b><br><b>(191,031)</b> | <b>-</b><br><b>-</b>        | <b>558,757</b><br><b>(368,382)</b>     | <b>72,662</b><br><b>(263,037)</b>      | <b>263,037</b><br><b>(421,068)</b>     |
| <b>Total (A + B)</b>      | <b>5,929,243</b><br><b>(5,945,985)</b> | <b>-</b><br><b>(86,556)</b> | <b>-</b><br><b>(103,298)</b> | <b>5,929,243</b><br><b>(5,929,243)</b> | <b>4,218,050</b><br><b>(3,537,525)</b> | <b>633,423</b><br><b>(770,584)</b> | <b>-</b><br><b>(90,059)</b> | <b>4,851,473</b><br><b>(4,218,050)</b> | <b>1,077,770</b><br><b>(1,711,193)</b> | <b>1,711,193</b><br><b>(2,408,460)</b> |

**INDIA SME ASSET RECONSTRUCTION COMPANY LIMITED  
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020**

(Amount in ₹)

| NOTE 11: NON CURRENT INVESTMENTS        |                           |        |                                      |      |                                 |       |                       |             |
|---|---------------------------|--------|--------------------------------------|------|---------------------------------|-------|-----------------------|-------------|
| Particulars                             | No. of SRs as at March 31 |        | Extent of Holding (%) as at March 31 |      | SR Paid up Value as at March 31 |       | Amount as at March 31 |             |
|   | 2020                      | 2019   | 2020                                 | 2019 | 2020                            | 2019  | 2020                  | 2019        |
| <b>Trade Investments (A)</b>            | -                         | -      | -                                    | -    | -                               | -     | -                     | -           |
| <b>Other Investments</b>                |                           |        |                                      |      |                                 |       |                       |             |
| Investments (Quoted)                    | -                         | -      | -                                    | -    | -                               | -     | -                     | -           |
| Investments in SR of Trusts (Unquoted): |                           |        |                                      |      |                                 |       |                       |             |
| ISARC 12/2010-11 Trust                  | 69780                     | 69780  | 100                                  | 100  | 100                             | 100   | 6,978,000             | 6,978,000   |
| ISARC 13/2010-11 Trust                  | 11211                     | 11211  | 100                                  | 100  | 1                               | 1     | 11,211                | 11,211      |
| ISARC 14/2010-11 Trust                  | 53109                     | 53109  | 100                                  | 100  | 1                               | 1     | 53,109                | 53,109      |
| ISARC ACBL I/2017-18 Trust              | 3450                      | 3450   | 15                                   | 15   | 606                             | 606   | 2,090,700             | 2,090,700   |
| ISARC Allahabad Bank II/2012-13 Trust   | 10617                     | 10617  | 20                                   | 20   | 428                             | 680   | 4,544,076             | 7,219,560   |
| ISARC Axis 1/2009-10 Trust              | 2500                      | 2500   | 100                                  | 100  | 1,000                           | 1,000 | 2,500,000             | 2,500,000   |
| ISARC Axis 2/2010-11 Trust              | 28900                     | 28900  | 100                                  | 100  | 577                             | 969   | 16,675,300            | 28,004,100  |
| ISARC Axis 3/2012-13 Trust              |                           |        |                                      |      |                                 |       |                       |             |
| Series II                               | 25500                     | 25500  | 100                                  | 100  | 150                             | 150   | 3,825,000             | 3,825,000   |
| Series III                              | 59000                     | 59000  | 100                                  | 100  | 527                             | 589   | 31,093,000            | 34,751,000  |
|   |                           |        |                                      |      |                                 |       | 34,918,000            | 38,576,000  |
| ISARC Axis 4/2015-16 Trust              | 164                       | 164    | 100                                  | 100  | 1                               | 1     | 164                   | 164         |
| ISARC Axis 5/2015-16 Trust              | 54973                     | 54973  | 100                                  | 100  | 430                             | 506   | 23,638,390            | 27,816,338  |
| ISARC BOB 1/2009-10 Trust               | 54557                     | 54557  | 100                                  | 100  | 1                               | 1     | 54,557                | 54,557      |
| ISARC BOI 1/2010-11 Trust               | 23038                     | 23038  | 100                                  | 100  | 869                             | 869   | 20,021,453            | 20,021,453  |
| ISARC BOI 2/2015-16 Trust               | 40000                     | 40000  | 100                                  | 100  | 0                               | 0     | 1                     | 1           |
| ISARC Canara Bank-I/2013-14 Trust       | 104682                    | 104682 | 5                                    | 5    | 1,000                           | 1,000 | 104,682,000           | 104,682,000 |
| ISARC CBI 1/2010-11 Trust               | 3102                      | 3102   | 50                                   | 50   | 1,000                           | 1,000 | 3,102,000             | 3,102,000   |
| ISARC CBI II / 2012-13 Trust            | 10213                     | 10213  | 100                                  | 100  | 537                             | 717   | 5,484,381             | 7,322,721   |
| ISARC Dena Bank II/2015-16 Trust        | 10215                     | 10215  | 15                                   | 15   | 427                             | 811   | 4,361,805             | 8,284,365   |
| ISARC Dena Bank III/2017-18 Trust       | 12435                     | 12435  | 15                                   | 15   | 1,000                           | 1,000 | 12,435,000            | 12,435,000  |
| ISARC FA 03 I/2011-12 Trust             | 7000                      | 7000   | 100                                  | 100  | 957                             | 957   | 6,699,000             | 6,699,000   |
| ISARC FA 16 I/2011-12 Trust             | 25385                     | 25385  | 100                                  | 100  | 1,000                           | 1,000 | 25,385,000            | 25,385,000  |
| ISARC FA 27 I/2012-13 Trust             | 18000                     | 18000  | 50                                   | 50   | 1,000                           | 1,000 | 18,000,000            | 18,000,000  |
| ISARC FA 30 I/2012-13 Trust             | 18000                     | 18000  | 100                                  | 100  | -                               | -     | -                     | -           |
| ISARC FA 41 I/2011-12 Trust             | 27921                     | 27921  | 10                                   | 10   | 373                             | 373   | 10,414,533            | 10,414,533  |
| ISARC FA 54/002/2011-12 Trust           | 44000                     | 44000  | 100                                  | 100  | 932                             | 932   | 41,008,000            | 41,008,000  |
| ISARC FA 6 III/2011-12 Trust            | 14500                     | 14500  | 100                                  | 100  | 0                               | 0     | 1                     | 1           |

**INDIA SME ASSET RECONSTRUCTION COMPANY LIMITED**  
**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020**

(Amount in ₹)

**NOTE 11: NON CURRENT INVESTMENTS (CONTD....)**

| Particulars  | No. of SRs<br>as at March 31 |        | Extent of<br>Holding (%)<br>as at March 31 |      | SR Paid up<br>Value as at<br>March 31 |       | Amount as<br>at March 31 |                    |
|--|------------------------------|--------|--|------|---------------------------------------|-------|--------------------------|--------------------|
|  | 2020                         | 2019   | 2020                                       | 2019 | 2020                                  | 2019  | 2020                     | 2019               |
| ISARC FA 63 I/2012-13 Trust                          | 81                           | 81     | 100  | 100  | 1                                     | 1     | 81                       | 81                 |
| ISARC FA 8 II/2012-13 Trust                          | 13100                        | 13100  | 100  | 100  | -                                     | -     | -                        | -                  |
| ISARC GPIL/2014-15 Trust                             | 875                          | 875    | 5  | 5    | 1,000                                 | 1,000 | 875,000                  | 875,000            |
| ISARC IDBI Bank II/2013-14 Trust                     | 22379                        | 22379  | 5  | 5    | 910                                   | 910   | 20,364,890               | 20,364,890         |
| ISARC IU/2011-12 Trust                               | 42100                        | 42100  | 100  | 100  | 1,000                                 | 1,000 | 42,100,000               | 42,100,000         |
| ISARC MFPMP/2011-12 Trust                            | 20200                        | 20200  | 100  | 100  | -                                     | -     | -                        | -                  |
| ISARC OBC I/2014-15 Trust                            | 5001                         | 5001   | 5  | 5    | 1,000                                 | 1,000 | 5,001,000                | 5,001,000          |
| ISARC Print 7C/2010-11 Trust                         | 11300                        | 11300  | 100  | 100  | 2                                     | 2     | 18,743                   | 18,743             |
| ISARC RCPPL/2014-15 Trust                            | 70732                        | 70732  | 100  | 100  | 3                                     | 5     | 199,145                  | 340,609            |
| ISARC SBI 1/2015-16 Trust                            | 107800                       | 107800 | 100  | 100  | 0                                     | 0     | 1                        | 1                  |
| ISARC SCB 1/2015-16 Trust                            | 43108                        | 43108  | 100  | 100  | 0                                     | 0     | 1                        | 1                  |
| ISARC SIDBI 1/2009-10 Trust                          | 357                          | 357    | 5  | 5    | 395                                   | 395   | 141,015                  | 141,015            |
| ISARC SIDBI 2/2009-10 Trust                          |                              |        |  |      |                                       |       |                          |                    |
| Class B  |                              |        |  |      |                                       |       |                          |                    |
| Scheme A   | 4183                         | 4183   | 5  | 5    | 1                                     | 1     | 4,183                    | 4,183              |
| Scheme B   | 1055                         | 1055   | 15   | 15   | 3,573                                 | 3,573 | 3,769,997                | 3,769,997          |
|  |                              |        |  |      |                                       |       | 3,774,180                | 3,774,180          |
| ISARC SIDBI III/2017-18 Trust                        | 96105                        | 96105  | 15   | 15   | 907                                   | 987   | 87,167,235               | 94,855,635         |
| ISARC Syndicate Bank III/2016-17 Trust               | 13725                        | 13725  | 15   | 15   | 531                                   | 714   | 7,287,975                | 9,799,650          |
| ISARC Transrail Structures &<br>Towers/2012-13 Trust | 1295                         | 1295   | 5  | 5    | 0                                     | 0     | 1                        | 1                  |
| ISARC UBI 1/2009-10 Trust                            |                              |        |  |      |                                       |       |                          |                    |
| Class B  | 4154                         | 4154   | 5  | 5    | 1,000                                 | 1,000 | 4,154,000                | 4,154,000          |
| ISARC UBI 2/2009-10 Trust                            | 9192                         | 9192   | 100  | 100  | 601                                   | 601   | 5,524,392                | 5,524,392          |
| ISARC UBI 3/2009-10 Trust                            | 4038                         | 4038   | 5  | 5    | 943                                   | 943   | 3,807,834                | 3,807,834          |
| ISARC UCO 1/2010-11 Trust                            | 29275                        | 29275  | 100  | 100  | 625                                   | 625   | 18,296,875               | 18,296,875         |
| ISARC Yes Bank I-2012 13 Trust                       | 28500                        | 28500  | 100  | 100  | 701                                   | 701   | 19,978,500               | 19,978,500         |
|  |                              |        |  |      |                                       |       | 561,747,549              | 599,690,220        |
| Provision for:                                       |                              |        |  |      |                                       |       |                          |                    |
| Diminution in Value of Security<br>Receipts          |                              |        |  |      |                                       |       | 35,184,231               | 24,234,340         |
| Security Receipts                                    |                              |        |  |      |                                       |       | 235,213,830              | 125,114,047        |
| <b>Total Other Investments</b>                       |                              |        |  |      |                                       |       | <b>291,349,488</b>       | <b>450,341,833</b> |

Notes:

- a) 'SR' stands for Security Receipts.  
 b) SR are recorded net of redemption amount.

**INDIA SME ASSET RECONSTRUCTION COMPANY LIMITED**  
**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020**

(Amount in ₹)

|   | As at 31.03.2020  | As at 31.03.2019  |
|---|-------------------|-------------------|
| <b>NOTE 12: DEFERRED TAX ASSETS (NET)</b>   |                   |                   |
| Deferred Tax Assets:  | 56,909            | 186,808           |
| Provision for Employee Benefits   | 485,828           | 226,735           |
| Depreciation  | -                 | 109,243           |
| Provision for Deferred Rent   |                   |                   |
|   | <b>542,737</b>    | <b>522,786</b>    |
| <b>NOTE 13: LONG TERM LOANS AND ADVANCES</b>  |                   |                   |
| Security Deposits:  |                   |                   |
| Unsecured, considered good  | 64,000            | 3,496,240         |
| Income Tax (Net of Provisions): *   |                   |                   |
| Unsecured, considered good  | 29,402,652        | 40,215,007        |
| Loans and advances to related parties:  |                   |                   |
| Advance to Trusts (Refer Note 25 (B)(II)(4))  | 41,796,030        | 33,563,250        |
| Less: Provision for Advance to Trusts   | 9,106,415         | 6,994,049         |
|   | 32,689,615        | 26,569,201        |
|   | <b>62,156,267</b> | <b>70,280,448</b> |
| * the net balance of Income Tax Receivable is subject to reconciliation with Income tax Authorities based on the assessment orders/ intimation orders/ Demand notices/ refund orders/ rectification application and other communication received from the Income Tax Authorities, for which the company is undertaking a comprehensive reconciliation exercise. |                   |                   |
| <b>NOTE 14: OTHER NON CURRENT ASSETS</b>  |                   |                   |
| Other Bank Balances:  |                   |                   |
| Fixed Deposits with Banks having maturity of period more than 12 months   | -                 | -                 |
| Unsecured, considered good, unless specified otherwise:   |                   |                   |
| Accrued Interest on Fixed Deposits  | -                 | -                 |
|   | -                 | -                 |
| <b>NOTE 15: TRADE RECEIVABLES</b>   |                   |                   |
| Unsecured, considered good, unless specified otherwise:   |                   |                   |
| Outstanding for a period exceeding six months from the date they are due for payment  | -                 | -                 |
| Others  | 5,834,842         | 4,905,167         |
|   | <b>5,834,842</b>  | <b>4,905,167</b>  |

**INDIA SME ASSET RECONSTRUCTION COMPANY LIMITED**  
**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020**

(Amount in ₹)

|  | As at 31.03.2020   | As at 31.03.2019   |
|--|--------------------|--------------------|
| <b>NOTE 16: CASH AND BANK BALANCES</b>   |                    |                    |
| Cash and Cash Equivalents*:  |                    |                    |
| Balances with banks in:  |                    |                    |
| Current Account  | 20,883             | 62,407             |
| Fixed Deposits**   | 252,993,310        | 215,119,563        |
|  | <b>253,014,192</b> | <b>215,181,970</b> |
| Cheques, drafts on hand  | -                  | 25,386,776         |
| Cash on hand   | 4,267              | 604                |
| Other Bank Balances:   |                    |                    |
| Fixed Deposits with Banks having maturity of more than 3 months but less than 12 months  | -                  | -                  |
|  | 464,500,468        | 413,307,560        |
|  | <b>717,518,927</b> | <b>653,876,910</b> |
| <p>* Cash and Cash Equivalents includes Fixed Deposits with banks, which can be withdrawn by the Company at any point of time without prior notice or penalty on the principal.</p> <p>** Includes Fixed Deposits of ₹Nil/- (Previous Year ₹6,54,00,000/-) with maturity more than 12 months and ₹ 1,46,493,903/- (Previous year ₹5,31,08,563/-) with maturity more than 3 months but less than 12 months.</p> |                    |                    |
| <b>NOTE 17: SHORT TERM LOANS AND ADVANCES</b>  |                    |                    |
| Unsecured, considered good, unless specified otherwise:  |                    |                    |
| Other Loans and Advances:  |                    |                    |
| Income Tax (Net of Provisions)   | -                  | -                  |
| Redemption Amount Receivable   | 6,242,036          | -                  |
| Prepaid Expenses:  |                    |                    |
| Contribution to Gratuity Fund  | 120,958            | 29,189             |
| Others   | 290,975            | 225,312            |
| Taxes Receivable:  |                    |                    |
| GST Credit   | 916,634            | 3,173,258          |
| Taxes on Reversed Management Fees  | 12,537,760         | 9,270,165          |
| Advance to:  |                    |                    |
| Vendors  | 33,989             | -                  |
|  | <b>20,142,352</b>  | <b>12,697,924</b>  |
| <b>NOTE 18: OTHER CURRENT ASSETS</b>   |                    |                    |
| Unsecured, considered good, unless specified otherwise:  |                    |                    |
| Accrued Interest on Fixed Deposits   | 29,816,606         | 27,402,973         |
|  | <b>29,816,606</b>  | <b>27,402,973</b>  |

**INDIA SME ASSET RECONSTRUCTION COMPANY LIMITED**  
**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020**

(Amount in ₹)

|  | Year Ended<br>31.03.2020 | Year Ended<br>31.03.2019 |
|--|--------------------------|--------------------------|
| <b>NOTE 19: REVENUE FROM OPERATIONS</b>  |                          |                          |
| Management Fees  | 39,359,391               | 31,254,151               |
| Yield on Security Receipts   | -                        | 152,505                  |
| Upside Income  | -                        | 52,871,211               |
| Others:  |                          |                          |
| Incentives   | 5,443,067                | 614,089                  |
| Commission Income  | 1,142,830                | -                        |
| Processing Fees  | -                        | -                        |
|  | <b>45,945,288</b>        | <b>84,891,956</b>        |
| <b>NOTE 20: OTHER INCOME</b>   |                          |                          |
| Interest on:   |                          |                          |
| Fixed Deposits   | 47,949,470               | 38,990,084               |
| Advances to Trusts   | 943,857                  | 1,072,139                |
| Interest on Refund of Income Tax   | 1,145,400                | -                        |
| Other Non-Operating Income:  |                          |                          |
| Miscellaneous Income   | -                        | 60                       |
| Profit on Sale of Fixed Assets   | -                        | -                        |
| Sitting Fees *   | 15,000                   | 15,000                   |
| Sundry Balances Written Back   | -                        | 98,206                   |
|  | <b>50,053,727</b>        | <b>40,175,489</b>        |
| * Sitting Fees received by MD & CEO on behalf of the company   |                          |                          |
| <b>NOTE 21: EMPLOYEE BENEFIT EXPENSES</b>  |                          |                          |
| Salary & Stipend   | 14,796,645               | 13,034,248               |
| Employer's Contribution to MLWF  | 144                      | 108                      |
| Officer's Training Expenses  | 11,000                   | 5,000                    |
| Deputation Charges - Current Year  | 6,892,232                | 11,212,139               |
| Deputation Charges - Arrears   | -                        | 4,441,792                |
| Contractual Staff Expenses   | 3,445,222                | 4,018,192                |
| Provision for Compensated Absences   | 234,147                  | 241,974                  |
| Contribution to Gratuity Fund*   | (84,699)                 | 3,371                    |
| Contribution to National Pension Scheme  | 264,444                  | 181,284                  |
| Staff Welfare Expenses   | 261,943                  | 347,104                  |
|  | <b>25,821,078</b>        | <b>33,485,212</b>        |
| *Contribution to Gratuity fund is negative for FY 19-20 on account of fair value of assets being more than present value of obligation as on the balance sheet date as per actuarial valuation report. |                          |                          |

**INDIA SME ASSET RECONSTRUCTION COMPANY LIMITED**  
**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020**

(Amount in ₹)

|   | Year Ended<br>31.03.2020 | Year Ended<br>31.03.2019 |
|---|--------------------------|--------------------------|
| <b>NOTE 22: OTHER EXPENSES</b>  |                          |                          |
| <b>Provision for:</b>   |                          |                          |
| Security Receipts during the year   | 125,606,529              | 105,158,077              |
| Less: reversal of provision made in earlier years which is no longer required | (15,506,746)             | (161,528)                |
|   | 110,099,783              | 104,996,549              |
| Diminution In Value of Security Receipts                                      | 10,949,891               | 884,555                  |
| Advances to Trusts  | 2,112,366                | 6,994,049                |
| Writeoff - Security Receipts  | -                        | 28,261,503               |
| Advertisement Expenses  | -                        | -                        |
| Bad Debts   | -                        | 4,962,233                |
| Communication Expenses  | 213,260                  | 212,900                  |
| Conveyance Expenses   | 89,963                   | 143,445                  |
| CSR Expenditure   | -                        | 525,000                  |
| Directors' Sitting Fees   | 300,000                  | 480,000                  |
| Electricity Charges   | 470,596                  | 566,403                  |
| Goods and Service Tax Expenses (Reversal of ITC)                              | 3,451,744                | 2,722,030                |
| Housekeeping Expenses   | 267,489                  | 330,615                  |
| Insurance   | 68,100                   | 72,315                   |
| Loss on sale of Fixed Assets  | -                        | 7,939                    |
| Membership & Subscription   | 200,480                  | 151,174                  |
| Postage & Courier   | 54,017                   | 56,643                   |
| Printing & Stationery   | 265,861                  | 305,883                  |
| Professional Fees - Business Strategy Formulation                             | -                        | 11,700,000               |
| Professional Fees - Others  | 2,508,383                | 1,731,144                |
| Rates and Taxes   | 263,555                  | 349,740                  |
| Rent  | 6,806,158                | 7,526,340                |
| Repairs & Maintenance:  |                          |                          |
| Premises  | 319,375                  | 550,351                  |
| Others  | 77,650                   | 67,837                   |
| Security Expenses   | 263,058                  | 329,584                  |
| Software Expenses   | 189,568                  | 162,257                  |
| Travelling Expenses   | 179,434                  | 167,125                  |
| Vehicle Expenses  | 116,043                  | 116,741                  |
| Miscellaneous Expenses  | 405,249                  | 330,329                  |
|   | <b>139,672,023</b>       | <b>174,704,684</b>       |

**INDIA SME ASSET RECONSTRUCTION COMPANY LIMITED**  
**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020**

(Amount in ₹)

|   | Year Ended<br>31.03.2020                         | Year Ended<br>31.03.2019                         |
|---|--|--|
| <b>NOTE 22.1: AUDITOR'S REMUNERATION</b>  |  |  |
| Auditor's Remuneration excluding Goods and Service Tax (GST):<br>(Included in Professional Fees in Note 22)   |  |  |
| Audit Fees  | 50,000   | 50,000   |
| Tax Audit Fees  | 20,000   | 20,000   |
| Others(Certification Fees)  | 12,500   | -  |
|   | <b>82,500</b>                                    | <b>70,000</b>                                    |
| <b>NOTE 22.2: OPERATING LEASE EXPENSES</b>  |  |  |
| The company has been allotted current office space from SIDBI at agreed monthly rent with a clause of annual increment at agreed rate as per the letter given by SIDBI. In accordance with the same we have given the disclosure of lease rentals payable within next one year on the assumption that the company continue to occupy the said premises for full financial year 2020-21. The minimum lease rental payments to be made in respect of these leases are as follows: |  |  |
| Lease payments recognized in the Statement of Profit and Loss:  | 6,806,158  | 7,526,340  |
| Within one year   | 2,735,900  | 5,920,614  |
|   | <b>9,542,058</b>                                 | <b>13,446,954</b>                                |
| <b>NOTE 23: EARNINGS PER EQUITY SHARE</b>   |  |  |
| Numerator: Profit After Tax   | (83,909,182)                                     | (92,094,302)                                     |
| Denominator: Weighted Average Number of Equity Shares   | 100,000,000                                      | 100,000,000                                      |
| Basic and Diluted Earnings per Equity Share `   | <b>(0.84)</b>                                    | <b>(0.92)</b>                                    |
| <b>NOTE 24: EMPLOYEE BENEFITS</b>   |  |  |
| <b>(a) Defined Benefits Plans - Gratuity:</b>   |  |  |
| Type of Benefit   | Gratuity   | Gratuity   |
| Country   | India  | India  |
| Reporting Currency  | INR  | INR  |
| Reporting Standard  | Accounting<br>Standard 15<br>Revised<br>(AS 15R) | Accounting<br>Standard 15<br>Revised<br>(AS 15R) |
| Funding Status  | Funded   | Funded   |
| Starting Period   | 1-Apr-19   | 1-Apr-18   |
| Date of Reporting   | 31-Mar-20  | 31-Mar-19  |
| Period of Reporting   | 12 Months  | 12 Months  |
| Valuation in respect of Gratuity has been carried out by an independent actuary, as at the Balance Sheet date, based on the following assumptions:  |  |  |

**INDIA SME ASSET RECONSTRUCTION COMPANY LIMITED**  
**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020**

(Amount in ₹)

|   | Year Ended<br>31.03.2020                             | Year Ended<br>31.03.2019                          |
|---|--|---|
| <b>Assumptions (Opening Period):</b>  |  |   |
| Expected Return on Plan Assets  | 7.69%  | 7.56%   |
| Rate of Discounting   | 7.69%  | 7.56%   |
| Rate of Salary Increase   | 7.50%  | 7.50%   |
| Rate of Employee Turnover for service of:   |  |   |
| - 4 years and below   | 26.00% p.a.  | 26.00% p.a.                                       |
| - 5 years and above   | 2.00% p.a.   | 2.00% p.a.  |
| Mortality Rate During Employment  | Indian<br>Assured<br>Lives<br>Mortality<br>(2006-08) | Indian<br>Assured Lives<br>Mortality<br>(2006-08) |
| Mortality Rate After Employment   | N.A.   | N.A.  |
| <b>Assumptions (Closing Period):</b>  |  |   |
| Expected Return on Plan Assets  | 6.43%  | 7.69%   |
| Rate of Discounting   | 6.43%  | 7.69%   |
| Rate of Salary Increase   | 7.50%  | 7.50%   |
| Rate of Employee Turnover for service of:   |  |   |
| - 4 years and below   | 26.00% p.a.  | 26.00% p.a.                                       |
| - 5 years and above   | 2.00% p.a.   | 2.00% p.a.  |
| Mortality Rate During Employment  | Indian<br>Assured<br>Lives<br>Mortality<br>(2006-08) | Indian<br>Assured Lives<br>Mortality<br>(2006-08) |
| Mortality Rate After Employment   | N.A.   | N.A.  |
| <b>Changes in Present Value of Projected Benefit Obligation:</b>                    |  |   |
| Present Value of Benefit Obligation at beginning of the year                        | 326,295  | 303,575   |
| Interest Cost   | 25,092   | 22,950  |
| Current Service Cost  | 66,526   | 50,505  |
| Benefit Paid  | (231,058)  | -   |
| Actuarial (Gains)/Losses on Obligations -<br>Due to Change in Financial Assumptions | 3,747  | (5,531)   |
| Actuarial (Gains)/Losses on Obligations -<br>Due to Experience                      | (169,878)  | (45,204)  |
| <b>Present Value of Benefit Obligation as at end of the year</b>                    | <b>20,724</b>  | <b>326,295</b>                                    |

**INDIA SME ASSET RECONSTRUCTION COMPANY LIMITED**  
**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020**

(Amount in ₹)

|   | Year Ended<br>31.03.2020 | Year Ended<br>31.03.2019 |
|---|--------------------------|--------------------------|
| <b>NOTE 24: EMPLOYEE BENEFITS (Contd....)</b>   |                          |                          |
| <b>Changes in Fair Value of Plan Assets:</b>  |                          |                          |
| Fair Value of plan assets at the beginning of the year                                | 355,484                  | 332,006                  |
| Expected Return on Plan Assets  | 27,337                   | 25,100                   |
| Contributions by the Employer   | 7,070                    | 4,129                    |
| Benefit Paid  | (231,058)                | -                        |
| Actuarial Gains/(Losses) on Plan Assets - Due to Experience                           | (17,151)                 | (5,751)                  |
| <b>Fair Value of plan assets as at end of the year</b>                                | <b>141,682</b>           | <b>355,484</b>           |
| <b>Actuarial (Gains)/Losses recognised in the Statement of Profit or Loss Account</b> |                          |                          |
| Actuarial (Gains)/Losses on Obligation for the year                                   | (166,131)                | (50,735)                 |
| Actuarial (Gains)/Losses on Plan Asset for the year                                   | 17,151                   | 5,751                    |
| Subtotal  | (148,980)                | (44,984)                 |
| <b>Actuarial (Gains)/Losses recognised in the Statement of Profit or Loss Account</b> | <b>(148,980)</b>         | <b>(44,984)</b>          |
| <b>Actual Return on Plan Assets:</b>  |                          |                          |
| Expected Return on Plan Assets  | 27,337                   | 25,100                   |
| Actuarial (Gains)/Losses on Plan Asset - Due to Experience                            | (17,151)                 | (5,751)                  |
| <b>Actual Return on Plan Assets</b>   | <b>10,186</b>            | <b>19,349</b>            |
| <b>Amounts recognized in the Balance Sheet:</b>                                       |                          |                          |
| Present value of Benefit Obligation as at end of the year                             | (20,724)                 | (326,295)                |
| Fair Value of Plan Assets as at end of the year                                       | 141,682                  | 355,484                  |
| Funded Status - Surplus/(Deficit)   | 120,958                  | 29,189                   |
| Unrecognised Past Service Cost at the end of the year                                 | -                        | -                        |
| <b>Net Asset/(Liability) recognized in the Balance Sheet</b>                          | <b>120,958</b>           | <b>29,189</b>            |
| <b>Net Interest Cost:</b>   |                          |                          |
| Present Value of Benefit Obligation at the beginning of the year                      | 326,295                  | 303,575                  |
| Fair Value of Plan Assets at the beginning of the year                                | (355,484)                | (332,006)                |
| <b>Net Liability/(Assets) at the beginning</b>  | <b>(29,189)</b>          | <b>(28,431)</b>          |
| Interest Cost   | 25,092                   | 22,950                   |
| Expected Return on Plan Assets  | (27,337)                 | (25,100)                 |
| <b>Net Interest Cost</b>  | <b>(2,245)</b>           | <b>(2,150)</b>           |

**INDIA SME ASSET RECONSTRUCTION COMPANY LIMITED**  
**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020**

(Amount in ₹)

|  | Year Ended<br>31.03.2020 | Year Ended<br>31.03.2019 |
|--|--------------------------|--------------------------|
| <b>NOTE 24: EMPLOYEE BENEFITS (Contd....)</b>  |                          |                          |
| <b>Expenses/(Income) recognized in the Statement of Profit and Loss</b>  |                          |                          |
| Current Service Cost   | 66,526                   | 50,505                   |
| Net Interest Cost  | (2,245)                  | (2,150)                  |
| Actuarial Losses/(Gains)   | (148,980)                | (44,984)                 |
| <b>Total Expense/(Income) recognized in the Statement of Profit and Loss</b>   | <b>(84,699)</b>          | <b>3,371</b>             |
| <b>Balance Sheet Reconciliation</b>  |                          |                          |
| Opening Net Liability  | (29,189)                 | (28,431)                 |
| Expense recognised in Statement of Profit or Loss  | (84,699)                 | 3,371                    |
| Employer's Contribution  | (7,070)                  | (4,129)                  |
| <b>Net Liability/(Assets) recognised in the Balance Sheet</b>  | <b>(120,958)</b>         | <b>(29,189)</b>          |
| <b>Category of Assets</b>  |                          |                          |
| Insurance Fund   | 141,682                  | 355,484                  |
| <b>Total</b>   | <b>141,682</b>           | <b>355,484</b>           |
| <b>Other Details</b>   |                          |                          |
| No. of Active Members  | 4                        | 7                        |
| Per Month Salary for Active Members  | 100,250                  | 193,750                  |
| Projected Benefit Obligation (PBO)   | 20,724                   | 326,295                  |
| Prescribed Contribution for Next Year (12 Months)  | -                        | 37,337                   |
| <b>Experience Adjustment</b>   |                          |                          |
| Actuarial (Gains)/Losses on Obligations - Due to Experience  | (169,878)                | (45,204)                 |
| Actuarial (Gains)/Losses on Plan Assets - Due to Experience  | (17,151)                 | (5,751)                  |
| <b>(b) Compensated Absences:</b>   |                          |                          |
| Based on the valuation carried on by an independent valuer, the liability for leave encashment / compensated absences as at the year end is ₹ 2,26,115/- (previous year ₹ 6,71,489/-). |                          |                          |

**INDIA SME ASSET RECONSTRUCTION COMPANY LIMITED**  
**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020**

**NOTE 25: RELATED PARTY DISCLOSURE****A Name of Related Parties:**

Mr. Subhendu Moitra (MD & CEO - wef July 25, 2018)  
Mr. Ravi Menon (Chief Operating Officer) (Deputed by SIDBI)  
(till Feb 29, 2020)  
Mr. Partha Sarathi Sen (Chief Financial Officer & Compliance Officer)  
(till Sept 12, 2019)  
Ms. Vandana Kacholia (Company Secretary) (till August 30, 2019)

**II Significant Influence:**

Small Industries Development Bank of India (SIDBI)  
SIDBI Venture Capital Limited  
ISARC SIDBI III/2017-18 Trust  
ISARC Dena Bank III/2017-18 Trust  
ISARC ACBL I/2017-18 Trust  
ISARC Syndicate Bank III/2016-17 Trust  
ISARC Axis 5/2015-16 Trust  
ISARC BOI 2/2015-16 Trust  
ISARC SCB 1/2015-16 Trust  
ISARC Dena Bank II/2015-16 Trust  
ISARC SBI 1/2015-16 Trust  
ISARC Axis 4/2015-16 Trust  
ISARC RCPPL/2014-15 Trust  
ISARC GPIL/2014-15 Trust  
ISARC OBC I/2014-15 Trust  
ISARC Canara Bank I/2013-14 Trust  
ISARC IDBI Bank II/2013-14 Trust  
ISARC Allahabad Bank II/2012-13 Trust  
ISARC FA 8 II/2012-13 Trust  
ISARC CBI II/2012-13 Trust  
ISARC Axis 3/2012-13 Trust  
ISARC Yes Bank I/2012-13 Trust  
ISARC Transrail Structures & Towers/2012-13 Trust  
ISARC FA 27 I/2012-13 Trust  
ISARC FA 63 I/2012-13 Trust  
ISARC FA 30 I/2012-13 Trust  
ISARC FA 6 III/2011-12 Trust  
ISARC FA 03 I/2011-12 Trust  
ISARC FA 16 I/2011-12 Trust  
ISARC IU/2011-12 Trust  
ISARC MFPMPL/2011-12 Trust  
ISARC FA 54/002/2011-12 Trust

**INDIA SME ASSET RECONSTRUCTION COMPANY LIMITED  
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020**

**NOTE 25: RELATED PARTY DISCLOSURE (CONTD....)**

ISARC FA 41 I/2011-12 Trust  
 ISARC 12/2010-11 Trust  
 ISARC 13/2010-11 Trust  
 ISARC 14/2010-11 Trust  
 ISARC Print 7C/2010-11 Trust  
 ISARC CBI 1/2010-11 Trust  
 ISARC Axis 2/2010-11 Trust  
 ISARC BOI 1/2010-11 Trust  
 ISARC UCO 1/2010-11 Trust  
 ISARC SIDBI 2/2009-10 Trust  
 ISARC BOB 1/2009-10 Trust  
 ISARC Axis 1/2009-10 Trust  
 ISARC UBI 2/2009-10 Trust  
 ISARC UBI 3/2009-10 Trust  
 ISARC UBI 1/2009-10 Trust  
 ISARC SIDBI 1/2009-10 Trust

(Amount in ₹)

|  | Year Ended<br>31.03.2020 | Year Ended<br>31.03.2019 |
|--|--------------------------|--------------------------|
| <b>B Related Party Transactions:</b>                             |                          |                          |
| <b>I Payments to Key Managerial Personnel:</b>                   |                          |                          |
| <b>1) Remuneration:</b>  |                          |                          |
| a) Mr. Subhendu Moitra   | 6,606,302                | 4,525,803                |
| b) Mr. Partha Sarathi Sen  | 971,254                  | 2,158,344                |
| c) Ms. Vandana Kacholia  | 365,939                  | 884,112                  |
|  | <b>7,943,495</b>         | <b>7,568,259</b>         |
| <b>II Transactions with Parties under Significant Influence:</b> |                          |                          |
| <b>1) Income:</b>  |                          |                          |
| <b>a) Management Fees (Gross) *</b>                              |                          |                          |
| ISARC 12/2010-11 Trust   | -                        | 138,795                  |
| ISARC 13/2010-11 Trust   | -                        | 224                      |
| ISARC 14/2010-11 Trust   | -                        | 1,057                    |
| ISARC ACBL I/2017-18 TRUST                                       | 209,070                  | 215,091                  |
| ISARC Allahabad Bank II/2012-13 Trust                            | 333,894                  | 467,605                  |
| ISARC Axis 1/2009-10 Trust                                       | -                        | -                        |
| ISARC Axis 2/2010-11 TRUST                                       | -                        | 256,869                  |
| ISARC Axis 3/2012-13 Trust                                       | 716,550                  | 771,520                  |

**INDIA SME ASSET RECONSTRUCTION COMPANY LIMITED  
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020**

(Amount in ₹)

|  | Year Ended<br>31.03.2020 | Year Ended<br>31.03.2019 |
|--|--------------------------|--------------------------|
| <b>NOTE 25: RELATED PARTY DISCLOSURE (CONTD....)</b> |                          |                          |
| <b>a) Management Fees (Gross) * (Contd....)</b>      |                          |                          |
| ISARC Axis 5/2015-16 Trust                           | -                        | 27,732                   |
| ISARC BOB 1/2009-10 Trust                            | -                        | -                        |
| ISARC BOI 1/2010-11 Trust                            | -                        | 112,449                  |
| ISARC BOI 2/2015-16 Trust                            | -                        | -                        |
| ISARC Canara Bank I/2013-14 Trust                    | 31,404,404               | 31,404,405               |
| ISARC CBI 1/2010-11 Trust                            | -                        | 20,694                   |
| ISARC CBI II/2012-13 Trust                           | 91,241                   | 123,583                  |
| ISARC Dena Bank II/2015-16 Trust                     | 698,031                  | 1,071,211                |
| ISARC Dena Bank III/2017-18 TRUST                    | 1,657,998                | 1,658,000                |
| ISARC FA 03 I/2011-12 Trust                          | 91,609                   | 113,057                  |
| ISARC FA 16 I/2011-12 Trust                          | 457,764                  | 507,699                  |
| ISARC FA 27 I/2012-13 Trust                          | 427,377                  | 540,001                  |
| ISARC FA 41 I/2011-12 Trust                          | 358,524                  | 1,563,190                |
| ISARC FA 54/002/2011-12 Trust                        | 650,975                  | 820,159                  |
| ISARC FA 6 III/2011-12 Trust                         | -                        | 47,399                   |
| ISARC FA 8 II/2012-13 Trust                          | -                        | -                        |
| ISARC GPIL/2014-15 Trust                             | -                        | 235,170                  |
| ISARC IDBI Bank II/2013-14 Trust                     | 8,146,108                | 8,146,102                |
| ISARC IU/2011-12 Trust                               | 392,242                  | 605,548                  |
| ISARC MFPMPL/2011-12 Trust                           | -                        | -                        |
| ISARC OBC I/2014-15 Trust                            | 1,500,165                | 1,500,166                |
| ISARC Print 7C/2010-11 Trust                         | -                        | 153,225                  |
| ISARC RCPPL/2014-15 Trust                            | -                        | 48,242                   |
| ISARC SBI 1/2015-16 Trust                            | -                        | 4,461                    |
| ISARC SCB 1/2015-16 Trust                            | -                        | 27,045                   |
| ISARC SIDBI 1/2009-10 Trust                          | -                        | -                        |
| ISARC SIDBI 2/2009-10 Trust                          | -                        | -                        |
| ISARC SIDBI III/2017-18 Trust                        | 9,028,672                | 9,608,131                |
| ISARC Syndicate Bank III/2016-17 Trust               | 1,248,175                | 1,536,067                |
| ISARC Transrail Structures & Towers/2012-13 Trust    | -                        | -                        |
| ISARC UBI 1/2009-10 Trust                            | -                        | -                        |
| ISARC UBI 2/2009-10 Trust                            | -                        | -                        |
| ISARC UBI 3/2009-10 Trust                            | -                        | -                        |
| ISARC UCO 1/2010-11 Trust                            | -                        | 171,189                  |
| ISARC Yes Bank I/2012-13 Trust                       | 99,893                   | 99,927                   |
|  | <b>57,512,690</b>        | <b>61,996,013</b>        |
| * excluding GST amount                               |                          |                          |

**INDIA SME ASSET RECONSTRUCTION COMPANY LIMITED  
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020**

(Amount in ₹)

|  | Year Ended<br>31.03.2020 | Year Ended<br>31.03.2019 |
|--|--------------------------|--------------------------|
| <b>b) Management Fees reversed during the year</b> |                          |                          |
| ISARC 12/2010-11 Trust                             | -                        | 127,032                  |
| ISARC ACBL I/2017-18 TRUST                         | 143,776                  | -                        |
| ISARC Axis 1/2009-10 Trust                         | -                        | -                        |
| ISARC Axis 2/2010-11 TRUST                         | -                        | 35,814                   |
| ISARC Axis 3/2012-13 Trust                         | -                        | 70,017                   |
| ISARC BOI 1/2010-11 Trust                          | -                        | 102,919                  |
| ISARC BOI 2/2015-16 Trust                          | -                        | -                        |
| ISARC Canara Bank I/2013-14 Trust                  | 28,743,012               | 28,743,015               |
| ISARC CBI 1/2010-11 Trust                          | -                        | 18,942                   |
| ISARC CBI II/2012-13 Trust                         | -                        | -                        |
| ISARC Dena Bank III/2017-18 TRUST                  | 1,517,490                | 1,517,494                |
| ISARC FA 03 I/2011-12 Trust                        | 37,860                   | -                        |
| ISARC FA 16 I/2011-12 Trust                        | 92,946                   | -                        |
| ISARC FA 27 I/2012-13 Trust                        | 391,158                  | 494,239                  |
| ISARC FA 54/002/2011-12 Trust                      | 595,807                  | 750,652                  |
| ISARC GPIL/2014-15 Trust                           | -                        | 215,242                  |
| ISARC IDBI Bank II/2013-14 Trust                   | 5,602,003                | 4,176,585                |
| ISARC IU/2011-12 Trust                             | 359,001                  | 554,233                  |
| ISARC OBC I/2014-15 Trust                          | 1,373,032                | 1,373,034                |
| ISARC Print 7C/2010-11 Trust                       | -                        | 3,947                    |
| ISARC SCB 1/2015-16 Trust                          | -                        | -                        |
| ISARC SIDBI 1/2009-10 Trust                        | -                        | -                        |
| ISARC SIDBI 2/2009-10 Trust                        | -                        | -                        |
| ISARC UBI 1/2009-10 Trust                          | -                        | -                        |
| ISARC UBI 2/2009-10 Trust                          | -                        | -                        |
| ISARC UBI 3/2009-10 Trust                          | -                        | -                        |
| ISARC UCO 1/2010-11 Trust                          | -                        | 156,679                  |
| ISARC Yes Bank I/2012-13 Trust                     | 91,427                   | 22,544                   |
|  | <b>38,947,513</b>        | <b>38,362,388</b>        |
| <b>c) Management Fees (Reversals received)</b>     |                          |                          |
| ISARC ACBL I/2017-18 TRUST                         | -                        | -                        |
| ISARC Canara Bank I/2013-14 Trust                  | 10,745,076               | -                        |
| ISARC Dena Bank III/2017-18 Trust                  | -                        | -                        |
| ISARC UBI 3/2009-10 Trust                          | -                        | -                        |
| ISARC UCO 1/2010-11 Trust                          | -                        | 87,958                   |
| ISARC Transrail Structures & Towers/2012-13 Trust  | -                        | -                        |
| ISARC CBI II/2012-13 Trust                         | -                        | -                        |
| ISARC BOI 2/2015-16 Trust                          | -                        | -                        |

**INDIA SME ASSET RECONSTRUCTION COMPANY LIMITED**  
**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020**

(Amount in ₹)

|   | Year Ended<br>31.03.2020 | Year Ended<br>31.03.2019 |
|---|--------------------------|--------------------------|
| <b>NOTE 25: RELATED PARTY DISCLOSURE (CONTD....)</b>    |                          |                          |
| <b>c) Management Fees (Reversals received) (Contd.)</b> |                          |                          |
| ISARC Axis 2/2010-11 Trust                              | 35,814                   | 1,627,613                |
| ISARC Axis 3/2012-13 Trust                              | 139,550                  | -                        |
| ISARC FA 03 I/2011-12 Trust                             | -                        | 367,127                  |
| ISARC FA 16 I/2011-12 Trust                             | -                        | 2,312,048                |
| ISARC FA 27 I/2012-13 Trust                             | -                        | -                        |
| ISARC FA 54/002/2011-12 Trust                           | -                        | -                        |
| ISARC IDBI Bank II/2013-14 Trust                        | 9,778,587                | -                        |
| ISARC IU/2011-12 Trust                                  | -                        | -                        |
| ISARC Yes Bank I/2012-13 Trust                          | 91,240                   | -                        |
| ISARC OBC I/2014-15 Trust                               | -                        | -                        |
| ISARC Print 7C/2010-11 Trust                            | 3,947                    | 1,030,445                |
| ISARC SCB 1/2015-16 Trust                               | -                        | 78,789                   |
|   | <b>20,794,214</b>        | <b>5,503,980</b>         |
| <b>d) Bad Debts Recovered</b>                           |                          |                          |
| ISARC BOI 2/2015-16 Trust                               | -                        | -                        |
| ISARC Transrail Structures & Towers/2012-13 Trust       | -                        | -                        |
| ISARC Axis 3/2012-13 Trust                              | 9,705                    | -                        |
| ISARC IDBI Bank II/2013-14 Trust                        | 91,397                   | -                        |
| ISARC FA 63 I/2012-13 Trust                             | 427,932                  | -                        |
| ISARC UBI 3/2009-10 Trust                               | -                        | -                        |
| ISARC Axis 2/2010-11 Trust                              | -                        | 1,111,315                |
| ISARC FA 03 I/2011-12 Trust                             | -                        | 34,284                   |
| ISARC FA 16 I/2011-12 Trust                             | -                        | 518,023                  |
| ISARC Print 7C/2010-11 Trust                            | -                        | 446,686                  |
| ISARC SCB 1/2015-16 Trust                               | -                        | 6,238                    |
|   | <b>529,034</b>           | <b>2,116,546</b>         |
| <b>e) Yield on Security Receipts</b>                    |                          |                          |
| ISARC SIDBI 2/2009-10 Trust                             | -                        | 152,505                  |
| ISARC 14/2010-11 Trust                                  | -                        | -                        |
|   | -                        | <b>152,505</b>           |
| <b>f) Upside Income</b>                                 |                          |                          |
| ISARC Axis 4/2015-16 Trust                              | -                        | -                        |
| ISARC MFPMPL/2011-12 Trust                              | -                        | -                        |
| ISARC 13/2010-11 Trust                                  | -                        | -                        |
| ISARC BOI 2/2015-16 Trust                               | -                        | 120,845                  |

**INDIA SME ASSET RECONSTRUCTION COMPANY LIMITED  
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020**

|  | <b>(Amount in ₹)</b>             |                                  |
|--|----------------------------------|----------------------------------|
|  | <b>Year Ended<br/>31.03.2020</b> | <b>Year Ended<br/>31.03.2019</b> |
| <b>NOTE 25: RELATED PARTY DISCLOSURE (CONTD....)</b> |                                  |                                  |
| <b>f) Upside Income (Contd.)</b>                     |                                  |                                  |
| ISARC FA 6 III/2011-12 Trust                         | -                                | 6,816,786                        |
| ISARC 14/2010-11 Trust                               | -                                | 3,883,628                        |
| ISARC SBI 1/2015-16 Trust                            | -                                | 33,421,713                       |
| ISARC SCB 1/2015-16 Trust                            | -                                | 8,628,239                        |
|  | <b>-</b>                         | <b>52,871,211</b>                |
| <b>g) Incentives</b>                                 |                                  |                                  |
| ISARC FA 63 I/2012-13 Trust                          | 1,406,319                        | -                                |
| ISARC Dena Bank II/2015-16 Trust                     | 1,046,016                        | 117,134                          |
| ISARC ACBL I/2017-18 Trust                           | -                                | 80,500                           |
| ISARC SIDBI III/2017-18 Trust                        | 2,562,800                        | 416,455                          |
|  | <b>5,015,135</b>                 | <b>614,089</b>                   |
| <b>h) Commission Income</b>                          |                                  |                                  |
| ISARC FA 63 I/2012-13 Trust                          | 1,142,831                        | -                                |
|  | <b>1,142,831</b>                 | <b>-</b>                         |
| <b>i) Interest on Advances (Gross)</b>               |                                  |                                  |
| ISARC ACBL I/2017-18 TRUST                           | 838                              | 495                              |
| ISARC Allahabad Bank II/2012-13 Trust                | 1,513                            | 1,184                            |
| ISARC Axis 3/2012-13 Trust                           | 4,253                            | 8,458                            |
| ISARC Canara Bank I/2013-14 Trust                    | 749,333                          | 183,617                          |
| ISARC CBI II/2012-13 Trust                           | 440                              | 221                              |
| ISARC Dena Bank II/2015-16 Trust                     | 12,959                           | 2,939                            |
| ISARC Dena Bank III/2017-18 TRUST                    | 103,767                          | 52,522                           |
| ISARC FA 03 I/2011-12 Trust                          | 497                              | 66,906                           |
| ISARC FA 16 I/2011-12 Trust                          | 42,396                           | 341,465                          |
| ISARC FA 27 I/2012-13 Trust                          | 234,413                          | 177,487                          |
| ISARC FA 54/002/2011-12 Trust                        | 141,120                          | 75,077                           |
| ISARC FA 6 III/2011-12 Trust                         | 26,478                           | 30,341                           |
| ISARC FA 63 I/2012-13 Trust                          | 80,562                           | 81,629                           |
| ISARC FA 8 II/2012-13 Trust                          | -                                | -                                |
| ISARC GPIL/2014-15 Trust                             | 74,644                           | 64,966                           |
| ISARC IDBI Bank II/2013-14 Trust                     | 288,149                          | 36,672                           |
| ISARC IU/2011-12 Trust                               | 229,218                          | 211,408                          |

**INDIA SME ASSET RECONSTRUCTION COMPANY LIMITED  
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020**

(Amount in ₹)

|   | Year Ended<br>31.03.2020 | Year Ended<br>31.03.2019 |
|---|--------------------------|--------------------------|
| <b>NOTE 25: RELATED PARTY DISCLOSURE (CONTD....)</b>          |                          |                          |
| <b>i) Interest on Advances (Gross) (Cond.)</b>                |                          |                          |
| ISARC MFPMPL/2011-12 Trust                                    | -                        | -                        |
| ISARC OBC I/2014-15 Trust                                     | 196,486                  | 163,949                  |
| ISARC RCPPL/2014-15 Trust                                     | 36                       | 1,300                    |
| ISARC SBI 1/2015-16 Trust                                     | 107,117                  | 160,049                  |
| ISARC SIDBI 1/2009-10 Trust                                   | 58,233                   | 54,409                   |
| ISARC SIDBI 2/2009-10 Trust                                   | 1,494,433                | 1,498,685                |
| ISARC SIDBI III/2017-18 Trust                                 | 31,327                   | 101,341                  |
| ISARC Syndicate Bank III/2016-17 Trust                        | 3,299                    | 3,138                    |
| ISARC Transrail Structures & Towers/2012-13 Trust             | 1,273                    | -                        |
| ISARC Yes Bank I/2012-13 Trust                                | 641                      | 268                      |
|   | <b>3,883,424</b>         | <b>3,318,526</b>         |
| <b>j) Interest on Advances reversed during the year</b>       |                          |                          |
| ISARC ACBL I/2017-18 TRUST                                    | 605                      | -                        |
| ISARC Axis 3/2012-13 Trust                                    | -                        | 5,772                    |
| ISARC Canara Bank I/2013-14 Trust                             | 674,400                  | 98,499                   |
| ISARC Dena Bank III/2017-18 Trust                             | 93,390                   | 47,269                   |
| ISARC FA 27 I/2012-13 Trust                                   | 210,972                  | 159,738                  |
| ISARC FA 54/002/2011-12 Trust                                 | 127,008                  | 67,570                   |
| ISARC FA 63 I/2012-13 Trust                                   | 43,407                   | 73,465                   |
| ISARC GPIL/2014-15 Trust                                      | 67,180                   | 58,469                   |
| ISARC IDBI Bank II/2013-14 Trust                              | 91,397                   | -                        |
| ISARC IU/2011-12 Trust  | 206,296                  | 190,266                  |
| ISARC OBC I/2014-15 Trust                                     | 176,837                  | 147,555                  |
| ISARC SBI 1/2015-16 Trust                                     | 100,731                  | -                        |
| ISARC SIDBI 1/2009-10 Trust                                   | 52,410                   | 48,968                   |
| ISARC SIDBI 2/2009-10 Trust                                   | 1,344,990                | 1,348,816                |
| ISARC Transrail Structures & Towers/2012-13 Trust             | 1,146                    | -                        |
|   | <b>3,190,769</b>         | <b>2,246,387</b>         |
| <b>2) Expenses:</b>   |                          |                          |
| <b>a) Small Industries Development Bank of India (SIDBI):</b> |                          |                          |
| Deputation Charges (including Arrears)                        | 6,892,232                | 15,653,931               |
| Rent  | 1,359,890                | 264,612                  |
|   | <b>8,252,122</b>         | <b>15,918,543</b>        |
| <b>b) SIDBI Venture Capital Limited:</b>                      |                          |                          |
| Electricity Charges   | 470,596                  | 566,403                  |
|   | <b>470,596</b>           | <b>566,403</b>           |

**INDIA SME ASSET RECONSTRUCTION COMPANY LIMITED  
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020**

(Amount in ₹)

|  | Year Ended<br>31.03.2020 | Year Ended<br>31.03.2019 |
|--|--------------------------|--------------------------|
| <b>NOTE 25: RELATED PARTY DISCLOSURE (CONTD....)</b> |                          |                          |
| <b>c) Bad Debts:</b>                                 |                          |                          |
| <b>i) Incentives:</b>                                |                          |                          |
| ISARC FA 63 I/2012-13 Trust                          | -                        | 427,932                  |
| <b>ii) Interest on Advances:</b>                     |                          |                          |
| ISARC Axis 3/2012-13 Trust                           | -                        | 3,933                    |
| ISARC Dena Bank III/2017-18 Trust                    | -                        | 4,098                    |
| ISARC FA 27 I/2012-13 Trust                          | -                        | 469,975                  |
| ISARC FA 54/002/2011-12 Trust                        | -                        | 707,444                  |
| ISARC GPIL/2014-15 Trust                             | -                        | 33,228                   |
| ISARC IU/2011-12 Trust                               | -                        | 94,018                   |
| ISARC OBC I/2014-15 Trust                            | -                        | 511,686                  |
| ISARC SIDBI 1/2009-10 Trust                          | -                        | 293,070                  |
| ISARC SIDBI 2/2009-10 Trust                          | -                        | 994,902                  |
| <b>iii) Management Fees:</b>                         |                          |                          |
| ISARC Canara Bank I/2013-14 Trust                    | -                        | 930,868                  |
| ISARC Dena Bank III/2017-18 Trust                    | -                        | 456,244                  |
| <b>iv) Advances to Trusts:</b>                       |                          |                          |
| ISARC FA 30 I/2012-13 Trust                          | -                        | 34,405                   |
| ISARC FA 8 II/2012-13 Trust                          | -                        | 1,969                    |
| ISARC MFPMPL/2011-12 Trust                           | -                        | (1,539)                  |
|  |                          | <b>4,962,233</b>         |
| <b>3) Balances as at the year end</b>                |                          |                          |
| <b>a) Outstanding Payables</b>                       |                          |                          |
| Small Industries Development Bank of India (SIDBI)   | 794,818                  | 2,209,490                |
| SIDBI Venture Capital Limited                        | -                        | 38,682                   |
|  | <b>794,818</b>           | <b>2,248,172</b>         |
| <b>b) Outstanding Receivables</b>                    |                          |                          |
| <b>i) Management Fees</b>                            |                          |                          |
| ISARC 13/2010-11 Trust                               | -                        | 59                       |
| ISARC 14/2010-11 Trust                               | -                        | 565                      |
| ISARC ACBL I/2017-18 Trust                           | -                        | 55,678                   |
| ISARC Allahabad Bank II/2012-13 Trust                | 78,736                   | 124,524                  |
| ISARC Axis 2/2010-11 Trust                           | -                        | -                        |
| ISARC Axis 3/2012-13 Trust                           | 356,344                  | 374,282                  |
| ISARC Axis 5/2015-16 Trust                           | -                        | 7,258                    |
| ISARC BOB 1/2009-10 Trust                            | -                        | -                        |
| ISARC Canara Bank I/2013-14 Trust                    | 3                        | -                        |
| ISARC Dena Bank II/2015-16 Trust                     | 143,458                  | 223,063                  |
| ISARC FA 03 I/2011-12 Trust                          | -                        | 26,759                   |

**INDIA SME ASSET RECONSTRUCTION COMPANY LIMITED  
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020**

(Amount in ₹)

|  | Year Ended<br>31.03.2020 | Year Ended<br>31.03.2019 |
|--|--------------------------|--------------------------|
| <b>NOTE 25: RELATED PARTY DISCLOSURE (CONTD....)</b> |                          |                          |
| <b>i) Management Fees (Contd.)</b>                   |                          |                          |
| ISARC FA 16 I/2011-12 Trust                          | -                        | 135,201                  |
| ISARC FA 41 I/2011-12 Trust                          | -                        | 841,247                  |
| ISARC FA 6 III/2011-12 Trust                         | -                        | -                        |
| ISARC IDBI Bank II/2013-14 Trust                     | 2,187,427                | -                        |
| ISARC RCPPL/2014-15 Trust                            | -                        | -                        |
| ISARC Print 7C/2010-11 Trust                         | -                        | -                        |
| ISARC SBI 1/2015-16 Trust                            | -                        | -                        |
| ISARC SIDBI 2/2009-10 Trust                          | -                        | -                        |
| ISARC Syndicate Bank III/2016-17 Trust               | 308,108                  | 392,789                  |
| ISARC Yes Bank I/2012-13 Trust                       | -                        | -                        |
| ISARC CBI II/2012-13 Trust                           | 22,091                   | 29,252                   |
| ISARC Dena Bank III/2017-18 TRUST                    | -                        | -                        |
| ISARC SIDBI III/2017-18 Trust                        | 2,340,656                | 2,556,731                |
| ISARC UBI 3/2009-10 Trust                            | -                        | -                        |
| ISARC UBI 1/2009-10 Trust                            | -                        | -                        |
| ISARC SIDBI 1/2009-10 Trust                          | -                        | -                        |
|  | <b>5,436,823</b>         | <b>4,767,408</b>         |
| <b>ii) Interest on Advances</b>                      |                          |                          |
| ISARC FA 54/002/2011-12 Trust                        | -                        | -                        |
| ISARC FA 16 I/2011-12 Trust                          | 499                      | 82,739                   |
| ISARC IU/2011-12 Trust                               | -                        | -                        |
| ISARC FA 27 I/2012-13 Trust                          | -                        | -                        |
| ISARC Transrail Structures & Towers/2012-13 Trust    | -                        | -                        |
| ISARC OBC I/2014-15 Trust                            | -                        | -                        |
| ISARC CBI II/2012-13 Trust                           | 107                      | 17                       |
| ISARC FA 03 I/2011-12 Trust                          | 223                      | 15,547                   |
| ISARC GPIL/2014-15 Trust                             | -                        | -                        |
| ISARC SIDBI 2/2009-10 Trust                          | -                        | -                        |
| ISARC Canara Bank I/2013-14 Trust                    | -                        | -                        |
| ISARC FA 63 I/2012-13 Trust                          | 29,099                   | -                        |
| ISARC Axis 3/2012-13 Trust                           | 825                      | -                        |
| ISARC Syndicate Bank III/2016-17 Trust               | 634                      | 913                      |
| ISARC IDBI Bank II/2013-14 Trust                     | 61,387                   | 25,085                   |
| ISARC RCPPL/2014-15 Trust                            | -                        | 397                      |
| ISARC Dena Bank II/2015-16 Trust                     | 650                      | 1,312                    |
| ISARC Allahabad Bank II/2012-13 Trust                | 423                      | 319                      |
| ISARC MFPMPL/2011-12 Trust                           | -                        | -                        |

**INDIA SME ASSET RECONSTRUCTION COMPANY LIMITED**  
**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020**

(Amount in ₹)

|  | Year Ended<br>31.03.2020 | Year Ended<br>31.03.2019 |
|--|--------------------------|--------------------------|
| <b>NOTE 25: RELATED PARTY DISCLOSURE (CONTD....)</b> |                          |                          |
| <b>ii) Interest on Advances (Cond.)</b>              |                          |                          |
| ISARC FA 6 III/2011-12 Trust                         | -                        | 388                      |
| ISARC Yes Bank I/2012-13 Trust                       | 52                       | 59                       |
| ISARC SBI 1/2015-16 Trust                            |                          | 4,326                    |
| ISARC SIDBI 1/2009-10 Trust                          | -                        | -                        |
| ISARC ACBL I/2017-18 TRUST                           | -                        | 125                      |
| ISARC Dena Bank III/2017-18 TRUST                    | -                        | -                        |
| ISARC SIDBI III/2017-18 Trust                        | 8,622                    | 6,532                    |
|  | <b>102,521</b>           | <b>137,759</b>           |
| <b>iii) Incentives</b>                               |                          |                          |
| ISARC FA 63 I/2012-13 Trust                          | -                        | -                        |
| ISARC Dena Bank II/2015-16 Trust                     | 295,500                  | -                        |
|  | <b>295,500</b>           | <b>-</b>                 |
| <b>4) Advances to Trusts</b>                         |                          |                          |
| ISARC 12/2010-11 Trust                               | 721,614                  | 617,377                  |
| ISARC 14/2010-11 Trust                               | 468,334                  | 210,592                  |
| ISARC ACBL I/2017-18 TRUST                           | 11,674                   | -                        |
| ISARC Allahabad Bank II/2012-13 Trust                | 18,405                   | -                        |
| ISARC Axis 1/2009-10 Trust                           | 1,170,205                | 1,102,760                |
| ISARC Axis 2/2010-11 TRUST                           | 11,403                   | -                        |
| ISARC Axis 3/2012-13 Trust                           | 4,750                    | 67,419                   |
| ISARC Axis 5/2015-16 Trust                           | 7,780                    | -                        |
| ISARC BOB 1/2009-10 Trust                            | 1,896,678                | 1,640,676                |
| ISARC BOI 1/2010-11 Trust                            | 1,018,335                | 983,730                  |
| ISARC BOI 2/2015-16 Trust                            | 26,597                   | -                        |
| ISARC Canara Bank I/2013-14 Trust                    | 9,766,621                | 2,783,104                |
| ISARC CBI 1/2010-11 Trust                            | 848,620                  | 753,313                  |
| ISARC CBI II/2012-13 Trust                           | 2,400                    | -                        |
| ISARC Dena Bank II/2015-16 Trust                     | -                        | 452,339                  |
| ISARC Dena Bank III/2017-18 Trust                    | 1,021,029                | 570,850                  |
| ISARC FA 03 I/2011-12 Trust                          | 9,341                    | -                        |
| ISARC FA 16 I/2011-12 Trust                          | -1                       | -                        |
| ISARC FA 27 I/2012-13 Trust                          | 2,179,415                | 1,744,577                |
| ISARC FA 30 I/2012-13 Trust                          | -                        | -                        |

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(Amount in ₹)

|  | Year Ended<br>31.03.2020 | Year Ended<br>31.03.2019 |
|--|--------------------------|--------------------------|
| <b>NOTE 25: RELATED PARTY DISCLOSURE (CONTD....)</b> |                          |                          |
| <b>4) Advances to Trusts (Contd.)</b>                |                          |                          |
| ISARC FA 41 I/2011-12 Trust                          | 3,439                    | 555,701                  |
| ISARC FA 54/002/2011-12 Trust                        | 1,365,422                | 895,530                  |
| ISARC FA 6 III/2011-12 Trust                         | -                        | -                        |
| ISARC FA 63 I/2012-13 Trust                          | 357,737                  | 795,371                  |
| ISARC FA 8 II/2012-13 Trust                          | -                        | -                        |
| ISARC GPIL/2014-15 Trust                             | 646,609                  | 600,372                  |
| ISARC IDBI Bank II/2013-14 Trust                     | 5,977                    | 1,023,655                |
| ISARC IU/2011-12 Trust                               | 1,966,251                | 1,840,361                |
| ISARC OBC I/2014-15 Trust                            | 1,739,864                | 1,503,602                |
| ISARC Print 7C/2010-11 Trust                         | 5,209                    | -                        |
| ISARC RCPPL/2014-15 Trust                            | -                        | -                        |
| ISARC SBI 1/2015-16 Trust                            | 906,531                  | 910,702                  |
| ISARC SCB 1/2015-16 Trust                            | -                        | -                        |
| ISARC SIDBI 1/2009-10 Trust                          | 510,121                  | 466,872                  |
| ISARC SIDBI 2/2009-10 Trust                          | 12,710,257               | 12,015,447               |
| ISARC SIDBI III/2017-18 Trust                        | 38,661                   | 2,460                    |
| ISARC Transrail Structures & Towers/2012-13 Trust    | 33,661                   | -                        |
| ISARC UBI 1/2009-10 Trust                            | 1,385,080                | 1,302,006                |
| ISARC UBI 2/2009-10 Trust                            | 703,151                  | 663,563                  |
| ISARC UBI 3/2009-10 Trust                            | 8,407                    | -                        |
| ISARC UCO 1/2010-11 Trust                            | 226,455                  | 60,872                   |
| ISARC Yes Bank I/2012-13 Trust                       | -                        | -                        |
|  | <b>41,796,030</b>        | <b>33,563,250</b>        |
| <b>5) Provision for Advances to Trusts:</b>          |                          |                          |
| ISARC 12/2010-11 Trust                               | 432,845                  | 263,075                  |
| ISARC Axis 1/2009-10 Trust                           | 1,009,057                | 890,718                  |
| ISARC BOB 1/2009-10 Trust                            | 398,088                  | -                        |
| ISARC BOI 1/2010-11 Trust                            | 805,628                  | 626,502                  |
| ISARC CBI 1/2010-11 Trust                            | 612,305                  | 545,863                  |
| ISARC FA 27 I/2012-13 Trust                          | 1,119,201                | 956,099                  |
| ISARC GPIL/2014-15 Trust                             | 350,652                  | 228,473                  |
| ISARC IU/2011-12 Trust                               | 1,513,085                | 1,143,002                |
| ISARC OBC I/2014-15 Trust                            | 947,827                  | 739,592                  |
| ISARC SIDBI 1/2009-10 Trust                          | 350,814                  | 308,712                  |
| ISARC UBI 1/2009-10 Trust                            | 1,002,457                | 791,803                  |
| ISARC UBI 2/2009-10 Trust                            | 564,458                  | 500,210                  |
|  | <b>9,106,415</b>         | <b>6,994,049</b>         |

**INDIA SME ASSET RECONSTRUCTION COMPANY LIMITED**  
**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020**

(Amount in ₹)

|  | Year Ended<br>31.03.2020 | Year Ended<br>31.03.2019 |
|--|--------------------------|--------------------------|
| <b>NOTE 25: RELATED PARTY DISCLOSURE (CONTD....)</b>   |                          |                          |
| <b>6) Advances from Trusts</b>   |                          |                          |
| ISARC MFPMPL/2011-12 Trust   | -                        | -                        |
| ISARC AXIS 4/2015-16 Trust   | 15,500                   |                          |
|  | <b>15,500</b>            | <b>-</b>                 |
| <b>NOTE 26: SEGMENT REPORTING</b>  |                          |                          |
| The Company has operations in single business segment and hence there is no requirement for disclosure under Accounting Standard 17 - "Segment Reporting."   |                          |                          |
| <b>NOTE 27: ASSET CLASSIFICATION</b>   |                          |                          |
| The disclosures pursuant to the RBI Notification No. RBI/2015-16/94/DNBR (PD) CC. No. 03 / SCRC/ 26.03.001/2015-16 dtd. July 1, 2015 for Asset Classification is as under:   |                          |                          |
| <b>Loans for Reconstruction of Financial Assets:</b>   |                          |                          |
| Loss Asset   | -                        | -                        |
| Less: Financial Asset Written Off  | -                        | -                        |
|  | -                        | -                        |
| <b>NOTE 28:</b>  |                          |                          |
| In the opinion of the Board, current assets, loans & advances are stated approximately at value, which could be realized in ordinary course of business. Provision for all known liabilities is adequate and it is neither in excess of nor short of amounts reasonably necessary. |                          |                          |
| <b>NOTE 29: DUES TO MICRO, SMALL AND MEDIUM ENTERPRISES</b>  |                          |                          |
| The Company has certain dues to suppliers registered under Micro, Small and Medium Enterprises Development Act, 2006 ("MSMED Act"). The disclosures pursuant to the said MSMED Act are as follows:   |                          |                          |
| Principal amount due to suppliers registered under the MSMED Act and remaining unpaid as at year end   | *                        | 22,153                   |
| Interest due to suppliers registered under the MSMED Act and remaining unpaid as at year end   | *                        | -                        |
| Principal amounts paid to suppliers registered under the MSMED Act, beyond the appointed day during the year   | *                        | -                        |
| Interest paid, other than under Section 16 of MSMED Act, to suppliers registered under the MSMED Act, beyond the appointed day during the year   | *                        | -                        |
| Interest paid, under Section 16 of MSMED Act, to suppliers registered under the MSMED Act, beyond the appointed day during the year  | *                        | -                        |
| Interest due and payable towards suppliers registered under MSMED Act, for payments already made   | *                        | -                        |
| Further interest remaining due and payable for earlier years   | *                        | -                        |
|  | <b>-</b>                 | <b>22,153</b>            |
| * For FY 19-20 disclosures in the aforesaid table could not be furnished as the company was not able to obtain MSME confirmation from its vendor on account of COVID 19 lockdown.  |                          |                          |

**INDIA SME ASSET RECONSTRUCTION COMPANY LIMITED**  
**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020**

**NOTE 30: CORPORATE SOCIAL RESPONSIBILITY**

Section 135 of the Companies Act, 2013 requires the Board of Directors to ensure that the Company spends in every financial year at least 2% of the average net profits of the Company made during the three immediately preceding financial years on Corporate Social Responsibility. Accordingly, the Company has disbursed ₹NIL/- (Previous Year ₹ 5,25,000/-) towards Corporate Social Responsibility Activities. In accordance with the 'FAQ on Provisions of Corporate Social Responsibility under Section 135 of the Companies Act, 2013 and Rules thereon', issued by the Institute of the Chartered Accountants of India, this amount has been recorded and disclosed as an appropriation of profit in the financial statements for the year ended 31st March, 2020.

- (a) Gross amount required to be spent by the Company during the year ₹ 31,03,148/- (including Previous Years unspent amount ₹ 30,79,597/-) (Previous Year ₹ 36,04,597/-).
- (b) Statement on CSR Activities:

| Particulars                           | FY 2016-17       | FY 2017-18       | FY 2018-19       | FY 2019-20       |
|---------------------------------------|------------------|------------------|------------------|------------------|
| Opening Balance                       | 838,522          | 1,804,504        | 2,376,049        | 3,079,597        |
| Eligible Amount                       | 1,665,982        | 1,796,545        | 1,228,548        | 23,551           |
| Amount disbursed *                    | 700,000          | 1,225,000        | 525,000          | -                |
| <b>Shortfall carried forward</b>      | <b>1,804,504</b> | <b>2,376,049</b> | <b>3,079,597</b> | <b>3,103,148</b> |
| <b>Sanctioned Amount</b>              | <b>1,550,000</b> | <b>-</b>         | <b>900,000</b>   | <b>-</b>         |
| * all disbursements made in cash only |                  |                  |                  |                  |

**NOTE 31: CONTINGENT LIABILITIES (TO THE EXTENT NOT PROVIDED FOR)**

|   |              |               |
|---|--------------|---------------|
| Appeal pending before Commissioner of Income Tax (Appeals)<br>for F.Y. 2011-12 (A.Y. 2012-13) (refer Note (i) below)  | 5,900        | -             |
| Appeal pending before Commissioner of Income Tax (Appeals)<br>for F.Y. 2014-15 (A.Y. 2015-16) (refer note (ii) below) | -            | 9,340         |
| Rectification filed for F.Y. 2013-14 (A.Y. 2014-15)   | -            | 64,530        |
|   | <b>5,900</b> | <b>73,870</b> |

Note (i)

The Company has received income tax demand of ₹5900/- for FY 2011-12 as against a income tax refund of ₹19,67,266 as per the Income Tax Return filed by the Company. The Company has filed an appeal against this demand with the Commissioner of Income Tax (Appeals).

In addition to the demand of ₹5900/-, the assessment order having DIN 20121177096 and dated 28<sup>th</sup> Dec 2019 also mentions that penalty proceedings u/s 271(1)(c) of the Income Tax Act, 1961 are initiated separately for furnishing inaccurate particulars of income.

**INDIA SME ASSET RECONSTRUCTION COMPANY LIMITED**  
**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020**

Note (ii)

We have received an Income Tax Refund of ₹99,43,121/- during current Financial Year for AY 2017-18 after adjusting Income Tax Demand for AY 2011-12 ( Rs. 10), AY 2014-15(₹ 81,300), AY 15-16(₹5,34,542), AY 16-17 (₹ 1,31,467).

We have received an Income Tax Refund of ₹12,88,580/- during previous Financial Year for AY 2010-11 after adjusting Income Tax Demand for AY 2015-16

**NOTE 32:**

The figures of the previous year have been reclassified and regrouped wherever necessary.  
The accompanying notes are integral part of the financial statements.

As per our report of even date  
For **Desai Saksena & Associates**  
Chartered Accountants  
Firm Reg. No.: 102358W

For and on behalf of Board of Directors  
**INDIA SME ASSET RECONSTRUCTION COMPANY LIMITED**

**Sd/-**  
**Shyam Sundar Barik**  
Director  
DIN:08184820

**Sd/-**  
**Subhendu Moitra**  
Managing Director & CEO  
DIN:00041619

**Sd/-**  
**Dr. S. N. Desai**  
Partner  
M. No.: 032546  
UDIN:20032546AAAAAZ7171  
Mumbai, July 3, 2020

**Sd/-**  
**Prity Adwani**  
Company Secretary  
M.NO:A42690

Mumbai, July 3, 2020

## INDIA SME ASSET RECONSTRUCTION COMPANY LIMITED

### ADDITIONAL DISCLOSURE

The following additional disclosures have been made taking into account RBI Guidelines in this regard:

- a) **Name and addresses of the banks from whom Financial Assets were acquired and the value at which such assets was acquired from each bank**

| Sr. No.                    | Name of the Bank                    | Address   | Acquisition Value (Amount in ₹) |                 |                      |
|----------------------------|-------------------------------------|---|---------------------------------|-----------------|----------------------|
|                            |                                     |   | As at 31.03.2019                | During the year | As at 31.03.2020     |
| <b>Sponsors</b>            |                                     |   |                                 |                 |                      |
| 1                          | Bank of Baroda                      | Plot - C-26, G Block, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051                                | 56,557,000                      | -               | 56,557,000           |
| 2                          | United Bank of India                | 11, Hemanta Basu Sarani, Kolkata - 700 001  | 200,770,000                     | -               | 200,770,000          |
| 3                          | SIDBI                               | MSME Development Centre, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051                             | 929,735,000                     | -               | 929,735,000          |
| <b>Total (A)</b>           |                                     |   | <b>1,187,062,000</b>            | <b>-</b>        | <b>1,187,062,000</b> |
| <b>Non-Sponsors</b>        |                                     |   |                                 |                 |                      |
| 4                          | UCO Bank                            | 10, B T M Sarani, Kolkata - 700 001   | 163,375,000                     | -               | 163,375,000          |
| 5                          | Axis Bank                           | Maker Tower-F, 13 <sup>th</sup> Cuffe Parade, Mumbai - 400 005  | 267,495,000                     | -               | 267,495,000          |
| 6                          | Bank of India                       | Star house, BKC, Plot no. C-5, G - Block, Mumbai - 400 051  | 76,138,000                      | -               | 76,138,000           |
| 7                          | Central Bank of India               | Chander Mukhi, Nariman Point, Mumbai - 400 021  | 16,417,000                      | -               | 16,417,000           |
| 8                          | Dena Bank                           | C-10, G-Block, Bandra-Kurla Complex, Bandra (E), Mumbai - 400 051                                       | 168,500,000                     | -               | 168,500,000          |
| 9                          | Standard Chartered Bank             | 23-25, Mahatma Gandhi Road, Fort, Mumbai - 400 001  | 56,000,000                      | -               | 56,000,000           |
| 10                         | HDFC Bank                           | HDFC Bank House, Lower Parel, Mumbai - 400 013  | 57,500,000                      | -               | 57,500,000           |
| 11                         | Syndicate Bank                      | Post Box No.1, Manipal - 576 104  | 146,800,000                     | -               | 146,800,000          |
| 12                         | Allahabad Bank                      | 2, Netaji Subhash Road, Kolkata - 700 001   | 102,184,000                     | -               | 102,184,000          |
| 13                         | City Union Bank                     | 149, TSR Big Street, Kumbakonam - 612 001   | 25,385,000                      | -               | 25,385,000           |
| 14                         | ICICI Bank                          | ICICI Bank Towers, Bandra Kurla Complex, Bandra East, Mumbai - 400 054                                  | 20,200,000                      | -               | 20,200,000           |
| 15                         | Punjab National Bank                | Bhikhaji Cama Place, New Delhi  | 279,204,000                     | -               | 279,204,000          |
| 16                         | Indian Overseas Bank                | Central Office, 763, Anna Salai, Chennai - 600 002  | 67,000,000                      | -               | 67,000,000           |
| 17                         | IDBI Bank Ltd.                      | IDBI Tower, World Trade Center Complex, Cuffe Parade, Colaba, Mumbai - 400 005.                         | 483,588,000                     | -               | 483,588,000          |
| 18                         | Yes Bank Ltd.                       | Discovery of India, Nehru Center, 9 <sup>th</sup> floor, Dr. Annie Besant Road, Worli, Mumbai - 400 018 | 28,500,000                      | -               | 28,500,000           |
| 19                         | Karnataka Bank Ltd                  | Corporate Office, Mahaveera Circle, Kankandy, Mangalore - 575 002                                       | 19,425,000                      | -               | 19,425,000           |
| 20                         | Canara Bank                         | Recovery Wing, Head Office, 112 J C Road, Bangalore - 560 002   | 2,093,627,000                   | -               | 2,093,627,000        |
| 21                         | Oriental Bank of Commerce           | Treasury Department, 14 <sup>th</sup> Floor, Maker Tower, Cuffe Parade, Mumbai - 400 005                | 100,011,000                     | -               | 100,011,000          |
| 22                         | State Bank of India                 | The Arcade, World Trade Centre Complex, Cuffe Parade, Mumbai - 400 005                                  | 107,800,000                     | -               | 107,800,000          |
| 23                         | Abhyudaya Co-operative Bank Limited | K K Tower, Abhyudaya Bank Lane, Off. G D Ambekar Marg, Parel Village, Mumbai - 400 012                  | 23,000,000                      | -               | 23,000,000           |
| <b>Total (B)</b>           |                                     |   | <b>4,302,149,000</b>            | <b>-</b>        | <b>4,302,149,000</b> |
| <b>Grand Total (A + B)</b> |                                     |   | <b>5,489,211,000</b>            | <b>-</b>        | <b>5,489,211,000</b> |

**Note:** 81 accounts with an aggregate loan outstanding of ₹ 198 crores (approx.) acquired from Industrial Investment Bank of India ('IIBI') for ₹ 81/- have not been included, as the same have been assigned to ISARC on a nominal value, on the direction of Ministry of Finance, Government of India for recovery on commission basis.

**INDIA SME ASSET RECONSTRUCTION COMPANY LIMITED**
**b) Dispersion of various Financial Assets Industry-wise and Sponsor-wise as on 31.03.2020**

| Sr. No | Sector                           | Sponsor / Non - Sponsor | No. of Cases |            | Acquisition Value (Amount in ₹) |                      | % of Total Acquisition Value |               |
|--------|----------------------------------|-------------------------|--------------|------------|---------------------------------|----------------------|------------------------------|---------------|
|        |                                  |                         | CY           | PY         | CY                              | PY                   | CY                           | PY            |
| 1      | Chemical & Chemical Products     | Sponsor                 | -            | 18         | -                               | 24,889,000           | -                            | 4.55          |
| 2      | Electrical/ Electronic Equipment | Sponsor                 | -            | 10         | -                               | 12,993,000           | -                            | 2.38          |
| 3      | Food & Food Products             | Sponsor                 | -            | 22         | -                               | 41,887,000           | -                            | 7.67          |
| 4      | Hotels                           | Sponsor                 | -            | 1          | -                               | 11,550,000           | -                            | 2.11          |
| 5      | Hospital                         | Sponsor                 | -            | 2          | -                               | 3,223,000            | -                            | 0.59          |
| 6      | Textiles/Leather/footwear        | Sponsor                 | -            | 27         | -                               | 65,084,000           | -                            | 11.91         |
| 7      | Wood & Wood Products             | Sponsor                 | -            | 1          | -                               | -                    | -                            | -             |
| 8      | Other Services                   | Sponsor                 | -            | 20         | -                               | 15,177,000           | -                            | 2.78          |
| 9      | Pharmaceutical products          | Sponsor                 | -            | 16         | -                               | 22,383,000           | -                            | 4.10          |
| 10     | Industrial products              | Sponsor                 | -            | 44         | -                               | 146,568,000          | -                            | 26.83         |
| 11     | Machinery                        | Sponsor                 | -            | 1          | -                               | -                    | -                            | -             |
| 12     | Agro based products              | Sponsor                 | -            | 3          | -                               | 52,197,000           | -                            | 9.55          |
| 13     | Entertainment                    | Sponsor                 | -            | 7          | -                               | 78,724,000           | -                            | 14.41         |
| 14     | Trading                          | Sponsor                 | -            | 7          | -                               | 24,672,000           | -                            | 4.52          |
| 15     | Construction/Real estate         | Sponsor                 | -            | 4          | -                               | 23,541,000           | -                            | 4.31          |
| 16     | Consumer Products                | Sponsor                 | -            | 7          | -                               | 10,981,000           | -                            | 2.01          |
| 17     | Others                           | Sponsor                 | -            | 12         | -                               | 12,493,000           | -                            | 2.29          |
|        | <b>Sub Total (A)</b>             |                         | -            | <b>202</b> | -                               | <b>546,362,000</b>   | -                            | <b>100.00</b> |
| 1      | Chemical & Chemical Products     | Non-Sponsor             | -            | 10         | -                               | 171,307,000          | -                            | 3.47          |
| 2      | Electrical/ Electronic Equipment | Non-Sponsor             | -            | 6          | -                               | 1,981,000            | -                            | 0.04          |
| 3      | Food & Food Products             | Non-Sponsor             | -            | 22         | -                               | 799,488,000          | -                            | 16.17         |
| 4      | Hotels                           | Non-Sponsor             | -            | 3          | -                               | 277,941,000          | -                            | 5.62          |
| 5      | Hospital                         | Non-Sponsor             | -            | 4          | -                               | 78,400,000           | -                            | 1.59          |
| 6      | Textiles/Leather/Footwear        | Non-Sponsor             | -            | 45         | -                               | 862,867,000          | -                            | 17.46         |
| 7      | Wood & Wood Products             | Non-Sponsor             | -            | 4          | -                               | 14,462,000           | -                            | 0.29          |
| 8      | Other Services                   | Non-Sponsor             | -            | 22         | -                               | 377,146,000          | -                            | 7.63          |
| 9      | Pharmaceutical products          | Non-Sponsor             | -            | 9          | -                               | 752,941,000          | -                            | 15.23         |
| 10     | Industrial products              | Non-Sponsor             | -            | 46         | -                               | 255,536,000          | -                            | 5.17          |
| 11     | Machinery                        | Non-Sponsor             | -            | 2          | -                               | 3,759,000            | -                            | 0.08          |
| 12     | Agro based products              | Non-Sponsor             | -            | 15         | -                               | 91,502,000           | -                            | 1.85          |
| 13     | Entertainment                    | Non-Sponsor             | -            | 2          | -                               | 16,710,000           | -                            | 0.34          |
| 14     | Trading                          | Non-Sponsor             | -            | 39         | -                               | 123,538,000          | -                            | 2.50          |
| 15     | Construction/Real estate         | Non-Sponsor             | -            | 16         | -                               | 416,888,000          | -                            | 8.43          |
| 16     | Consumer Products                | Non-Sponsor             | -            | 11         | -                               | 38,249,000           | -                            | 0.77          |
| 17     | Others                           | Non-Sponsor             | -            | 54         | -                               | 660,134,000          | -                            | 13.36         |
|        | <b>Sub Total (B)</b>             |                         | -            | <b>310</b> | -                               | <b>4,942,849,000</b> | -                            | <b>100.00</b> |
|        | <b>Grand Total (A+B)</b>         |                         | -            | <b>512</b> | -                               | <b>5,489,211,000</b> | -                            |               |

**Note:** 81 accounts with an aggregate loan outstanding of ₹ 198 crores (approx.) acquired from Industrial Investment Bank of India ('IIBI') for ₹ 81/- have not been included, as the same have been assigned to ISARC on a nominal value, on the direction of Ministry of Finance, Government of India for recovery on commission basis.

## INDIA SME ASSET RECONSTRUCTION COMPANY LIMITED

- c) Details of the related parties as per Accounting Standard and Guidance Note issued by The Institute of Chartered Accountants of India (ICAI) and the amounts due to and from them are same as Note 25.
- d) Migration of Financial Assets from Standard to Non Performing: Nil
- e) **Value of Financial Assets acquired during the financial year 2019-20 either on its own or in the books of the Trusts:**

| (Amount in ₹) |                             |              |              |
|---------------|-----------------------------|--------------|--------------|
| Sr. No.       | Acquisition in the books of | F.Y. 2019-20 | F.Y. 2018-19 |
| 1             | ISARC                       | -            | -            |
| 2             | Trusts                      | -            | -            |
|               | <b>Total</b>                | -            | -            |

- f) **Value of Financial Assets realized during the financial year 2019-20**

| (Amount in ₹) |                             |                     |                     |
|---------------|-----------------------------|---------------------|---------------------|
| Sr. No.       | Acquisition in the books of | F.Y. 2019-20        | F.Y. 2018-19        |
| 1             | ISARC                       | -                   | -                   |
| 2             | Trusts*                     | 20,14,20,564        | 28,00,53,422        |
|               | <b>Total</b>                | <b>20,14,20,564</b> | <b>28,00,53,422</b> |

\* Amount aggregating to ₹ 2,28,56,593/- (previous year ₹ NIL/-) realized from Financial Assets acquired from Industrial Investment Bank of India ('IIBI') is not considered above as the same has been assigned to ISARC on the direction of Ministry of Finance, Government of India for recovery on commission basis.

- g) **Value of Financial Assets outstanding for realization as at the end of financial year 2019-20**

| (Amount in ₹)  |                       |                       |
|--|-----------------------|-----------------------|
| Particulars  | F.Y. 2019-20          | F.Y. 2018-19          |
| Total value of Financial Assets acquired **                        | 5,48,92,11,000        | 5,48,92,11,000        |
| Less: Value of Financial Assets realised ***                       | 2,38,88,83,894        | 2,18,74,63,331        |
| <b>Total value of Financial Assets outstanding for realisation</b> | <b>3,10,03,27,106</b> | <b>3,30,17,47,669</b> |

\*\* 81 accounts with an aggregate loan outstanding of ₹ 198 crores (approx.) acquired from Industrial Investment Bank of India ('IIBI') for ₹ 81/- have not been included, as the same have been assigned to ISARC on a nominal value, on the direction of Ministry of Finance, Government of India for recovery on commission basis.

\*\*\* Total amount aggregating to ₹ 21,76,00,973/- (previous year ₹ 19,47,44,380/-) realized from Financial Assets acquired from Industrial Investment Bank of India ('IIBI') is not considered above as the same have been assigned to ISARC on the direction of Ministry of Finance, Government of India for recovery on commission basis.

- h) **Value of Security Receipts redeemed partially and fully during the financial year 2019-20**

| (Amount in ₹) |   |                     |                     |
|---------------|---|---------------------|---------------------|
| Sr. No.       | Particulars                                   | F.Y. 2019-20        | F.Y. 2018-19        |
| 1             | Value of Security Receipts redeemed partially | 12,86,72,620        | 7,29,95,215         |
| 2             | Value of Security Receipts redeemed fully     | -                   | 6,57,29,797         |
|               | <b>Total</b>                                  | <b>12,86,72,620</b> | <b>13,87,25,012</b> |

**INDIA SME ASSET RECONSTRUCTION COMPANY LIMITED**

- i) Value of Security Receipts pending for redemption as at the end of financial year 2019-20: ₹ 3,99,99,20,307- (previous year: 4,12,85,92,927 /-)
- j) Value of Security Receipts which could not be redeemed as a result of non-realization of the financial assets as per the policy formulated by the securitization company or reconstruction company under paragraph 7(6)(ii) or 7(6)(iii) of Notification No. DNBS.2/CGM(CSM) – 2003 dtd. April 23, 2003 issued by Reserve Bank of India. : ₹ 52,42,58,209/-
- k) Value of land and /or building acquired on ordinary course of business of reconstruction of assets: **NIL**
- l) Basis of valuation of assets if the acquisition value of the assets is more than the Book Value (the value of the assets as declared by the seller bank in the auction): **NIL**
- m) The details of the assets disposed off (either by write off or by realisation) during the year at discount of more than 20% of valuation as on the previous year end and the reasons thereof: **NIL**
- n) The details of the assets where the value of the SRs has declined more than 20% below the acquisition value.: **Refer Annexure 'A'**
- o) As per Reserve Bank of India Guidelines, the Capital Adequacy Ratio of the Company as at March 31, 2020 works out of 295%. (Previous Year: 224%)

As per our report of even date  
For **Desai Saksena & Associates**  
Chartered Accountants  
Firm Reg. No.: 102358W

For and on behalf of Board of Directors  
**INDIA SME ASSET RECONSTRUCTION COMPANY LIMITED**

Sd/-  
**Dr. S. N. Desai**  
Partner  
M. No.: 032546  
UDIN:20032546AAAAAZ7171  
Mumbai, July 3, 2020

Sd/-  
**Shyam Sundar Barik**  
Director  
DIN:08184820  
Sd/-  
**Prity Adwani**  
Company Secretary  
M.NO:A42690

Sd/-  
**Subhendu Moitra**  
Managing Director & CEO  
DIN:00041619

Mumbai, July 3, 2020

**INDIA SME ASSET RECONSTRUCTION COMPANY LIMITED**  
**Annexure A: Details of the assets where the value of the SRs has declined substantially (i.e. more than 20%) below the acquisition value.**

| Sr. No. | Name of the Trust                     | Acquisition Value    | Outstanding Value    | (Amount in ₹)        |
|---------|---------------------------------------|----------------------|----------------------|----------------------|
|         |                                       |                      |                      | Current Value        |
| 1       | ISARC Allahabad Bank II/2012-13 Trust | 53,084,000           | 22,719,952           | 14,199,970           |
| 2       | ISARC Canara Bank I/2013-14 Trust     | 2,093,627,000        | 2,093,627,000        | 1,308,516,875        |
| 3       | ISARC CBI II/2012-13 Trust            | 10,213,000           | 5,484,381            | 3,427,738            |
| 4       | ISARC FA 27 I/2012-13 Trust           | 36,000,000           | 36,000,000           | 13,500,000           |
| 5       | ISARC OBC I/2014-15 Trust             | 100,011,000          | 100,011,000          | 62,506,875           |
| 6       | ISARC Yes Bank I/2012-13 Trust        | 28,500,000           | 19,978,500           | 2,497,313            |
|         |                                       |                      |                      |                      |
|         | <b>Total</b>                          | <b>2,321,435,000</b> | <b>2,277,820,833</b> | <b>1,404,648,771</b> |

Our esteemed shareholders:





**INDIA SME ASSET RECONSTRUCTION COMPANY LTD.**

(CIN: U67190MH2008PLC181062)

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