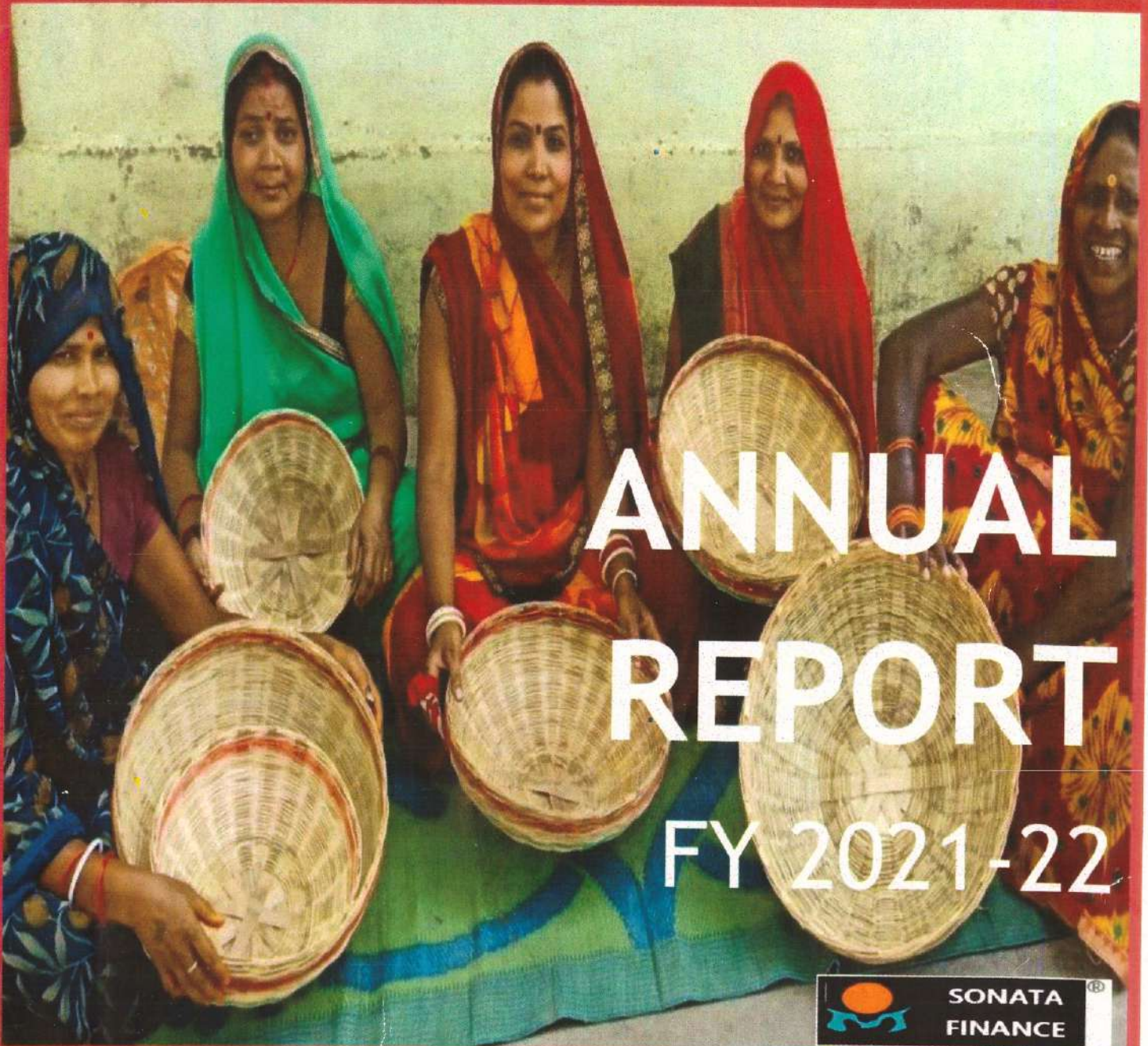


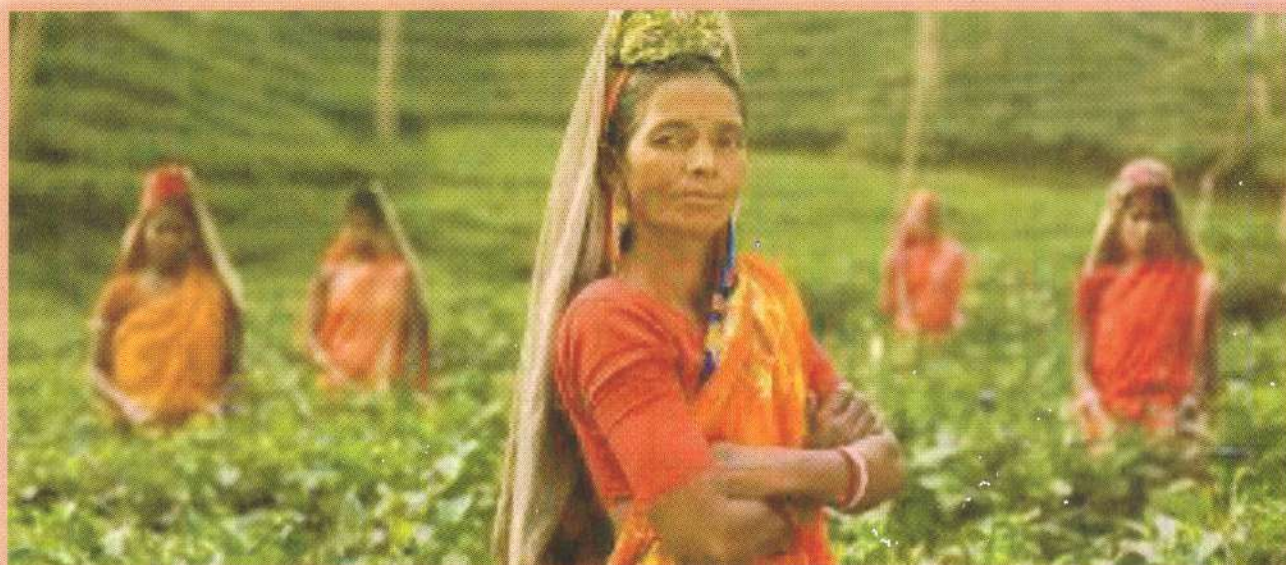
SONATA FINANCE PRIVATE LIMITED



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VISION

To help in building a society that contains an opportunity to develop the minimal socio-economic conditions needed to live a life of dignity.

MISSION

To identify and motivate poor women in a cost-effective way and deliver them micro finance services in an honest, timely and efficient manner, with the commitment to continue to be professionally managed, operationally sustainable and financially profitable venture.

Our Client Success Stories



Gaura Bansal from Gram Gudh in Rewa makes a living by making bamboo baskets which she sells in the nearby town market. She has taken five loans from Sonata to buy raw materials for her business which helped her increase her output and expand her business.

"I am very happy that we decided to take a loan from Sonata. Earlier my business was very small, but after taking the loan my business is flourishing. Besides selling bamboo baskets, me and my husband have also started a utensil trading business which is doing very well. I will definitely continue my association with Sonata to grow my business."

Gaura Bansal



Neetu, from Mauganj Rewa has been a member of Sonata since the past 6 years. She was a housewife before she turned to Sonata for a loan to support her family. Her husband was unemployed and with three children to provide for, the family had barely anything to survive upon. With the help of loan from Sonata, Neetu and her husband started a fruit vending business. Soon their financial condition improved, and they were able to set-up a small kirana store also.

"Now we earn enough to save up to Rs. 10,000 every month after meeting the household expenses. We have household comforts like fridge, television, cooler and cooking gas and a bike. Two of my children are in school and my eldest son is in college. I'm thankful for the last 6 years that I have been associated with Sonata and getting the required amount to make a decent living."

Neetu

LETTER TO STAKEHOLDERS



Dear Stakeholders,

I am delighted to connect with all of you through the Annual Report of the Company. The last two years have been difficult for the world economy on account of the COVID-19 pandemic. Repeated waves of infection and more recently, inflation have created particularly challenging times for economies. The Financial Year 2021-22 began in the midst of the deadly second wave of the Covid-19 pandemic which the country witnessed contrary to the general assumption that India had passed the worst stage of the COVID pandemic in the year 2020. The financial system is always a

possible area of stress during turbulent times. However, India's capital markets, like many global markets, have done exceptionally well and have allowed record mobilization of risk capital for Indian companies. Amidst a very challenging macro-environment, the Indian microfinance industry with its operations in the most financially excluded states in the country continued to demonstrate exceptional resilience as a key financial inclusion engine in India. The Government of India and the Reserve Bank of India ("RBI"), too, made notable efforts by extending timely support to the sector and its customers.

SONATA, as an organisation, was quick to modify its approach and processes to meet the emerging situation. I am pleased to note and state that SONATA's proactive response to the crisis and the various external challenges, has not only helped strengthen its activities related to automation of internal and external processes but also protect the health and wellbeing of its employees and customers alike.

The business year 2021-22 started on an eventful note, however the delinquencies had risen significantly in the month of May-June 2021. Accordingly, RBI unveiled a Relief Package 2.0 to help borrowers and lenders navigate the second wave of the pandemic by extending the tenure, providing moratorium and even providing extra credit to eligible customers. I am pleased to share that with the support of strong management team, committed workforce and despite the challenging economic and ground-level conditions faced during FY 2021-22, we have delivered a decent operational and financial performance. With the support of our lending institutions, the company disbursed Rs. 15,305 million, during the Financial Year 2021-22. The Company's Assets under Management (AUM) stood at Rs. 17,620 million, and the number of borrowers increased from 0.75 million as on March 31, 2021 to 0.77 million as on March 31, 2022. The total revenue from operations increased from Rs. 2696.30 million in FY 2020-21 to Rs. 2975.37 million in FY 2021-22. Further, profit after tax increased from Rs. 43.89 million in FY 2021-22 to Rs. 136.22 million as in FY 2021-22.

We have made good progress on the technological front as well and it is our constant endeavour to keep up with the fast-evolving fintech landscape. We introduced various improvements in the Loan Origination and Loan management software and the HRMS application to create more value addition, and make business applications more secure and user-friendly. We successfully went live with our new Audit software; Audit 360. This year, the company will implement a business analytics software which will include an interactive

reporting dashboard with predictive analysis and artificial intelligence capabilities, which will enable the company to shift to automated credit decisioning and business analytics.

Our Digital Focus remains a cornerstone in the Company's roadmap and SONATA has improved its customer touchpoints manifold with multiple options of digitalized repayments; a special product suite to help borrowers tide over the impact of the pandemic and environmental calamities, and restore normalcy. Your Company's early and focused investments in technology have played a crucial role in ensuring Business Continuity during the financial year 2021-22. Some of the notable efforts were establishing regular connect with customers through virtual calls and center meetings, digitalization of operational solutions for enhanced customer experience, better and real-time field monitoring, real-time capturing of data to enable informed decisions.

Currently 100 per cent of our loan disbursements are held digitally, however, digital repayments are still a challenge. Microfinance institutions are, at present, trying a host of solutions to tackle this with Bharat Bill Pay, UPI and cash collection services of payment banks. Clients have also adapted to the changes and are ready for any potential disruption in the future.

The year witnessed a host of regulatory changes. RBI revised the NPA recognition and upgradation norms during 2021, mandating classification of special mention account (SMA) and NPA on a day-end position basis and upgrade from an NPA to standard category only after clearance of all outstanding overdues. Further, the prompt corrective action (PCA) framework issued by the RBI in December 2021, has subjected NBFCs to greater market discipline and monitoring by the regulator. In March 2022, RBI released the (Regulatory Framework for Microfinance Loans) Directions, 2022 putting an end to regulated interest rates in the segment and harmonizing micro-lending norms across banks and non-bank lenders. This is quite radical and a paradigm shift in terms of deregulation across various operating guidelines, including freeing up of credit pricing based on a model.

Rural progress, a key agenda in 2022, will require the support of various stakeholders to work together to create a large-scale impact. We, as an organisation, promise to remain committed to our vision of building an inclusive society.

I would like to express my sincere gratitude to all the stakeholders and all the respected Board Members for their continuous support. I wish to thank our Regulatory authorities, for their progressive policies, our financial partners for their continued support and confidence in our business. Last but not the least, I extend my heartfelt appreciation to the entire team of SONATA for their hard work and dedication in these trying times leading us to where we are today.

We have a difficult task ahead this year to catch up on our Vision, but I am confident that with our focus, hard work and dedication we will make it happen.

Wish you all a great year ahead.

Anup Kumar Singh
Managing Director

CORPORATE INFORMATION

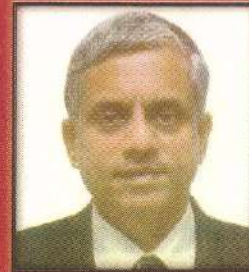
Board of Directors



Pradip Kumar Saha
Chairman &
Independent Director



Anal Kumar Jain
Independent Director



Sethuraman Ganesh
Independent Director



Anup Kumar Singh
Managing Director



R.V. Dilip Kumar
Nominee Director



**Kenneth Dan Vander
Weele**
Nominee Director



Sanjay Goyal
Nominee Director



Saurabh Kumar Johri
Nominee Director



Aditya Mohan
Nominee Director

KEY MANAGERIAL PERSONNEL



Akhilesh Kumar Singh
Chief Financial Officer



Paurvi Srivastava
Company Secretary

BOARD COMMITTEES

Audit Committee

Mr. Pradip Kumar Saha, Independent Director (Chairman)
Mr. Sethuraman Ganesh, Independent Director
Mr. Anal Kumar Jain, Independent Director
Mr. Saurabh Kumar Johri, Nominee Director
Mr. R V Dilip Kumar, Nominee Director

Remuneration & Nomination Committee

Mr. Anal Kumar Jain, Independent Director (Chairman)
Mr. Pradip Kumar Saha, Independent Director
Mr. Anup Kumar Singh, Managing Director
Mr. Kenneth Dan Vander Weele, Nominee Director

IT Strategy Committee

Mr. Anal Kumar Jain, Independent Director (Chairman)
Mr. Anup Kumar Singh, Managing Director
Mr. Akhilesh Kumar Singh, Chief Financial Officer
Mr. Ashutosh Chaturvedi, Chief Information Officer
Mr. Shyam Kanhaiya Yadav, Head-IT

CSR Committee

Mr. Sethuraman Ganesh, Independent Director (Chairman)
Mr. Sanjay Goyal, Nominee Director
Mr. Pradip Kumar Saha, Independent Director
Mr. Anup Kumar Singh, Managing Director

Risk Management Committee

Mr. Sethuraman Ganesh, Independent Director (Chairman)
Mr. Pradip Kumar Saha, Independent Director
Mr. Aditya Mohan, Nominee Director
Mr. Akhilesh Kumar Singh, Chief Financial Officer
Mr. Shrikant Bhargava, Chief Financial Advisor
Mr. Snehdeep Agnihotri, Chief Risk Advisor

Financial Advisory & Asset and Liability Management Committee

Mr. Anup Kumar Singh, Managing Director (Chairman)
Mr. Shrikant Bhargava, Chief Financial Advisor
Mr. Akhilesh Kumar Singh, Chief Financial Officer
Mr. Snehdeep Agnihotri, Chief Risk Advisor
Mr. Davendra Singh, Chief Compliance Officer
Mr. Manish Raj, Chief Accounts Controller
Mr. Ashutosh Chaturvedi, Chief Information Officer

STATUTORY AUDITORS

BSR & Co., LLP
Chartered Accountants,
Mumbai
(FRN: 101248W/W-100022)

SECRETARIAL AUDITOR

M/s Amit Gupta & Associates,
Practising Company Secretaries
Lucknow
(Membership No. F5478
CP No. 4682)

REGISTRAR & TRANSFER AGENT

Skyline Financial Services Private Limited (for Shares)
D-153 A | 1st Floor | Okhla Industrial Area, Phase- I, New Delhi-110 020
Tel.: +91 11 64732681 - 88
Fax: +91 11 26812682
Website: www.skylinerta.com

NSDL Database Management Limited (for Debentures)
+4th Floor, Trade World, A Wing, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai- 400 013
Tel: 022 4914 2591 (D)
022 4914 2700 (B)
9833515383 (M)
Website: www.nSDL.co.in

DEBENTURE TRUSTEES

Catalyst Trusteeship Ltd.
(Erstwhile GDA Trusteeship Limited)
GDA House, Plot No. 85,
Bhusari Colony (Right),
Paud Road, Kothrud,
Pune-411 038
Tel No.: (020) 66807200/ 223/ 224
E-mail: dt@ctltrustee.com

Axis Trustee Services Limited
Axis House, Bombay Dyeing Mills Compound
Pandurang Budhkar Marg,
Worli, Mumbai- 400025
Tel: 02262260054/ 62260050
E-mail: debenturetrustee@axistrustee.com

Beacon Trusteeship Limited
Office No. 1, 2 and 3
4th Floor, Rahimtoola House,
7, Homji Street
Fort, Mumbai- 400001
Tel: 022-26558759
E-mail: contact@beacontrustee.co.in

IDBI Trusteeship Limited
Asian Building, Ground Floor
17, R Kamani Marg,
Ballard Estate, Mumbai
Tel: 022-40807000
E-mail: itsl@idbitrustee.com

LENDERS- Banks & Financial institutions

Arohan Financial Services Limited
Bandhan Bank
Canara Bank
Caspian Impact Investments Private Limited
DCB Bank Limited
DWM Income Funds SCA SICA SIF
Federal Bank
Global Access Fund LP

Maanaveeya Development and Finance Private Limited
MicroVest Short Duration Fund, LP
Micro Units Development & Refinance Agency Limited (MUDRA Ltd)
NABARD
NABSAMRUDDHI Finance Limited

GLS Alternative Investments-Mikrofinanzfonds-
Hansainvest Finance I GmbH & Co.
Hiranandani Financial Services Private Limited
Hongkong and Shanghai Banking Corporation
Limited (HSBC)
InCred Capital Financial Services Private Limited
(Formerly known as Proud Securities and Credits
Private Limited)
IDBI Bank
Jana Small Finance Bank
Kissandhan Agri Financial Services Private Limited
Kotak Mahindra Bank
Lakshmi Vilas Bank Limited

NABFINS Limited (formally NABARD Financial
Services Limited)
Northern Arc (Formerly IFMR Capital Finance
Private Limited)
Punjab National Bank
Small Industries Development Bank of India (SIDBI)
State Bank of India
Standard Chartered Bank
State Bank of Mauritius
Union Bank of India
United Bank of India
Utkarsh Small Finance Bank
Vivriti Capital Private Limited

CIN: U65921UP1995PTC035286

RBI Reg No: B-12.00445

REGISTERED OFFICE

II Floor, CP-1, PG Towers, Kursi Road,
Vikas Nagar, Lucknow- 226026,
Uttar Pradesh
India

Contact: 0522-4005729

Email: info@sonataindia.com

Website: www.sonataindia.com

BOARD REPORT

Dear Members,

Your directors (*"the Board"*) have pleasure in presenting the 27th Annual Report of Sonata Finance Private Limited (*"the Company"* or *"your Company"*) together with the Standalone Audited Financial Statements for the Financial Year ended March 31, 2022.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

During the financial year 2021-22:

- the aggregate gross loan portfolio (GLP) of the Company stood at Rs. 17,620 million as on March 31, 2022. This represents a year on year (YoY) growth of 17.14% as compared to March 31, 2021;
- Loan amount of Rs. 15,305 million was disbursed in 2021-22, representing an increase of 89% as compared to 2020-21.
- the total income is Rs. 3056.68 million compared to Rs. 2721.90 million in 2020-21 reflecting an increase of 12.3%.
- The Company has earned net profit of Rs. 136.22 million during the Financial Year 2021-22 as against the net profit of Rs. 43.89 million during the previous financial year.

Your company's financial performance for the financial year ended March 31, 2022 as compared to the previous financial year ended March 31, 2021 is summarized below:

Particulars	(In million)	
	FY 2021-22	FY 2020-21
Revenue from operations	2975.37	2696.30
Other Income	81.31	25.60
Total Income	3056.68	2721.90
Employee benefit expenses	705.64	596.82
Finance Costs	1462.37	1519.59
Depreciation Expense	16.55	17.32
Other Expenses	666.80	517.33
Total Expenses	2851.36	2651.06
Profit / (Loss) before Tax	205.32	70.84
Total Tax Expenses	69.10	26.95
Profit / (Loss) for the Year	136.22	43.89
Financial Assets:	16824.30	14840.21
Cash and cash equivalents	3208.43	2151.26
Bank balances	946.44	1269.97
Derivative Financial Instruments	26.37	17.13
Trade Receivables	39.91	28.59
Loans	12409.61	11176.81
Investments	0.90	0.84
Other Financial Assets	192.64	195.61

Particulars	FY 2021-22	FY 2020-21
Non-Financial Assets:	366.34	336.26
Current Tax Assets (net)	117.73	49.06
Deferred Tax Assets (net)	203.31	243.85
Property, Plant and Equipment	16.31	19.58
Other Intangible Assets	1.98	2.09
Other Non-Financial Assets	27.01	21.68
Total Assets	17190.64	15176.48
Financial Liabilities:	14109.48	12176.90
Derivative Financial Instruments	21.13	18.91
Trade Payables	0.36	0.48
Debt Securities	4199.65	2846.04
Borrowings (other than debt securities)	9228.89	8070.48
Subordinated Liabilities	440.81	893.93
Other Financial Liabilities	218.64	347.06
Non-Financial Liabilities:	93.13	208.18
Provisions	63.29	189.38
Other Non- Financial Liabilities	29.84	18.80
Total Liabilities	14202.61	12385.08
Equity Share Capital	259.63	252.28
Other Equity	2728.41	2539.12
Total Equity	2988.03	2791.40
Total Liabilities and Equity	17190.64	15176.48

*Due to rounding off, numbers presented in above table may not add up precisely to the totals provided;
The corresponding figures presented in the results have been restated/reclassified.*

The operational highlights of the Company are summarized below:

Particulars	March 31, 2022	March 31, 2021
Number of Branches	451	450
Number of Regular Employees	2,828	2,873
Number of Active Borrowers	7,66,812	7,45,924
Amount Disbursed (In Rs. million)	15,304.80	8,078.12
Gross Loan Portfolio (In Rs. million)	17,620	15,041.54

TRANSFER TO RESERVE FUND

In accordance with Section 45-IC of Reserve Bank of India Act, 1934, the Company has transferred a sum of Rs. 238.06 million to the statutory reserve fund during the FY 2021-22.

DIVIDEND

In order to conserve the resources, your directors do not recommend any dividend for the year under review.

TRANSFER OF UNCLAIMED DIVIDEND TO INVESTOR EDUCATION AND PROTECTION FUND

The provisions of Section 125(2) of the Companies Act, 2013 do not apply as no dividend remained unclaimed / unpaid during the preceding financial year 2021-22.

SUBSIDIARIES/ JOINT VENTURES/ ASSOCIATES

Your Company does not have any subsidiary/ joint venture/ associate company.

PUBLIC DEPOSITS

The company, being a Systemically Important Non-Deposit taking Non-Banking Financial Company (NBFC-ND-SI), has not accepted any public deposit as defined under section 73 of the Companies Act, 2013 and the Companies (Acceptance of Deposits) Rules, 2014 and it continues to be a non-deposit taking NBFC-MFI in conformity with the guidelines of the RBI.

PARTICULARS OF LOANS, GUARANTEES AND INVESTMENTS

Pursuant to Section 186(11)(a) of the Act read with Rule 11(2) of the Companies (Meetings of Board and its Powers) Rules 2014, the loan made, guarantee given or security provided in the ordinary course of business by a Non-Banking Financial Company (NBFC) registered with Reserve Bank of India are exempt from the applicability of provisions of Section 186 of the Act. The details of the Investments of the Company forms part of the Standalone Financial Statements for the year ended March 31, 2022.

CAPITAL STRUCTURE

The capital structure of your company as on March 31, 2022 is as under:

Particulars	Amount (in Rs.)
Authorized Share Capital:	
4,00,00,000 Equity Shares of Rs. 10.00/- each	40,00,00,000
1,00,00,000 Preference Shares of Rs. 10.00/- each	10,00,00,000
TOTAL AUTHORIZED CAPITAL	50,00,00,000
Issued, Subscribed and Paid-up Share Capital:	
2,64,53,256 Equity Shares of Rs. 10.00/- each	26,45,32,560
TOTAL ISSUED, SUBSCRIBED AND PAID-UP CAPITAL	26,45,32,560

There was no capital infusion during the period under review.

The shareholding as on March 31, 2022 is appended below:

Sr. No.	Name of the Shareholder	No. of Equity Shares	Paid-up Value (in ₹)	% Shareholding
Resident Shareholding				
1	Anup Kumar Singh	18,77,610	1,87,76,100	7.10%
2	Caspian Advisors Private Limited, Trustee of Bellwether Microfinance Trust	6,72,292	67,22,920	2.54%
3	Caspian Impact Investments Private Limited	4,66,850	46,68,500	1.76%
4	Swaminathan Shankar Aiyar	4,71,375	47,13,750	1.78%
5	Sonata Employee Welfare Trust	4,90,835	49,08,350	1.86%
6	SIDBI Trustee Company Limited [A/c Samridhi Fund]	32,74,653	3,27,46,530	12.38%
7	Shares held by Employees via ESOP	7,45,767	74,57,670	2.82%
8	Micro Units Development & Refinance Agency Limited (MUDRA)	7,07,214	70,72,140	2.67%
Total Resident Equity Shareholding (A)		87,06,596	8,70,65,960	32.91%
Non-Resident Shareholding				
9	India Financial Inclusion Fund, LLC	14,80,634	1,48,06,340	5.60%
10	Michael & Susan Dell Foundation	9,18,945	91,89,450	3.47%
11	Creation Investments Social Ventures Fund I	14,91,121	1,49,11,210	5.64%
12	Creation Investments Social Ventures Fund II, LP.	59,01,934	5,90,19,340	22.31%
13	Societe De Promotion Et De Participation Pour La Cooperation Economique	39,77,013	3,97,70,130	15.03%
14	Triodos Custody B.V. As A Custodian of Triodos Fair Share Fund	19,88,507	1,98,85,070	7.52%
15	Triodos SICAV II- Triodos Microfinance Fund	19,88,506	1,98,85,060	7.52%
Total Non-Resident Equity Shareholding (B)		1,77,46,660	17,74,66,600	67.09%
Total Equity Shareholding (A) + (B)		2,64,53,256	26,45,32,560	100.00%

Details of Transfer of Equity Shares during FY 2021-22 are as under:

Sl. No	Transferor	Transferee	Number of Shares transferred	Date of Transfer	Consideration (in Rs.)
1.	Sonata Employee Welfare Trust	Anup Kumar Singh	1,42,000	28-09-2021	95,14,000
2.	Swaminathan Shankar Aiyer	Shahnaz Memorial Trust	4,71,375	28-09-2021	Demat transfer
3.	SIDBI	MUDRA	7,07,214	28-09-2021	Demat transfer
4.	Sonata Employee Welfare Trust	Anup Kumar Singh	2,20,000	14-02-2022	1,47,40,000
5.	Sonata Employee Welfare Trust	Bramhanand	47,400	14-02-2022	23,46,400

6.	Sonata Employee Welfare Trust	Ashish Singh	16,100	14-02-2022	5,62,100
7.	Sonata Employee Welfare Trust	Manoj Kumar Singh	4,000	14-02-2022	2,68,000
8.	Sonata Employee Welfare Trust	Amit Kumar Singh	1,500	14-02-2022	1,00,500
9.	Sonata Employee Welfare Trust	Ashok Kumar	4,500	14-02-2022	3,01,500
10.	Sonata Employee Welfare Trust	Anshuman Tiwari	3,500	14-02-2022	2,34,500
11.	Sonata Employee Welfare Trust	Raj Kapoor Chaudhary	500	14-02-2022	33,500
12.	Sonata Employee Welfare Trust	Anil Kumar Singh	2,800	14-02-2022	1,87,600
13.	Sonata Employee Welfare Trust	Sandeep Kumar Singh	2,000	14-02-2022	1,34,000
14.	Sonata Employee Welfare Trust	Lakshman Singh	3,000	14-02-2022	2,01,000
15.	Sonata Employee Welfare Trust	Hansika Thapliyal	2,000	14-02-2022	1,08,000
16.	Sonata Employee Welfare Trust	Sunil Kumar Gupta	6,800	14-02-2022	2,98,800
17.	Sonata Employee Welfare Trust	Shashi Bhushan Singh	2,000	14-02-2022	1,34,000
18.	Sonata Employee Welfare Trust	Anil Kumar Gupta	4,500	14-02-2022	3,01,500
19.	Sonata Employee Welfare Trust	Rakesh Chaudhary	1,500	14-02-2022	1,00,500
20.	Sonata Employee Welfare Trust	Sanjeev Kumar Shukla	4,500	14-02-2022	3,01,500
21.	Sonata Employee Welfare Trust	Chandra Shekhar Prajapati	500	14-02-2022	33,500
22.	Sonata Employee Welfare Trust	Dharmendra Kumar Singh	3,000	14-02-2022	2,01,000
23.	Sonata Employee Welfare Trust	Vinay Pratap Singh	14,700	14-02-2022	4,68,300
24.	Sonata Employee Welfare Trust	Mohd. Saif Khan	14,800	14-02-2022	5,89,800
25.	Sonata Employee Welfare Trust	Anup Kumar Singh	1,49,253	22-03-2022	99,99,951
26.	Sonata Employee Welfare Trust	Bramhanand	3,422	22-03-2022	2,01,898
27.	Sonata Employee Welfare Trust	Ashish Singh	1,500	22-03-2022	1,00,500
28.	Sonata Employee Welfare Trust	Hansika Thapliyal	3,000	22-03-2022	1,77,000
29.	Sonata Employee Welfare Trust	Vinay Pratap Singh	4,900	22-03-2022	3,28,300

30.	Sonata Employee Welfare Trust	Dinesh Kumar Singh	7,000	22-03-2022	4,27,000
31.	Sonata Employee Welfare Trust	Satya Prakash Yadav	3,000	22-03-2022	2,01,000
32.	Sonata Employee Welfare Trust	Niraj Pratap Singh	1,000	22-03-2022	67,000
33.	Sonata Employee Welfare Trust	Rajnath Yadav	2,000	22-03-2022	1,21,000
34.	Sonata Employee Welfare Trust	Richa Sharma	5,000	22-03-2022	3,35,000
35.	Sonata Employee Welfare Trust	Brijbihari Singh	6,500	22-03-2022	4,10,500
36.	Sonata Employee Welfare Trust	Tarun Kumar Srivastava	17,600	22-03-2022	6,62,600
37.	Sonata Employee Welfare Trust	Sujeet Pathak	4,000	22-03-2022	2,68,000
38.	Sonata Employee Welfare Trust	Mithun Bose	3,000	22-03-2022	1,62,000
39.	Sonata Employee Welfare Trust	Jitendra Yadav	8,519	22-03-2022	5,66,621
40.	Sonata Employee Welfare Trust	Shyam Kanhaiya	13,000	22-03-2022	8,71,000
41.	Shahnaz Memorial Trust	Swaminathan Shankar Aiyer	471375	25-03-2022	Demat transfer

a. Buy back of Securities

The company has not bought back any of its securities during the year under review.

b. Sweat Equity

The company has not issued any sweat equity shares during the period under review

c. Bonus Shares

No issue of bonus shares was done during the year under review.

d. Employee Stock Option Plans

i) Options Granted during the year:

During the year under review, the Company has NOT granted additional Stock Options.

ii) Options Vested during the year:

During the year under review NO Stock Options were vested.

iii) Total number of shares arising as a result of exercise of Options:

As on March 31, 2022 total 22,29,165 stock options have been exercised by the employees and the Promoter of the Company.

iv) Total number of options lapsed or expired:

As on March 31, 2022, total 1,59,230 stock options have been lapsed or expired.

v) Options Exercised during the year

During the year under review, total 7,34,294 share options have been exercised by the Promoter and Employees of the Company as per the aforesaid share transfer details.

RESOURCE MOBILIZATION

Your company is supported by a wide base of 33+ lending institutions who continued to fund our business activities. Besides having the continued support of its existing lenders, was also able to raise debt from four new lending institutions- HSBC, IDBI Bank, Jana SFB and Canara Bank. During the financial year 2021-22, the company raised an amount of Rs. 13,066.2 million in debt through term loans, private placement of Non-Convertible Debentures (NCDs), External Commercial Borrowings (ECBs), Business Correspondent and Direct assignment deals.

CREDIT RATINGS AND GRADING

The MFI Grading of the Company assigned by CARE advisory research and training limited ("CART") was "MFI2+" the second highest MFI grading on eight-point scale implying outstanding performance in transparency, operational setup and sustainability.

Code of Conduct Assessment grading assigned by CARE advisory research and training limited ("CART") was "M2C2" the second highest MFI grading on eight-point scale implying highest capacity of the MFI to manage its operations in a sustainable manner and excellent performance on code of conduct dimensions.

The Credit ratings assigned individually to the debt instruments of the company are available on the company's website.

CAPITAL ADEQUACY

Your Company's Capital Adequacy Ratio as of March 31, 2022 stood at 21.69% of the aggregate risk weighted assets on balance sheet and risk adjusted value of the off-balance sheet items, which is well above the regulatory minimum of 15%. Out of the above, Tier I capital adequacy ratio stood at 20.11% and Tier II capital adequacy ratio stood at 1.58%.

MATERIAL CHANGES AND COMMITMENTS AFFECTING THE FINANCIAL POSITION BETWEEN THE END OF THE FINANCIAL YEAR AND THE DATE OF THE REPORT

No material changes and commitments affecting the financial position of your Company occurred/ made between the end of the financial year and the date of this report.

STATUTORY AUDITORS AND AUDITORS' REPORT

In terms of Section 139 of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, and in compliance with the provisions of RBI circular bearing no. DoS. CO. ARG/ SEC. 01/ 08.91.001/ 2021- 22 dated April 27, 2021 on the guidelines for Appointment of Statutory Central Auditors (SCAs)/Statutory Auditors (SAs) by the Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs) from the Financial Year 2021-22 onwards, the members of the Company at the 26th Annual General Meeting (AGM), held on September 30, 2021, on recommendation of the Audit Committee and the Board of Directors appointed M/s BSR & Co., LLP, Chartered Accountants (ICAI Firm Registration No. 101248W/W-100022), as the Statutory Auditors of the Company for a period of 3 years commencing from the audit for the quarter ended December 31, 2021; and subject to the satisfaction of eligibility norm on yearly basis, until the conclusion of the 29th Annual General Meeting of the Company to be held for the F.Y. 2023-24 replacing the existing Statutory Auditors M/s S. R. Batliboi & Associates LLP, Chartered Accountants.

The Audit Report given by M/s BSR & Co., LLP, Chartered Accountants on the standalone financial statements of the Company for the financial year 2021-22 is part of this Annual Report. The Auditors' Report read along with the Notes on the Financial Statements are self-explanatory and do not call for any further comments.

There has been no qualification, reservation or adverse remark or disclaimer in their Report.

SECRETARIAL AUDITORS

Pursuant to the requirements of Section 204(1) of the Act read with Rule 9 of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, M/s Amit Gupta & Associates, Practising Company Secretaries, were appointed as Secretarial Auditor of the Company for the financial year 2021-22. The Secretarial Audit Report for the financial year ended March 31, 2022, is annexed to this report as **Annexure –III**.

There has been no qualification, reservation or adverse remark or disclaimer in their Report.

INTERNAL AUDITOR

Internal audit is an important function which identifies operational risk areas, checks compliance of company's operational policy and processes, reports deviations and areas of concern to the management and ensures corrective action. Over the years Company has evolved a robust, proper and adequate internal audit system in keeping with the size of the Company and its business model. The Company has its own internal audit team which conducts the audit of the branches of the company, on a regular basis. The internal audit team of the company ensures that each branch is audited at least once in every quarter. The team is headed by the Internal Audit Head who is responsible for reporting directly to the Audit Committee of the Board.

The audit Committee undertakes an evaluation of the adequacy and effectiveness of internal control systems. It also oversees the implementation of audit recommendations especially involving the risk management measures.

In terms of Section 138 of the Act, and Companies (Accounts) Rules, 2014, M/s Amit Srivastava & Co., Chartered Accountants, have been appointed as the Internal Auditors of the Company, for the financial year 2022-23, for conducting the audits at Head Office level.

COST AUDITOR

The requirement of cost audit, as prescribed under the provisions of Section 148(1) of the Companies Act 2013, is not applicable for the business activities being carried out by the Company.

DIRECTORS AND KEY MANAGERIAL PERSONNEL

Affairs of your Company are being managed by a professional Board comprising of eminent personalities having experience and expertise suited to guide the Company in the right direction. The composition of the Board is as per the provisions of the Companies Act, 2013. At present, the Board of the company includes 9 Directors of whom 3 are Independent Directors, 5 Nominee Directors and a Managing Director.

During the period under review:

- Mr. Benoit Mosaingon, Nominee Director (DIN: 07641857) resigned from Directorship of the company w.e.f December 07, 2021.
- Mr. Pradip Kumar Saha, Independent Director (DIN: 02947368), was re-appointed for a second and final term of five consecutive years w.e.f May 26, 2022.
- Pursuant to the provisions of Section 203 of the Act, Mr. Anup Kumar Singh, Managing Director, Mr. Akhilesh Kumar Singh, Chief Financial Officer and Ms. Paurvi Srivastava, Company Secretary, are the Key Managerial Personnel of the Company.

INDEPENDENT DIRECTORS' DECLARATION

The definition of 'Independence' of Directors is derived from Section 149(6) of the Companies Act, 2013. Based on the confirmation / disclosures received from the Directors and on evaluation of the relationships disclosed, the following Non-Executive Directors are Independent in terms of Section 149(6) of the Companies Act, 2013:

- a) Mr. Anal Kumar Jain
- b) Mr. Pradip Kumar Saha
- c) Mr. Sethuraman Ganesh

In compliance with the provisions of Section 149(7) of the Companies Act, 2013, the Company has received declarations from all the Independent Directors of the Company confirming that they meet the criteria of independence as prescribed under the Companies Act, 2013. Further, the independent directors have adhered to the Code for Independent Directors prescribed under Schedule IV to the Companies Act, 2013 and there has been no change in the circumstances which may affect their status as independent director during the year under review.

Further all the independent directors, have registered themselves with the Independent directors' databank in accordance with the provisions of Rule 6 of the Companies (Appointment and Qualification of Directors) Rules, 2014.

During the year under review, the independent directors of the Company had no pecuniary relationship or transactions with the Company other than the sitting fees and reimbursement of expenses incurred for the purpose of attending the meetings of the Board or Committees of the Company.

PERFORMANCE EVALUATION OF BOARD, COMMITTEES AND DIRECTORS

The Board of Directors and Remuneration & Nomination Committee has put in place a framework for the performance evaluation of the Board as a whole, its committees and individual directors, in compliance with the provisions of the Companies Act, 2013. The evaluation framework of the Board and its committees is based on parameters like composition, quality and effectiveness of deliberations, vision and strategy, monitoring etc. The individual directors are evaluated on criteria such as attendance, participation, understanding of business, domain knowledge, contribution to decision making, compliance with code of conduct, independence, etc.

The evaluation of the Board, its committees and individual directors for the reporting financial year was conducted through an online evaluation solution "Survey Monkey" portal and the results of the evaluation exercise were discussed in the Remuneration & Nomination Committee meeting held on May 27, 2022.

The Board of Directors in their meeting held on May 27, 2022 noted the outcome of Board evaluation and expressed their appreciation and satisfaction on the performance of the Chairman, Managing Director, Independent, Non-Independent Directors, Committees and the Board as a whole.

Further the Independent Directors evaluated the performance of the Chairman, non-independent directors and Board as a whole in their separate meeting held on May 27, 2022 and expressed their satisfaction.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 134(5) of the Companies Act, 2013 and based on the representations received from the management, the Board of Directors, to the best of its knowledge and ability, confirm that:

1. in the preparation of the annual accounts for the financial year 2021-22, the applicable Indian Accounting Standards have been followed and there were no material departures therefrom;
2. they have 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 at the end of the financial year and of the profit of the Company for that period;
3. they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. they had prepared the annual accounts on a going concern basis;
5. they have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and operating properly; and
6. they have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

CORPORATE GOVERNANCE

(i) COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Corporate Governance has always been an integral element for the Company which helps in building a proper system of accountability, transparency and responsiveness and for improving efficiency and growth as well as enhancing investor confidence. The company believes in sustainable corporate growth that emanates from the top management down through the organization, to the various stakeholders which is reflected in its sound financial system and enhanced market reputation.

Your Company is committed to achieve the good standards of Corporate Governance and adheres to the Corporate Governance requirements set by the Regulators/applicable laws. Accordingly, your Board functions as trustees of the shareholders for ensuring the long-term economic value for its shareholders while balancing the interest of all the stakeholders.

(ii) BOARD OF DIRECTORS

a) Composition, Category of the Board of Directors

The Board of Directors of your Company has an optimum combination of Executive and Non- Executive Directors in compliance with the requirements of Companies Act, 2013, Listing Regulations and RBI Directions.

As on March 31, 2022, the Board of the Company consisted of 9 Directors, of which 3 were Independent Directors and 5 Directors were non-Executive while 1 Executive Director, being the Managing Director. Your Company believes that the Independent Directors bring with them the rich experience, knowledge and practices resulting in imbibing the best practices followed in the industry.

The day-to-day affairs of the company are managed Senior officials of the company including the Managing Director, Key Managerial Personnel and functional heads, who function under overall supervision and guidance of Board of Directors. The details of the Board of Directors of the company are as under:

Sr. No.	Name of Director	Category	No. of Directorships in other Organisations (as on date)
1.	Mr. Anup Kumar Singh	Managing Director	-
2.	Mr. Anal Kumar Jain	Independent Director	3
3.	Mr. Sethuraman Ganesh	Independent Director	1
4.	Mr. Pradip Kumar Saha	Independent Director	2
5.	Mr. Kenneth Dan Vander Weele	Nominee Director	10
6.	Mr. Saurabh Kumar Johri	Nominee Director	1
7.	Mr. Sanjay Goyal	Nominee Director	1
8.	Mr. R.V Dilip Kumar	Nominee Director	14
9.	Mr. Aditya Mohan	Nominee Director	-

b) Number of meetings and attendance of the Board of Directors

During the Financial Year 2021-22, the Board of Directors met 4 times viz. on 29-06-2021, 28-09-2021, 13-11-2021 and 14-02-2022. In compliance with the provisions of the Companies Act, 2013 read with the circulars and notifications issued by the Ministry from time to time the Board met at least once in every calendar quarter. The requisite quorum was present for all the meetings. The composition and attendance of the Members in the Board meetings held during the FY 2021-22 are as follows:

Sr. No.	Date of Board Meeting	Place/ Mode of Meeting	Members attended Board Meeting
1.	June 29, 2021	Via Video Conferencing	Mr. Pradip Kumar Saha, Chairman Mr. Aditya Mohan Mr. Anal Kumar Jain Mr. Anup Kumar Singh Mr. Benoit Monsaingeon Mr. Kenneth Dan Vander Weele Mr. R.V. Dilip Kumar Mr. Sethuraman Ganesh Mr. Sanjay Goyal Mr. Saurabh Kumar Johri
2.	September 28, 2021	Via Video Conferencing	Mr. Pradip Kumar Saha, Chairman Mr. Aditya Mohan Mr. Anal Kumar Jain Mr. Anup Kumar Singh Mr. Benoit Monsaingeon Mr. Kenneth Dan Vander Weele Mr. R.V. Dilip Kumar Mr. Sethuraman Ganesh Mr. Saurabh Kumar Johri
3.	November 13, 2021	Hotel Aloft, New Delhi, Aerocity	Mr. Pradip Kumar Saha, Chairman Mr. Aditya Mohan Mr. Anal Kumar Jain Mr. Anup Kumar Singh Mr. Benoit Monsaingeon Mr. Kenneth Dan Vander Weele Mr. R.V. Dilip Kumar Mr. Sethuraman Ganesh Mr. Saurabh Kumar Johri
4.	February 14, 2022	Via Video Conferencing	Mr. Pradip Kumar Saha, Chairman Mr. Aditya Mohan Mr. Anal Kumar Jain Mr. Anup Kumar Singh Mr. R.V. Dilip Kumar Mr. Sethuraman Ganesh Mr. Saurabh Kumar Johri

Notes:

- None of the Directors held directorship in more than 10 Public Limited Companies
- None of the Directors were related to any Director or were a member of an extended family.

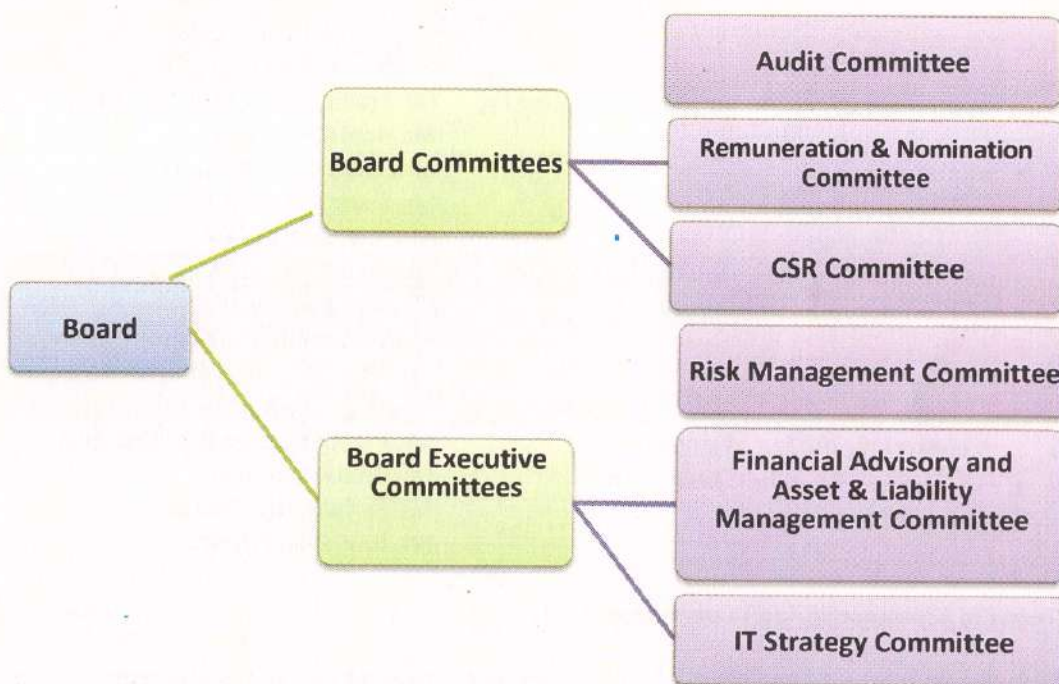
c) Meeting of Independent Directors

Pursuant to Clause VII of the Schedule IV of the Companies Act, 2013 the Independent Directors of the company are required to hold at least one meeting in a year without the presence of non-independent directors and members of management.

In compliance to the stated clause, a separate meeting of the Independent Directors was held on June 28, 2021 to evaluate the performance of the Chairman, non-independent directors and the Board as a whole for F.Y 2020-21, which was attended by all the Independent Directors of the company.

(iii) BOARD COMMITTEES AND TERMS OF REFERENCE

The Board has constituted various sub-committees with specific terms of reference and scope in compliance with the provisions of the Companies Act 2013 and RBI guidelines on Corporate Governance. The details of the Committees as constituted is covered herein below and is also available on the website of the company "www.sonataindia.com"



a. AUDIT COMMITTEE

The Board of Directors of the company in compliance with the requirements of Section 177 of the Companies Act 2013 and applicable guidelines of the Reserve Bank of India has constituted the Audit Committee with the basic objective of reviewing and monitoring the financial reporting process, system of internal financial reporting, accounting compliances, review of audit plans, quarterly, half yearly and annual financial statements prior to approval of the Board.

As on March 31, 2022, the Audit Committee of the Board consisted of five members out of which three are Non -Executive Independent Directors. The Chairman of the Committee is an Independent Director. All the Members of the Committee are financially literate and have accounting and financial management expertise. The Company Secretary of the Company acts as the Secretary to the Committee. The composition and attendance of the Members at the Audit Committee meetings held during the FY 2021-22 are as follows:

Sr. No.	Date of Meeting	Place/ Mode of Meeting	Members attended Meeting
1.	June 28, 2021	Via Video Conferencing	Mr. Pradip Kumar Saha, Chairman Mr. Anal Kumar Jain Mr. Sethuraman Ganesh Mr. Saurabh Kumar Johri Mr. R. V. Dilip Kumar
2.	September 27, 2021	Via Video Conferencing	Mr. Pradip Kumar Saha, Chairman Mr. Anal Kumar Jain Mr. Sethuraman Ganesh Mr. Saurabh Kumar Johri Mr. R. V. Dilip Kumar
3.	November 13, 2021	Hotel Aloft, New Delhi, Aerocity	Mr. Pradip Kumar Saha, Chairman Mr. Anal Kumar Jain Mr. Sethuraman Ganesh Mr. Saurabh Kumar Johri Mr. R. V. Dilip Kumar
4.	February 13, 2022	Via Video Conferencing	Mr. Pradip Kumar Saha, Chairman Mr. Anal Kumar Jain Mr. Sethuraman Ganesh Mr. R. V. Dilip Kumar

Brief Terms of Reference of Audit Committee:

- a) To review the Financial Reporting & to ensure the correctness of Financial Statements.
- b) Recommendation of Internal and External Auditors, scope of their Audits and Audit reports to the Board.
- c) To review the functioning of the whistle-blower mechanism.
- d) To review the valuations of undertakings and assets of the Company, wherever necessary;
- e) Reviewing and scrutinizing with management the periodic financial statements/results before submission to the Board, focusing primarily on:
 - matters required to be included in the Directors' Responsibility Statement to be included in the Board's report in terms of Clause (c) of sub-section (3) of section 134 of the Companies Act, 2013;

- any changes in accounting policies and practices;
 - any related party transaction
 - the adequacy of internal audit function
- f) Reviewing the findings of any internal investigations by the internal auditors into the matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;
- g) To ensure that an Information System Audit of the internal systems and processes is conducted yearly to assess operational risks faced by the Company.
- h) To consider the approval and subsequent modification of any transactions of the Company with related parties.
- i) To carry out any other function as may be delegated by the Board and /or specified under the SEBI Listing Regulations, the Companies Act, 2013, the RBI Master directions or other applicable law.

b. REMUNERATION & NOMINATION COMMITTEE

The Remuneration and Nomination Committee is setup by the Board in compliance with the Section 178(1) of the Companies Act, 2013 and in line with the RBI guidelines. The Chairman of the Committee is an Independent Director. The Company Secretary of the Company acts as the Secretary to the Committee. The composition and attendance of the Members at the meetings of the Remuneration and Nomination Committee held during the FY 2021-22 are as follows:

Sr. No.	Date of Meeting	Place/ Mode of Meeting	Members attended Meeting
1.	June 28, 2021	Via Video Conferencing	Mr. Anal Kumar Jain, Chairman Mr. Anup Kumar Singh Mr. Kenneth Dan Vander Weele Mr. Pradip Kumar Saha
2.	February 14, 2022	Via Video Conferencing	Mr. Anal Kumar Jain, Chairman Mr. Anup Kumar Singh Mr. Pradip Kumar Saha

Brief Terms of reference of Remuneration and Nomination Committee:

- a) To identify the persons who are qualified to become the directors or appointed as Senior Management Personnel and to ensure fit and proper credentials of proposed/ existing Directors.
- b) To formulate the criteria for evaluation and evaluate the Board of Directors, the committees constituted by the Board and the Board as a whole in accordance with the section 178 (2) of the Companies Act, 2013 and requirements of Rule 8(4) of the Companies (Accounts) Rules, 2014.
- c) To recommend the sitting fee payable to the independent directors and to decide the remuneration for the Whole Time Director / Managing Director.
- d) To review the administration of ESOP Schemes of the Company, determining the eligibility criteria, vesting conditions, grant of options, performance evaluation and recommending the same to the board.

c. CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

In line with the requirements of Section 135 of the Act, a Corporate Social Responsibility Committee was constituted to oversee the CSR functions of the Company. The Corporate Social Responsibility Committee is headed by an Independent Director.

The composition and attendance of the Members at the meetings of the Corporate Social Responsibility Committee held during the FY 2021-22 are as follows:

Sr. No.	Date of Meeting	Place/ Mode of Meeting	Members attended Meeting
1.	June 28, 2021	Via Video Conferencing	Mr. Sethuraman Ganesh, Chairman Mr. Anup Kumar Singh Mr. Pradip Kumar Saha
2.	November 10, 2021	Via Video Conferencing	Mr. Sethuraman Ganesh, Chairman Mr. Anup Kumar Singh Mr. Pradip Kumar Saha
3.	February 13, 2022	Via Video Conferencing	Mr. Sethuraman Ganesh, Chairman Mr. Anup Kumar Singh Mr. Pradip Kumar Saha

Brief Terms of reference of Corporate Social Responsibility Committee:

- a) Formulation and recommendation to the Board, a Corporate Social Responsibility Policy, which shall indicate the activities to be undertaken by the company in areas or subject, as specified in Schedule VII of the Companies Act 2013.
- b) Formulation and recommendation to the Board, an annual action plan or revisions thereof of the CSR expenditure to be made during the financial year.
- c) Recommendation to the Board for setting off any expenditure which has been made in excess of the annual budget.
- d) Recommendation to the Board for defining any project as "on going" project as per the definition as covered in the Companies (Corporate Social Responsibility Policy) Amendment Rules 2021.
- e) Recommendation of the amount of expenditure to be incurred on the CSR activities and monitoring the same and monitoring the Corporate Social Responsibility Policy of the company from time to time.
- f) To do such other acts, deeds and things as may be directed by the Board and required to comply with the applicable laws.

d. RISK MANAGEMENT COMMITTEE

The Corporate Governance requirements as specified by the Reserve Bank of India requires the constitution of the Risk Management Committee to manage the integrated risks associated with the business. The Company has in place a Risk Management Committee in accordance with RBI guidelines.

The terms of reference of the Risk Management Committee includes periodical review of the risk management policy, implementing and monitoring the risk management plan, and mitigation of the key risks.

The composition and attendance of the members at the Risk Management Committee meetings held during the FY 2021-22 are as follows:

Sr. No.	Date of Meeting	Place/ Mode of Meeting	Members attended Board Meeting
1.	September 28, 2021	Via Video Conferencing	Mr. Sethuraman Ganesh, Chairman Mr. Aditya Mohan Mr. Pradip Kumar Saha Mr. Akhilesh Kumar Singh Mr. Shrikant Bhargava Mr. Snehdeep Agnihotri
2.	November 10, 2021	Via Video Conferencing	Mr. Sethuraman Ganesh, Chairman Mr. Aditya Mohan Mr. Pradip Kumar Saha Mr. Shrikant Bhargava Mr. Snehdeep Agnihotri
3.	February 13, 2022	Via Video Conferencing	Mr. Sethuraman Ganesh, Chairman Mr. Aditya Mohan Mr. Pradip Kumar Saha Mr. Akhilesh Kumar Singh Mr. Shrikant Bhargava Mr. Snehdeep Agnihotri

Brief Terms of reference of Risk Management Committee:

- a) To assist in setting risk strategy policies in liaison with management.
- b) To review and assess the quality, integrity and effectiveness of the risk management systems and ensure that the risk policies and strategies are effectively managed.
- c) To review processes and procedures to ensure the effectiveness of internal systems of control so that decision-making capability and accuracy of reporting and financial results are always maintained at an optimal level.
- d) To monitor external developments relating to the practice of corporate accountability and the reporting of specifically associated risk, including emerging and prospective impacts;
- e) To provide an independent and objective oversight and view of the information presented by management on corporate accountability and specifically associated risks.
- f) To review the risk bearing capacity of the Company in light of its reserves, insurance coverage, guarantee funds or other such financial structures.
- g) To carry out any other function as may be specified from time to time as per the regulatory amendments/ requirements.

e. IT STRATEGY COMMITTEE

In compliance with the RBI Master Directions on Information Technology Framework for the NBFC Sector the company has constituted IT Strategy Committee. The objective of the committee is to carry out review and amend the IT strategies in line with the corporate strategies, Board Policy reviews, cyber security arrangements and any other matter related to IT Governance.

The Chairman of the Committee is an Independent Director. The composition and attendance of the members at the IT Strategy Committee meetings held during the FY 2021-22 are as follows:

Sr. No.	Date of Meeting	Place/ Mode of Meeting	Members attended Board Meeting
1.	September 27, 2021	Via Video Conferencing	Mr. Anal Kumar Jain, Chairman Mr. Anup Kumar Singh Mr. Akhilesh Kumar Singh Mr. Ashutosh Chaturvedi Mr. Shyam Kanhaiya Yadav
3.	February 13, 2022	Via Video Conferencing	Mr. Anal Kumar Jain, Chairman Mr. Anup Kumar Singh Mr. Akhilesh Kumar Singh Mr. Ashutosh Chaturvedi Mr. Shyam Kanhaiya Yadav

Brief Terms of reference of IT Strategy Committee:

- a) To approve the IT strategy and Policy documents and ensuring that an effective strategic planning process has been put in place.
- b) To ensure that such process and practices have been implemented so that the IT delivers value to the business.
- c) To review and amend the IT strategies in line with the corporate strategies, Board Policy reviews, Cyber security arrangements, and any other matter related to IT Governance.
- d) To ensure that the IT investments represent a balance of risks and benefits and that the budgets are acceptable.
- e) To monitor and provide direction for sourcing and use of IT resources.
- f) To ensure a balance between IT investments and exposure towards IT risks and controls.
- g) To oversee the implementation of new software and to monitor the progress of the project and the milestones to be reached according to the project timetable.
- h) To ensure due compliance of RBI Master Direction DNBS.PPD. No.04/66.15.001/2016-17 dated June 08, 2017 or any amendment thereof.

f. Financial Advisory and Asset & Liability Management Committee

In compliance with the RBI requirements on Corporate Governance and the Companies Act, 2013, the company has constituted a "Financial Advisory and Asset & Liability Management Committee". The objective of the committee is to evaluate, monitor and approve the flow of funds through borrowings from various available sources and ensure the balance of capital structure to that of debt is maintained. The committee is headed by the Managing Director who is supported by team of senior officials of the company.

Brief Terms of reference of Financial Advisory and Asset & Liability Management Committee:

- a. To review and monitor Company's borrowings from existing or new lenders, including the External Commercial Borrowing Transactions
- b. To review and approve the Company's Business Correspondent, securitisation and assignment transactions.
- c. To explore the options available from banks & financial institutions for borrowing, compare the earnings, approve the borrowings after considering the market scenario and other terms and conditions of the borrowings.
- d. To continuously review the fund requirement of Company on monthly and quarterly basis in accordance with the ongoing business plan (projections etc).
- e. To review the cash management and optimum utilisation of the funds available to the company at frequent intervals.
- f. To review the interest rate charged by the company on quarterly basis in order to comply with the Reserve Bank of India Pricing of Credit Guidelines.
- g. To review the fund position of the company and to analyse the ALM returns before filing with the Regulatory Authorities.
- h. To consider and approve the opening of Bank account of the Company, delegation and alteration of the authorised signatories and closing of bank accounts.
- i. To report to the board of directors on a quarterly basis.

(iv) GENERAL MEETINGS

A. Date, Venue and Time for the last three Annual General Meetings

Financial Year	Date and Time of AGM	Venue/ Mode of the AGM
2020-21	September 30, 2021	Via Video Conferencing
2019-20	September 30, 2020	Via Video Conferencing
2018-19	September 30, 2019	II Floor, CP-1, PG Tower, Kursi Road, Vikas Nagar, Lucknow – 226026 (Registered Office)

B. Details of special resolutions passed in the previous three Annual General Meetings

Date of AGM	Applicable Section of Companies Act, 2013	Particulars of Special Resolution
September 30, 2021	N.A.	None
September 30, 2020	N.A.	None
September 30, 2019	N.A.	None

C. Details of Extra-Ordinary General Meetings held during the year:

Date of EGM	Applicable Section of Companies Act, 2013	Particulars of Special Resolution
June 29, 2021 (Via Video Conferencing)	U/s 180(1)(c), 180(1)(a), 42 and 71	<ul style="list-style-type: none">Approval u/s 180 (1) (c) of Companies Act, 2013 to borrow any sum or sums of money from time to time exceeding the aggregate of its paid-up capital, free reserves & securities premiumApproval of creation of charge, mortgage or hypothecation on the assets of the Company under section 180 (1)(a) of the Companies Act, 2013Approval to issue Non-Convertible Debentures on private placement basis under sections 42 and 71 of the Companies Act, 2013
February 17, 2022 (Via Video Conferencing)	U/s 149, 150, 152 and 14	<ul style="list-style-type: none">Approval for re-appointment of Mr. Pradip Kumar Saha (DIN – 02947368) as an Independent Director of the Company for a second term of five consecutive years w.e.f. May 26, 2022Approval of alteration of Articles of Association for enhancement of maximum cap with respect to payment of sitting fees to Independent Directors of the Company

(v) CODE OF CONDUCT

The board has laid down a “Code of Conduct” for all the board members and the senior management and other employees of the company and the Code of Conduct has been posted on the website of the company at <https://www.sonataindia.com/COC.aspx>.

(vi) OTHER DISCLOSURES

- During the period under review no prosecutions have been initiated against the Company neither any fines have been imposed for alleged offences under the Act.
- During the year, no expenditure has been debited in the books of accounts, which is not for the purposes of business of the company.
- During the year, no expenses, which are of personal nature, have been incurred for the Board of Directors and top management.
- During the year, no application involving the company was made nor is any proceeding pending against the company, under the Insolvency and Bankruptcy Code, 2016.

(vii) MEANS OF COMMUNICATION

The Annual Report and other statutory information are being sent to shareholders through electronic mode.

(viii) FAMILIARISATION OF BOARD OF DIRECTORS

Familiarisation of the Board of Directors is an ongoing process wherein the directors are informed about their roles and responsibilities and are kept updated about the regulatory environment, significant developments in the industry, business overview, company performance and other important matters pertaining to the company. Further, the Company updates the members of Board on a continuous basis on any significant changes and provides them an insight to their expected roles and responsibilities so as to be in a position to take well-informed and timely decisions and contribute significantly to the Company.

The policies and procedures of the company are reviewed by the Board on an annual basis, in keeping with the regulatory changes and business needs.

(ix) GENERAL SHAREHOLDERS INFORMATION

- a) As per the notice attached to this Annual Report, the Annual General Meeting of the Company will be held on September 30, 2022.
- b) The Financial Year of the Company is from April 01 to March 31.

CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

The Company has put in place a "Related Party Transactions Policy" for identification of RPTs, necessary approvals by the Audit Committee/ Board /Shareholders, reporting and disclosure requirements in compliance with the Companies Act, 2013. Policy is available on the website of the Company at www.sonataindia.com.

All contracts executed by the Company during the financial year, with related parties, were on arm's length basis and in the ordinary course of business. All such related party transactions were entered into in accordance with the Related Party Transactions Policy of the Company. All related party transactions were placed before the Audit Committee for review and approval. During the year, your Company had not entered into any contract / arrangement/ transaction with related parties which could be considered material in accordance with the Related Party Transactions Policy.

In compliance with section 188(1) of the Companies Act, 2013, the disclosure on related party transactions in Form AOC-2 is enclosed as **Annexure-I**. Further, details of Related Party Transactions, as required to be disclosed, as per IND AS-24 "Related Party Disclosures" specified under section 133 of the Companies Act, 2013 are given in the Notes to the Financial Statements.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Corporate Social Responsibility of the Company is harmonious with its vision of building a society that contains an opportunity to develop the minimal socio-economic conditions needed to live a life of dignity. Over the past few years, the company has put its dedicated and consistent efforts for promotion of education and infrastructural development of primary schools located in its area of operations, with a belief that quality of education is the most important factor which determines the ability of our target communities to build a better future and a life of dignity for themselves.

The CSR initiatives of the company are guided and monitored by the Corporate Social Responsibility (CSR) Committee constituted under the provisions of Section 135 of the Companies Act, 2013 read with the Companies (Corporate Social Responsibility Policy) Rules 2014, as amended from time to time. The details of composition of the CSR Committee and its scope are provided in the para pertaining to Corporate Governance.

The CSR Committee in its meeting held on June 28, 2021 approved and allocated an aggregate amount of Rs. 25,45,000/- (Rupees Twenty-Five Lakh Forty-Five Thousand) after adjusting the set-off amounting to Rs. 11,50,000/- (Rupees Eleven Lakh Fifty Thousand), being portion of excess CSR expenditure of the previous year 2020-21, to be incurred towards CSR activities during the FY 2021-22. The allocated budget was utilized for promotion of education and healthcare, as approved by the Committee in the Annual Action Plan for the reporting year. Further, an additional amount of Rs.4,39,845/- (Rupees Four Lakhs Thirty-Nine Thousand Eight Hundred and Forty-Five) was approved by the Board in its meeting held on February 13, 2022, to be utilised for promotion of healthcare aggregating the total CSR budget for the Financial Year 2021-22 to Rs. 29,84,845/- (Rupees Twenty-Nine Lakhs Eighty-Four Thousand Eight Hundred and Forty-five), which has duly been utilised. The net CSR expenditure for FY 2021-22, after adjusting the impact of Input tax credit amounting to Rs. 1,54,194 receivables by the company, is Rs. 28,30,651 and the excess CSR expenditure incurred by the company is Rs. 2,85,651.

The Company's CSR policy is committed towards CSR activities as envisaged in Schedule VII of the Act. The CSR policy of the Company is available on the website of the Company at www.sonataindia.com. The details of CSR expenditure and statutory disclosures with respect to the CSR initiatives undertaken by the Company during the year are presented in the Annual Corporate Social Responsibility Report prepared as per the provisions of Rule 8(1) of the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021, which is enclosed as **Annexure II** to this Report.

ANNUAL RETURN

In accordance with the provisions of Section 92(3) read with Section 134(3) (a) of the Act, Annual Return in form MGT-7 for the FY 2021-22 is hosted on website of the Company at (<https://www.sonataindia.com/AnnualReturns.aspx>).

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The Management Discussion and Analysis Report is appended as **Annexure-IV** to the Board Report.

DISCLOSURE OF REMUNERATION AND NOMINATION CRITERIA

The Board has, on the recommendations of the Remuneration & Nomination Committee and in compliance of the Companies Act, 2013, has framed a Remuneration and Nomination criteria for selection, evaluation, appointment of Directors, Key Managerial Personnel, other employees, fixing their remuneration including criteria for determining qualifications, positive attributes, independence of a director and related matters as provided under the said act. The Remuneration and Nomination Criteria forms part of the Corporate Governance Policy of the Company and the aforesaid policy is available on the website of the Company at www.sonataindia.com.

Terms of reference of the Remuneration and Nomination Committee along with other relevant details are provided under the Corporate Governance section of this report.

INTERNAL CONTROL

Your Company has laid down set of standards, processes and structure which enables it to implement internal financial control across the organization and ensure that the same are adequate and operating effectively, keeping in view the size and nature of the business. These systems help to detect and prevent frauds & errors and ensure accuracy and completeness of the accounting records relevant to the preparation and presentation

of financial statements. The Audit Committee ensures that all procedures are properly authorized, documented, described and monitored and it also reviews the internal audit reports, adequacy of internal controls and ensure compliances. The Audit Committee also meets the Company's Statutory Auditors to ascertain their views on the financial statements, including the financial reporting system, compliance to accounting policies and procedures, adequacy and effectiveness of the internal controls and systems followed by the Company.

Information System Security controls enables the Company to keep a check on technology-related risks and also improve business efficiency and distribution capabilities. Your Company is committed to invest in IT systems, including back-up systems, to improve the operational efficiency, customer service and decision-making process.

Further the company's financial system and procedures were duly audited by M/s BSR & Co., LLP, Chartered Accountants, who have reported that the financial systems are as per the requirements.

HUMAN RESOURCE DEVELOPMENT

As on March 31, 2022, the Company had 2,828 employees in its rolls at various level of organizational structure. The company believes in recognizing and appreciating employees for their valuable contribution and loyalty. Equal Opportunities are offered to all the employees irrespective of gender to learn and grow in the organization.

The Company focuses on effective management of employees such that they help their business gain a competitive advantage. It has continuously adopted structures that help attract best external talent and promote internal talent to higher roles and responsibilities. Its people centric focus providing an open work environment, fostering continuous improvement and development helped several employees realize their career aspirations during the year.

The disclosures required to be made under the provisions of section 197(12) of the Companies Act, 2013 read with Rule 5(1), (2) and (3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, have been annexed herewith as **Annexure – V** to the Board Report.

RISK MANAGEMENT

Risk Management is essential as it is required for long-term sustainability of the company. The objective of risk management of the company is to provide reasonable assurance that the business is being managed sustainably. Rather than focusing on current or historical financial performance, risk management focuses on the ability of the company to identify and manage future risks, and this is viewed as being the best predictor of long-term success and sustainability.

The Company has an efficacious risk management structure. It works simultaneously to review policies and procedures, identify risk, understand existing risk mitigation/controlling strategies and identify gaps in the existing controlling strategies and to improve upon the same.

The Board of Directors of the Company has formed a Risk Management Committee to frame, implement and monitor the risk management plan for the Company. The Committee is responsible for monitoring and reviewing the risk management plan and ensuring its effectiveness. The Audit Committee has additional oversight in the area of financial risks and controls. The committee reviews comprehensive risk reports on key risk indicators pertaining to Environmental, market and geographical risk, Credit risk, Operational risk including systems, HR and Regulatory risk, Liquidity risk, ALM and interest rate risk, and other risks faced by the company. The major risks identified by the businesses and functions are systematically addressed through mitigating actions on a

continuing basis. The position of the company against these risk indicators is continuously monitored and the effectiveness of risk management strategies is reviewed by the Committee.

The Company has a Board approved Risk Management Policy which is placed on the website of the Company at www.sonataindia.com wherein all material risks faced by the Company are identified and assessed

VIGIL MECHANISM

The Company promotes ethical behaviour in all its business activities. The Company has established a Vigil Mechanism & Whistle Blower policy to enable Directors, Stakeholders, including individual employees and their representative bodies to report, in good faith, unethical, unlawful or improper practices, acts or activities. The said mechanism ensures that the whistle blowers are protected against victimization, any adverse action and/or discrimination as a result of such a reporting and provides a direct access to the Chairman of the Audit Committee in exceptional cases.

The Company hereby affirms that during the FY 2021-22, no complaints were received under the Vigil mechanism and none of its personnel have been denied access to the Audit Committee. The Vigil Mechanism and whistle blower policy is available at website of the Company at www.sonataindia.com

DISCLOSURE AS PER SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013

The Company has zero tolerance for sexual harassment at workplace towards verbal, psychological conduct of a sexual nature by any employee or stakeholder that directly or indirectly harasses, disrupts, or interfaces with another's work performance or that creates an intimidating, offensive, or hostile environment and has adopted a policy on prevention, prohibition and redressal of sexual harassment at workplace in line with the provisions of Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 (referred to as POSH Act) and the rules framed thereunder. Further, the company has constituted Core Internal Complaints Committee and Regional Internal Complaints Committees at respective regional offices as per the requirements of the Act to redress complaints received regarding sexual harassment

The details of Sexual Harassment cases reported during the year and other relevant details are as under:

No. of Cases in the beginning of the year	No. of Cases received during the year	No. of Cases disposed off during the year	No. of Cases pending at the end of year and its ageing	No. of workshops or awareness program carried out during the year	Nature of action taken by the Employer
Nil	Nil	Nil	Nil	1	N.A

Further the Company has also submitted the annual report for the previous calendar year with the District Officer, Lucknow as per the requirements of the POSH Act.

ENVIRONMENTAL AND SOCIAL ASPECTS

We ensure sound and sustainable business practices so as to establish a creative partnership between development and environment. Increase in green cover, conservation of scarce resources, control of pollution, promotion of economic progress are important guiding lights to follow for nurturing such relationship through continuous education of its employees which in turn would lead to awareness of their families and lastly to Company's clients. Your Company will always and consistently exclude itself from engaging into any activities, which are detrimental to the environment.

Your Company also recognizes the importance of implementing sound social practices and continues to integrate such practices into its daily office-based activities. We also make sure that working conditions in the organization meet international labour standards and in this regard the company ensures that there is no forced labour, no gender in-equality, acceptance of equal pay for equal work, no child labour has been or shall be employed in any of the offices of the company. We provide equal and adequate terms of employment to both genders, provision of adequate process for employees to voice complaints and many more.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

The company being a Non-Banking Financial Company, has no major impact on account of conservation of energy or technology absorption. The Company has, however, used information technology extensively in its operations to serve its customers. The company has been making efforts in conserving the energy by restricting the wastage of electricity in the company's offices.

Further, there were no foreign currency earnings during FY 2021-22. However, the company has incurred foreign currency expenditure equivalent to Rs. 195.81 million during the year under review.

INSTANCES OF FRAUD, IF ANY REPORTED BY THE AUDITOR PURSUANT TO SECTION 143 (12) OF THE COMPANIES ACT, 2013

During the year under review, the Statutory Auditors and the Secretarial Auditors have not reported any instances of frauds committed in the Company by its Officers or Employees to the Audit Committee under section 143(12) of the Companies Act, 2013, details of which need to be mentioned in this Report.

CLIENT GRIEVANCE

During the year under review, the status of client grievances is as follows:

No. of complaints*	March 31, 2022	March 31, 2021
Pending at the beginning of the year	8	20
Received during the year	959	625
Redressed during the year	955	637
Pending at the end of the year	12	8

* Excluding general enquiry from customers on loans products.

COMPLIANCE WITH SECRETARIAL STANDARDS

The Company has in place proper systems to ensure compliance with the provisions of secretarial standards issued by The Institute of Company Secretaries of India and such systems are adequate and operating effectively.

DOCUMENTS PLACED ON THE WEBSITE

In compliance with the requirements of Companies Act 2013, SEBI (LODR) Regulations 2015, and RBI Master Directions, 2016, following documents have been placed on the website of the Company (www.sonataindia.com):

- Annual Reports of the Company
- SONATA Code of Conduct
- Financial statements of the Company along with relevant documents as per third proviso to section 136(1).
- Credit Loss Estimation Policy
- Fair Practice Code in English and Hindi language
- Ombudsman Scheme in English and Hindi language
- Equal Opportunity Policy
- Policy on Co-Lending with Banks
- Resource Planning Policy
- Corporate Environmental & Social Policy
- Procurement Policy
- Document Retention & Destruction Policy
- Cyber Security Policy
- Information Security Policy
- Fraud Prevention Policy
- Loan and Interest Rate Policy
- Recovery Policy
- Related Party Transactions Policy
- Know Your Customer (KYC), Anti Money Laundering (AML) & Combating Financing of Terrorism (CFT) Policy
- Vigil Mechanism/ Whistle Blower Policy
- General Risk Management Policy
- Corporate Social Responsibility Policy
- Fit and Proper Criteria Policy
- Corporate Governance Policy
- Policy against Sexual Harassment in English and Hindi Language
- Investment Policy
- Business Model Policy
- Employee Background Verification
- Code of Practices and Procedures for fair Disclosure of Unpublished Price sensitive Information
- Resolution framework for Covid-19
- Intimations/ Documents filed with the Stock Exchange
- Details of Credit Ratings
- Policy on appointment of Statutory Auditors

- Human Resource Policy
- The terms and conditions of appointment of independent directors as per schedule IV to the Act.

ANNEXURES

The list of annexures forming part of the Board Report is as follows:

Name of the Annexure	Annexure No.
Related Party Transactions (AOC-2)	I
Annual Corporate Social Responsibility Report	II
Secretarial Audit Report	III
Management Discussion and Analysis Report (MDAR)	IV
Ratio of the remuneration of each director to the median employee remuneration	V

ACKNOWLEDGEMENTS

Your directors express their sincere appreciation and extend their gratitude for the co-operation and assistance received from customers, Reserve Bank of India, MFIN, Sa-Dhan, Shareholders, Bankers, Stock Exchange, Banks, Financial Institutions and other stakeholders during the year under review.

The Board also wish to place on record their deep sense of appreciation for the commitment displayed from all managers, executives and employees in the successful performance of the Company during the year.

On behalf of the Board of Directors
Of Sonata Finance Private Limited



Anup Kumar Singh
Managing Director
DIN: 00173413



Pradip Kumar Saha
Director
DIN: 02947368

Place: New Delhi
Date: May 27, 2022

ANNEXURE-I TO THE BOARD REPORT

Form No. AOC-2

(Pursuant to clause (h) of Sub-section (3) of Section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)

This form pertains to the 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 including certain arm's length transactions under third proviso thereto.

Details of contracts or arrangements or transactions not at arm's length basis

There were no contracts or arrangements or transactions entered during the year ended March 31, 2022, which were not at arm's length basis.

Detail of material contracts or arrangements or transactions at arm's length basis

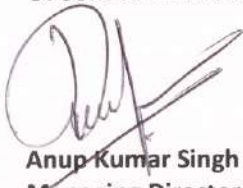
Name of the Related Party & Nature of Relationship	Nature of contracts/ arrangements / transactions	Duration of the contracts / arrangement s/transaction s	Salient terms of the contracts/ arrangements/ transactions including the value	Date(s) of approval by the Board/ Audit Committee	Amount paid as advances
Vivriti Capital Private Limited (Mr. Kenneth Dan Vander Weele, being common director on the board of Vivriti Capital Private Limited and Sonata Finance Private Limited)	In the Ordinary Course of Business	24 months	Term Loan Facility of Rs. 13,00,00,000/- (Rupees Thirteen Crores Only). Interest rate: 12.75% p.a Processing Fees: 1% Primary Security: Exclusive charge by way of hypothecation on certain identified receivables from assets created by the Company from the Facility availed from the Lender of 1.10x of the value of outstanding due amounts, at all times during the currency of the facility. Cash Collateral: In the form of fixed deposit for an amount equivalent to (i) 5% (five percent) of the aggregate	Audit Committee Meeting held on 27 th September, 2021.	Nil

loan amount outstanding at the time of occurrence of the Rating Downgrade Event, in case of occurrence of the First Rating Downgrade Event; and (ii) 10% (ten percent) of the aggregate loan amount outstanding at the time of occurrence of the Rating Downgrade Event, in case of occurrence of the Second Rating Downgrade Event with a scheduled commercial bank as acceptable to the lender

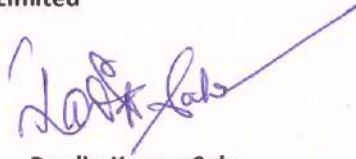
<p>Vivriti Capital Private Limited</p> <p><i>(Mr. Kenneth Dan Vander Weele, being common director on the board of Vivriti Capital Private Limited and Sonata Finance Private Limited)</i></p>	<p>In the 24 months Ordinary Course of Business</p>	<p>Term Loan Facility of Rs. 10,00,00,000 /- (Rupees Ten Crores Only)</p> <p>Interest rate: 12.75% p.a</p> <p>Processing Fees: 1%</p> <p>Primary Security: Exclusive charge by way of hypothecation on certain identified receivables from assets created by the Company from the Facility availed from the Lender of at least 1.10x at all times during the currency of the facility.</p> <p>Cash Collateral: In the form of fixed deposit for an amount equivalent to (i) 5% (five percent) of the aggregate loan amount outstanding at the time of occurrence of the Rating Downgrade Event, in case of occurrence of the First Rating Downgrade Event; and (ii) 10% (ten percent) of the aggregate loan</p>	<p>Passed through circular resolution dated February 28, 2022 and taken note in the Audit Committee Meeting held on May 26, 2022</p>	<p>Nil</p>
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amount outstanding at the time of occurrence of the Rating Downgrade Event, in case of occurrence of the Second Rating Downgrade Event with a scheduled commercial bank as acceptable to the lender.

**On behalf of the Board of Directors
Of Sonata Finance Private Limited**



**Anup Kumar Singh
Managing Director
DIN: 00173413**



**Pradip Kumar Saha
Director
DIN: 02947368**

**Place: New Delhi
Date: May 27, 2022**

Annual Report on Corporate Social Responsibility (CSR) Activities for the Financial Year 2021-22

1. A brief outline of the Company's CSR policy:

The Board of Directors of the Company approved the CSR policy October 30, 2015 and review it annually in every first meeting of the Financial Year. CSR policy defines the company's relationship with the common stakeholders and the community for the social and the environmental good. It aims to work towards the elimination of all barriers for the social inclusion of disadvantaged groups – such as the poor, socially backward and financially excluded group of persons. In compliance to the CSR Policy, the company gives special preference to the local areas and areas where it operates for spending the amount that is earmarked by the CSR Committee. The policy serves as a guiding document and helps the Company to identify, monitor and execute the CSR projects and keep the activities within the spirit of the policy. CSR policy of the Company lays down the guiding principles for selection, implementation and monitoring of activities as well as formulation of the annual action plan.

2. Composition of CSR Committee:

- Mr. Sethuraman Ganesh, Independent Director (**Committee Chairman**)
- Mr. Anup Kumar Singh, Managing Director (Member)
- Mr. Pradip Kumar Saha, Independent Director (Member)
- Mr. Sanjay Goyal, Nominee Director (Member)

3. Web-link where Composition of CSR committee, CSR Policy and CSR projects approved by the board are disclosed on the website of the company:

Weblink for the abovementioned details is <https://www.sonataindia.com/CSR.aspx>

4. Provide the details of Impact assessment of CSR projects carried out in pursuance of sub-rule (3) of rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014, if applicable (attach the report):

Not Applicable

5. Details of the amount available for set off in pursuance of sub-rule (3) of rule 7 of the Companies (Corporate Social Responsibility Policy) Rules, 2014 and amount required for set off for the financial year, if any:

S.No.	Financial Year	Amount available for set-off from preceding financial years	Amount required to be setoff for the financial year, if any (in Rs)
1.	2020-21	27,43,949	11,50,000

6. Average net profit of the company as per section 135(5): Rs. 18,46,61,123

7. (a) Two percent of average net profit of the company as per section 135(5): Rs. 36,93,222

(b) Surplus arising out of the CSR projects or programmes or activities of the previous financial years: NIL

(c) Amount required to be set off for the financial year, if any: Rs. 11,50,000

(d) Total CSR obligation for the financial year (7a+ 7b- 7c): Rs. 25,43,222.47 (rounded off to Rs. 25,45,000)

The Board, in its meeting held on June 29, 2021, approved the set-off of the excess amount of Rs. 27,43,949/- spent during the previous Financial Year 2020-21, to be carried over for the period of immediately succeeding three Financial Years as follows:

Set Off during the FY 2021-22: Rs. 11,50,000

Set Off during the FY 2022-23: Rs. 7,96,975

Set Off during the FY 2023-24: Rs. 7,96,974

Rs. 27,43,949

8. (a) CSR amount spent or unspent for the financial year:

Total Amount Spent for the Financial Year (in Rs.)	Amount Unspent (in Rs.)					
	Total Amount transferred to Unspent CSR Account as per Section 135(6)			Amount transferred to any fund specified under Schedule VII as per second proviso to section 135(5)		
	Amount	Date of transfer	of	Name of the Fund	Amount	Date of transfer
28,30,651	NIL	NIL		NIL	NIL	NIL

(b) Details of CSR amount spent against ongoing projects for the financial year: Not Applicable

(c) Details of CSR amount spent against other than ongoing projects for the financial year:

S. No.	Name of the Project	Item from the list of activities in schedule VII to the Act.	Local area (Yes/No)	Location of the project		Amount spent on the project/ program (in Rs.)	Mode of implementation Direct (Yes/No)	Mode of implementation - Through implementing agency Name.	CSR registration number.
				State	District				
1.	Painting and Sanitation facility in schools	Promotion of education	Yes	Uttar Pradesh	Prayagraj	56,235	Yes	N.A.	N.A.
2.	Providing educational aids and appliances to institutions working for visually impaired people.	Promotion of education	Yes	Uttar Pradesh	Lucknow	1,95,880	Yes	N.A.	N.A.
3.	Provide learning infrastructure and teaching material	Promotion of education	Yes	Uttar Pradesh	Varanasi Prayagraj Chandauli Lucknow Pratapgarh	3,50,020	Yes	N.A.	N.A.
4.	Electronic equipment to support better learning environment	Promotion of education	Yes	Uttar Pradesh	Prayagraj Chandauli Pratapgarh	44,160	Yes	N.A.	N.A.
5.	Computer education	Promotion of education	Yes	Uttar Pradesh	Prayagraj Chandauli Varanasi	2,12,500	Yes	N.A.	N.A.
6.	Setting-up digital classrooms	Promotion of education	Yes	Uttar Pradesh	Lucknow Chandauli	1,71,000	Yes	N.A.	N.A.
7.	Availability of Pure Drinking Water	Promotion of education	Yes	Uttar Pradesh	Lucknow Chandauli Varanasi	1,63,850	Yes	N.A.	N.A.
8.	Providing learning infrastructure	Promotion of education	Yes	Uttar Pradesh	-Prayagraj -Chandauli	3,68,488	Yes	N.A.	N.A.
9.	Providing Painting facility in schools	Promotion of education	Yes	Uttar Pradesh	-Prayagraj -Chandauli	1,41,018	Yes	N.A.	N.A.

10.	Purchase of oxygen concentrators for hospitals or health care units	Promotion of healthcare	Yes	Uttar Pradesh	Lucknow	1,28,000	Yes	N.A.	N.A.
11.	Sponsoring the purchase of ECG system for cardiac event monitoring machine	Promotion of healthcare	Yes	Uttar Pradesh	Lucknow	11,35,000	Yes	N.A.	N.A.
Total CSR expenditure for FY 2021-22 (Exclusive of Administrative Overheads)						29,66,151	-	-	-
Input Tax credit						1,54,194			
Net CSR expenditure for FY 2021-22 (Exclusive of Administrative Overheads)						28,11,957			

(d) Amount spent in Administrative Overheads: Rs. 18,694

(e) Amount spent on Impact Assessment, if applicable: Not Applicable

(f) Total amount spent for the Financial Year (8b+8c+8d+8e): Rs. 28,30,651

(g) Excess amount for set off, if any:

Sl. No.	Particular	Amount (in Rs.)
i.	Two percent of average net profit of the company as per Section 135(5)	36,93,222
ii.	Amount to be set-off for the Financial Year	11,50,000
iii.	CSR obligation of the company	Rs. 25,43,222.47 (rounded off to Rs. 25,45,000)
iv.	Total amount spent for the Financial Year	28,30,651
v.	Excess amount spent for the financial year [(iv)-(iii)]	2,85,651
vi.	Surplus arising out of the CSR projects or programmes or activities of the previous financial years, if any	0.00
vii.	Amount available for set off in succeeding financial years [(v)-(vi)]	2,85,651

9. (a) Details of Unspent CSR amount for the preceding three financial years: NIL

(b) Details of CSR amount spent in the financial year for ongoing projects of the preceding financial year(s):
Not Applicable

10. In case of creation or acquisition of capital asset, furnish the details relating to the asset so created or acquired through CSR spent in the financial year: Not Applicable
(Asset-wise details)

(a) Date of creation or acquisition of the capital asset(s): N.A

(b) Amount of CSR spent for creation or acquisition of capital asset: N.A

(c) Details of the entity or public authority or beneficiary under whose name such capital asset is registered, their address etc: N.A

(d) Provide details of the capital asset(s) created or acquired (including complete address and location of the capital asset): N.A


11. Specify the reason(s), if the company has failed to spend two per cent of the average net profit as per section 135(5): N.A

RESPONSIBILITY STATEMENT

Pursuant to the provisions of Companies Act, 2013 and Companies Rules (Corporate Social Responsibility Policy) Rules, 2014 as amended from time to time, Mr. Anup Kumar Singh, Managing Director and Mr. Sethuraman Ganesh, Chairman of CSR Committee, do confirm that the implementation and monitoring of CSR policy, is in compliance with the CSR objectives and policy of the Company.

On behalf of the Board of Directors
Of Sonata Finance Private Limited


Anup Kumar Singh
Managing Director
DIN: 00173413


Sethuraman Ganesh
Chairman - CSR Committee
DIN: 07152185

Place: New Delhi
Date: May 27, 2022

ANNEXURE-III TO THE BOARD REPORT

SECRETARIAL AUDIT REPORT

AMIT GUPTA & ASSOCIATES

Practicing Company Secretaries

FORM NO. MR.3

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2022

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

To,
The Members,
SONATA FINANCE PRIVATE LIMITED,
(CIN - U65921UP1995PTC035286)
II FLOOR, CP. 1, PG. TOWERS, KURSI ROAD,
VIKAS NAGAR LUCKNOW UP 226026 INDIA

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by M/s SONATA FINANCE PRIVATE LIMITED (hereinafter called "the Company"). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms, returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit,

We hereby report that in our opinion

- i.* The Company has, during the audit period covering the financial year ended on 31st March, 2022 complied with the statutory provisions listed hereunder and also
- ii.* That the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter.

We have examined the books, papers, minute books, forms, returns filed and other records maintained by the Company for the financial year ended on 31st March, 2022 according to the provisions of:

- i.* The Companies Act, 2013 (the Act) and the rules made there under;
- ii.* The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made there

C- 17 , Vinay Nagar, Krishna Nagar, Lucknow - 226 023
Mobile : 94150 05108, 79057 98954, E-mail : amitguptacs@gmail.com

- under;
- iii. The Depositories Act, 1996 and the Regulations and Bye-laws framed there under;
 - iv. Foreign Exchange Management Act, 1999 and the rules and regulations made there under to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
 - v. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):
 - a. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011- **Not applicable as the Company has not made any public offer of securities during the period under review;**
 - b. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
 - c. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018- **Not applicable as the Company has not made any public offer of securities during the period under review;**
 - d. The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 and The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations 2021 [w.e.f. 13.08.2021] – **Not applicable;**
 - e. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 and the Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021 [w.e.f. 09.08.2021]
 - f. The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client – **Not applicable as the Company is not registered as Registrar to Issue and Share Transfer Agent during the financial year under review;**
 - g. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 and The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2021 [w.e.f. 10.06.2021] - **Not applicable as the Company has not made any delisting during the year under report**
 - h. The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 - **Not applicable as the Company has not bought back/propose to buyback any of its securities during the financial year under review.**
 - vi. The following other laws as may be applicable specifically to the Company:
 - a. RBI Act, 1934 and Rules, Directions & Guidelines including MFI regulations made there under,
 - b. Master Circular –Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016, as amended

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

- (i) Secretarial Standards issued by the Institute of Company Secretaries of India; and
- (ii) Listing Agreements entered into by the Company with BSE Limited for its debt instruments.

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

We further report that:

- The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.
- Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, 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. However, we have noted delays in sharing of the Audited Financial Statements with the Audit Committee and the Board Members.
- Majority decision is carried through while the dissenting members' views, if any, are captured and recorded as part of the minutes.

We further report that there are adequate systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We further report that during the audit period during the following material event having bearing on the affairs of the Company took place:

- The members of the company had accorded authorisation to the Board u/s 180 (1) (c) of Companies Act, 2013 to borrow any sum or sums of money from time to time exceeding the aggregate of its paid-up capital & free reserve provided that the total amount upto which monies may be borrowed by the Board of Directors or the Committee authorized by Board shall not exceed Rs. 2100 Crores (Rupees Two Thousand One Hundred Crores Only) at any time.
- The members of the Company had accorded approval to the Board for the creation of charge, mortgage or hypothecation on the assets of the Company under section 180 (1)(a) of the Companies Act, 2013 provided that maximum amount of the indebtedness secured by the properties of the Company shall not exceed Rs. 2310 Crores (Rupees Two Thousand Three Hundred and Ten Crores Only) at any time.
- The Board has been empowered to issue Non-Convertible Debentures on Private Placement basis under section 42 read with section 71 of the Companies Act, 2013 provided that the aggregate amount of non-convertible debentures offered/proposed to be offered shall not exceed Rs. 500 crores (Rupees Five hundred crore only), which shall be within the overall borrowing limit of Rs. 2,100 Crores (Rupees Two thousand one hundred crore only) provided for the Company pursuant to the shareholder's resolution passed under Section 180(1) (c) of the Companies Act, 2013.

- M/s B S R & Co. LLP Firm Registration no. 101248W/W-100022 were appointed as Statutory Auditors of the Company for a period of three financial years upto March 31, 2024.
- The members of the company had accorded approval for payment of remuneration of Rs. 177 Lakhs including Rs. 55 lakhs as variable to Mr. Anup Kumar Singh, the Managing Director of the Company is for the financial year 2022-23.
- Members approved the change in Article of Association in Article number 12.6.3 where the Sitting Fees paid to Independent directors been increased from Rs. 5,00,000/- to Rs. 10,00,000/- per financial year per director.
- Nomination of Mr. Benoit Monsaingeon nominee of Societe de Promotion et de Participation pour las Cooperation Economique (Proparco) has been withdrawn by the shareholders with effect from December 7, 2021.
- Mr. Pradip Kumar Saha (DIN – 02947368) re-appointed as Independent Directors of the Company for a second term of 5 (five) consecutive years with effect from May 26, 2012 (upon expiry of their present term of office i.e. on May 25, 2022) till May 25, 2027.

**For Amit Gupta & Associates
Company Secretaries**

AMIT Digitally signed
by AMIT GUPTA
Date: 2022.07.20
15:24:18 +0530
GUPTA

Amit Gupta
Proprietor
Membership No. : F5478
C.P. No. 4682

UDIN - F005478D000653400
Date: July 20, 2022
Place: Lucknow

Note: This report should be read with the letter of even date by the Secretarial Auditors.

To,

The Members,
SONATA FINANCE PRIVATE LIMITED,
II FLOOR, CP. 1, PG. TOWERS, KURSI ROAD,
VIKAS NAGAR LUCKNOW U.P. 226026 INDIA

Our Report of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and process 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.
2. We have not verified the correctness and appropriateness of financial records and books of accounts of the Company.
3. Wherever required, we have obtained the management representation about the compliance of laws, rules and regulations and happening of events etc.
4. 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 procedure on test basis.
5. 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.

For Amit Gupta & Associates
Company Secretaries

AMIT Digitally signed
by AMIT GUPTA
GUPTA Date: 2022.07.20
13:29:30 +05'30'

Amit Gupta
Proprietor
Membership No.: F5478
C.P. No. 4682

UDIN - F005478D000653400
Date: July 20, 2022
Place: Lucknow

Management Discussion & Analysis Report

MACROECONOMIC OVERVIEW

The last two years have been difficult for the world economy on account of the COVID-19 pandemic. Repeated waves of infection, supply-chain disruptions and, more recently, inflation have created particularly challenging times for policy-making. Faced with these challenges, the Government of India's immediate response was a bouquet of safety-nets to cushion the impact on vulnerable sections of society and the business sector. The second wave of the Covid-19 pandemic which peaked in May 2021, caught most people off guard; accelerated at an incredible pace, leading to the wholesale collapse of an already vulnerable public health system and left behind silent epidemics we are yet to contend with in its wake. Thankfully, the economic repercussions of the second wave were not as great as the complete lockdown imposed during the first wave even though the health impact was more severe. In fact, the Indian economy grew at a record pace of 20.1% in the first quarter of the financial year, mainly on account of lower base effect of the first quarter, while the GDP in absolute terms was lower than the corresponding quarter of the pre-covid year 2019-20. This was followed by GDP growth rates of 8.4%, 5.4% and 4.1% in the subsequent quarters of the financial year, with agriculture and manufacturing sectors being the key contributors in the growth. Overall, the economy grew at a rate of 8.7% as compared to the contraction of 7.3% in 2020-21.

Looking at government data and projections for the current year, GDP is expected to grow in real terms by 7.2% in 2022-23. World Bank's and Asian Development Bank have predicted 8% and 7.5% real GDP growth for 2022-23. According to the IMF's World Economic Outlook projections, India's real GDP will grow at 8.2% in 2022-23, and 7.1% in 2023-2024, making it the world's fastest growing major economy for all three years. Speaking of Financial sector and monetary management, the Indian markets outperformed counterparts among key developing market economies from April to December 2021. India is expected to be the fourth largest private



wealth market globally by 2028. India is today one of the most vibrant global economies on the back of robust banking and insurance sector, and it seems that the country is well-positioned to meet the challenges of 2022-23 across all sectors including the financial services sector. Having said this, the country still needs to find a way to address the overarching concerns of inflation, rising economic inequality and poverty and unemployment and climate change issues to ensure sustainable and equitable growth.

INDUSTRY INSIGHTS

The Indian financial system is gradually shifting from a bank-dominated space to a hybrid system wherein non-bank intermediaries are gaining prominence. NBFCs play a significant role in promoting inclusive growth by providing financial services to the less-banked customers as well as unorganised sector such as the micro, small and medium enterprises (MSMEs) through efficiency and diversity. Since a large chunk of India's population did not even have bank accounts a decade ago, the government has been encouraging financial inclusion. And one of the vital components of financial inclusion is adequate access to credit, which has created enormous prospects for the NBFC sector. This is a key factor that many NBFCs have been constantly focusing on improving their services through diversified offerings, technology adoption, strategic partnership, robust operational model, and regulatory compliance.

In recent years, emerging technologies have helped the microfinance industry in bringing productivity and efficiency in various aspects of their operations as well as lowering costs. Everything has become simpler, efficient and cost-effective, from lead generation to credit score calculation, customer onboarding, loan disbursement and collection. As a result, they have been able to bring down the cost of servicing their existing customers and acquiring new customers.

Further, COVID-19 has imposed numerous constraints on traditional business operations, urging organisations to recognise the importance of new technologies. Thus, a rising number of microfinance organisations have made significant progress in technological adoption, enabling paperless lending process. This has not only helped them to elevate customer experience, but also a great step towards sustainability.



The second wave of the pandemic impacted the AUM growth of the industry during the first half of the FY 2021-22 due to the localised lockdowns which restricted the movement of people and by the sheer toll it took on human lives. The portfolio quality also deteriorated as the movement restrictions imposed by various states impacted the borrowers' cash flows and, hence, the collection efficiency. The delinquencies had risen significantly in May-June 2021, however, with incremental restructuring and some improvement in collection efficiency, the reported delinquencies declined by September 30, 2021. During the first quarter of the financial year, survival was the key concern and most entities focused on collections instead of disbursements.

The rebound in the second-half of the FY 2021-22 on the back of the pent-up demand and after relaxation of the COVID-19 lockdown supported growth and earnings performance.

To strengthen supervision over NBFCs, the Reserve Bank of India (RBI) introduced scale-based regulation and revised NPA recognition and upgradation norms during 2021. The revised norms included the classification of Special Mention Account (SMA) and NPA on a day-end position basis and upgrade from an NPA to standard category only after clearance of all outstanding overdues. With the new RBI's asset classification norms, NPAs of NBFCs are likely to be elevated compared to FY21 levels.

RBI also brought in the Prompt Corrective Action (PCA) framework in December 2021, which was aimed at increasing market discipline among non-bank players and to align their regulations at par with those of banks.

The norms prescribed a risk threshold monitoring for NBFCs based on the total capital, tier-1 capital and net NPAs. The framework comes into effect from October 1, 2022, based on the financial position of NBFCs on or after March 31, 2022. PCA framework, which prescribes a certain threshold of NPA number, means NBFCs need to focus more on collection and control their NPAs.

*As at March 31, 2022 MFIs have an extensive presence across 27 states and 5 Union Territories with an aggregate Gross Loan Portfolio (GLP) as on March 31, 2022 of Rs. 96,561 Cr including owned portfolio Rs. 82,458 Cr and managed portfolio (off BS) of Rs. 14,104 Cr. The owned portfolio of MFIN members is about 82.1% of the NBFC-MFI universe portfolio of Rs. 1,00,407 Cr. On YoY basis, GLP has increased by 19.4% as compared to March 31, 2021. The Portfolio at Risk (PAR) >30 days as on March 31, 2022 has increased to 9.7% as compared to 9.2% as on March 31, 2021.

*During the FY 2021-22, MFIs disbursed Rs. 83,354 Cr. loans through 2.3 Cr accounts, including disbursements of owned as well as managed portfolio, there has been a YoY increase of 44.9 % higher than the disbursements made in FY 2020-21.

*During FY 2021-22, NBFC MFIs received a total of Rs. 47,931 Cr in debt funding (from Banks and other Financial Institutions) which is a growth of 18.1 % as compared to FY 2020-21. In spite of strong competition faced by the NBFCs, the inner strength of NBFCs viz local knowledge, credit appraisal skill, well trained collection machinery, close monitoring of borrowers and personalized attention to each client, are catering to the needs of small and medium enterprises in the rural and semi urban area, enabling the Government and Regulators to further the mission of financial inclusion.

**Industry data updated from MFIN Micrometer*

BUSINESS REVIEW

Sonata Finance Private Limited ("SONATA"/ "the Company") is a leading microfinance institution (registered with Reserve Bank of India as Non-Banking Finance Company (Non-Deposit taking) ("NBFC –MFI").

The company is primarily engaged in providing microfinance loans to low-income households thereby leading towards financial inclusion and economic empowerment of women and underprivileged sections of the society. The core business of the Company is to provide small value loans and certain other basic financial services to its clients who either do not have any access to loans from institutional sources of financing or the same is very limited. The Company aims to provide financial services at the doorstep of its clients. The borrowers of the company are predominantly located in rural/ semi urban areas and the Company extends loans to them mainly for use in small businesses or for other income-generating activities.

The company operates through a network of 451 branches across 130 districts in rural and semi-urban areas of 9 states, viz., Uttar Pradesh, Madhya Pradesh, Jharkhand, Maharashtra, Uttarakhand, Punjab, Haryana, Bihar & Rajasthan. Besides providing income generation loans to joint liability groups of women, the company offers a diversified basket of products such as housing loans, sanitation loans, utility loans, two-wheeler loans, individual loans and MSME loans.

AUM snapshot

As on March 31, 2022, the company had 0.77 million borrowers with total assets under management being Rs. 17620 million as compared to 0.75 million active borrowers and AUM of Rs. 15041.5 million as on March 31, 2021.

The year-on-year position of the Gross Loan Portfolio and number of active borrowers of the Company is as under:



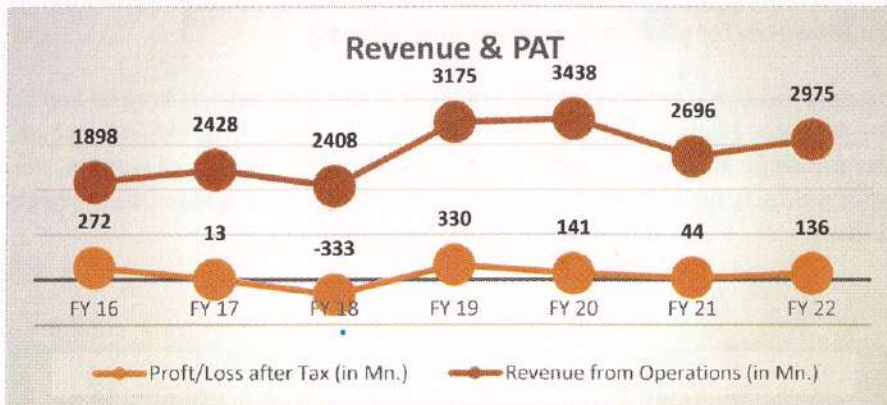
Disbursements

The first half of the financial year saw a decline in the company’s disbursements as a result of pandemic induced disruptions, but the disbursements picked up again from the second half year, and continued at a good pace, as the impact of the third wave on business was minimal. During the year, the company disbursed loans of Rs. 15304.8 million, which is an increase of 89.46% over the previous year.

Financial Position

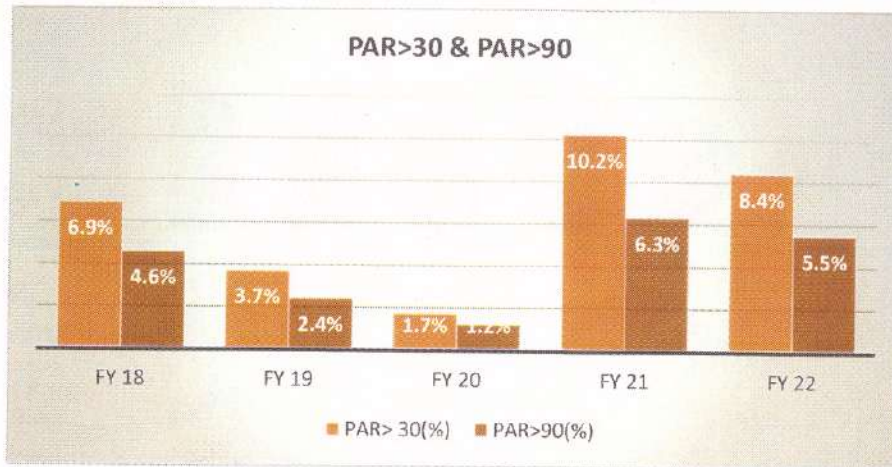
The total revenue from operation for the FY 2021-22 was Rs. 2975.37 million as against Rs. 2696.30 million for the FY 2020-21. The company recorded a PAT of ₹136.22 million during the financial year ended March 31, 2022, which is an increase of 210% over the previous year.

The year-on-year PAT and total revenue of the Company is as under:



Portfolio Quality

PAR > 30 stood at 8.4% as on March 31, 2022 as compared to 10.20% on March 31, 2021, whereas PAR > 90 was 5.5% as on March 31, 2022 as compared to 6.30% on March 31, 2021.



Debt Funding

The liquidity position of the company has been fairly sound during the year, as the company continues to be supported by its partner lending institutions. During the year, the company received new debt funds of Rs. 13,066.2 million from banks and financial institutions. An amount of Rs. 1,744.4 million was repaid during the year, and the total debt outstanding as on March 31, 2022 was at Rs. 18536.5 million.

HUMAN CAPITAL

The Company focuses on widening organisational skills and improving organisational effectiveness by having a competent and engaged workforce. A passionate and competent team, trained to put customers first, has helped the Company to thrive over the years. We are a people-oriented organisation that ensures for its employees work satisfaction, ample growth opportunities, fair compensation, recognition of achievements through fast-tracked promotions and direct interaction with senior management so that all concerns are heard and acted upon.

The unrelenting dedication of our people to the organisation enables us to grow and succeed. We provide our people a positive work environment that prioritises their well-being, and furthers their overall development through self-learning opportunities and an equitable, transparent and collaborative work culture.

We place high value on our employees' well-being. We also provided additional paid COVID leaves as an employee welfare measure, as well as monetary compensation for the families of the deceased. The Company also identifies and adopts best industry practices related to Health, Safety, Security and Environment which outlines the core of its business and ensures in developing a culture where its employees drive them.

We keep our employees engaged by implementing well designed employee engagement programmes that recognise their achievements and convey how much the organisation values their efforts.

The total number of regular employees at the end of FY 2021-22 was 2828.



TECHNOLOGICAL DEVELOPMENT

Our technology enabled infrastructure – digital platforms and centralized processes enabled us to quickly respond to the liquidity needs of our micro borrowers. While making the updates and upgrades in the IT systems it is always kept in mind that these new updates are aligned with our requirements and make the IT solution more productive for the organisation. The updates made during the year are as under:

- The mobile application is being continuously updated with new features and functionality which necessitates regular optimization of the code and improvement in UI so that the user experience could be improved and application could be made more efficient;
- The HRMS software and Sakhee application is being continuously updated with new features such as geo tagging of clients, End to End encryption of all the crucial services (APP - database – APP) and employee assistance self-service portal to communicate their personal help requests related to wellness or professional challenges.
- The IT infrastructure is also being continuously updated with upgradation of DR and DC, installation of Team Foundation Servers and tightening of security policies.
- Upgradation of Loan Management System (LMS) with separate document management server (DMS) and re-developed insurance settlement module.

OPPORTUNITIES

i. Large Unbanked Population

India has made significant strides in financial inclusion. However, despite the progress made, there remains significant ground to cover. A significant portion of our country remains outside the realms of digital finance and financial inclusion and relies on informal sources of credit. The microfinance sector is constantly working to fill this gap and MFI institutions have the opportunity to tap the undiminishing demand for rural microcredit to their advantage.

ii. Policy reforms

The vision of an inclusive India, as it marches towards higher growth trajectory, will have to be built on the microfinance pillar. Considering that microfinance space is dominated by banks, while specific microfinance regulations are applicable only to NBFC-MFIs the sector was eagerly looking forward to the release of final policy on regulation of microfinance by the Reserve Bank. The revised regulations notified on March 14, 2022 prescribe a principles-based approach over specific micro regulations, levelling the playing field between **NBFCs and banks**, and bringing client income and indebtedness to centre stage. The new regulations, to a great extent, will rationalise the regulatory framework for the NBFCs providing them with greater flexibility in credit decisioning, provisioning and asset management and increase their potential for growth.

iii. Fintech Opportunities

Since the early 2000s, technology adoption has been an essential component of the Indian microfinance sector. For example, use of Aadhaar for electronic “know your customer” (KYC) and authentication services, Jan Dhan- Aadhaar-Mobile (JAM) trinity and IndiaStack. The presence-less, paperless, cashless, and consent layers of India Stack enable lenders to unbundle their services and layer them in partnership with fintech companies to build products and value for a plethora of different customer demands.

Microfinance institutions now are collaborating with Fintech companies that offer core systems-loan origination and management systems. Identification technologies enable better KYC procedures, alternate credit scoring allows deeper customer insights, and cashless loan disbursements are expanding with the use of mobile-banking technologies. Now, technology provides Artificial Intelligence enables business analytics for MFI loan portfolios and helps in creating customised financial products based on customer data.

Fintech collaborations are transforming the microfinance sector, which will witness significant investments in digital capabilities in the next few years. MFIs have the opportunity to use fintech advances throughout the transaction cycle. Machine Learning and alternative data capabilities are projected to disrupt the microfinance industry by providing critical differentiators in asset sourcing and asset quality improvement. Digital will shape the microfinance environment in the future. Microfinance operations will require a connected business infrastructure to be efficient and scalable. Training and equipping the MFI personnel with the skills needed to become digitally proficient should be prioritised. Increased adoption of digital solutions across the value chain will assist MFIs in increasing overall productivity and efficiency. As a result, MFIs may be able to “do more with less” as a result of higher productivity.



iv. Digital Services

It is a pressing need to expand digital service uptake more than ever. We will be able to better serve our customers if we place a renewed emphasis on this for their convenience and welfare.

v. Technology Adoption

Customers demand smart solutions, immediate credits, and a flawless verification procedure, all of which are feasible with technology advancements.

CHALLENGES

i. Liquidity and Funding

The pandemic has adversely impacted the businesses of MSMEs, leading to slow down in income generation activities of these small businesses and micro enterprises. This has further adversely affected the collections and liquidity position of NBFCs and MFIs. Unlike banks, they do not have access to deposits and depend on a combination of wholesale debt and equity to finance their operations. The smaller NBFCs / MFIs, in particular, have always faced challenges in accessing adequate institutional funding, and generally source their funds support from other well-established non-banking companies or SFBs.

As the Covid impact lingers, funders are still risk averse and much of wholesale funding received during the major part of the last financial year, was under the umbrella of Credit Guarantee Scheme for Microfinance Institutions (CGSMFI) of the Government of India (GoI) However, the problem of funding drying up from traditional sources during such episodic events probably needs a systemic solution beyond CGSMFI. A dedicated fund with budgetary support or routing priority sector shortfall of banks needs to be created with development institutions to fund the sector in times of stress. This will act as a core source, which can be relied upon extensively when the mainstream funders are risk averse. Additionally, these funds can bring down the cost of lending.

During the past year, various measures from the RBI and GoI focussed on providing resolution to stressed clients and liquidity. Liquidity funnelled through All India Financial Institutions such as SIDBI, NABARD by the RBI and Credit Guarantee Scheme of the GoI have kept the sector providing financial support to low-income clients.

However, in view of uncertainties on account on possible future waves of the pandemic and other external and macroeconomic factors, access to adequate funding for maintaining liquidity buffer to survive such situations would remain critical for the sector to register a sustained improvement in growth.



ii. Managing Asset Quality and credit costs

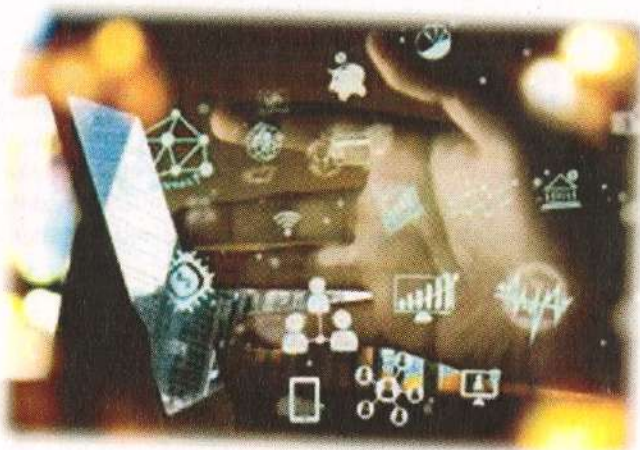
The gross non-performing assets (NPAs) of NBFCs are likely to rise, following the Reserve Bank of India's (RBI) move to tighten the NPA norms in November 2021. While regulatory tightening in the form of daily recognition of non-performing advances (NPAs) and the upgradation on the full recovery of overdues could impact the NPA numbers of the company, it was expected that over 90 dpd (days past decline) to decline slightly in second half of the FY 2021-22, though it remained elevated.

In a report released in November 2021, CARE Ratings said there would be an increase of up to 300 basis points (bps) in gross NPAs with a limited impact for shorter-tenure loans due to the revised NPA norms. The average increase is expected to be around 150 basis points (bps) in gross NPAs, being a proportion of assets moving from SMA2 buckets. Further, the credit costs are expected to remain elevated because of persisting uncertainty and expected slippages from the restructured book. This may keep the profitability subdued for the company in FY2022, though the same is likely to witness a significant improvement as compared to FY 2021-22.

iii. Barriers in adoption of technology

While the advantages of technological integration for MFIs are clear, some concerns and problems are to be addressed

- **Limited awareness:** MFIs mostly deal with workforce and business correspondent partners with weak financial literacy and inadequate formal education. The limited adoption of cashless transactions in the ecosystem is due to a lack of awareness of the banking infrastructure and digital services available. Customers receiving loans disbursed straight into their bank accounts end up withdrawing these funds to spend in cash since the ecosystem continues to be cash-based. Because customers perceive no benefit in keeping their money digital, loan repayments are also cash. Repayment through cash can lead to delay in repaying loans by customers, affecting MFIs efficiency in loan recovery and also creating risk of frauds and misappropriation.
- **Need for personal connect:** MFIs have been known for their personal connect with clients. However, with technology making inroads into the industry, opinions on how customer service dynamics are evolving are split. The 'on-the-ground' field agents are crucial for understanding the financial possibilities available to the target segment that MFIs serve. As a result, any technology installation must keep customers connected while maximising company resources. While Joint Lending Group (JLG) or Self-Help Group (SHG) formats ensure group guarantees are in place, giving peer pressure to repay the loan, and centre meetings reinforce the repayment habit; nonetheless, MFIs must take a multipronged approach to solve this problem.
- **Limited expertise:** Even though digital adoption rates and Internet connectivity have been continuously expanding across India, there is a scarcity of expertise for adapting to the latest digital interventions in the Microfinance value chain. This is partly due to NBFC-MFIs' geographic focus on rural and semi-urban areas, where staffing needs are directly satisfied by recruiting from the locally available pool in areas where significant digital skill gaps exist.



and north-eastern regions are the least well-connected, with problems with electricity, payment infrastructure, and the Internet. Such conditions will continue to present roadblocks in the digitisation and implementation of new technologies by the microfinance institutions, especially those majorly operating in unserved rural and remote areas of the county.

RISK MANAGEMENT

Our Company constantly invests in people, processes and technology as the Company acknowledges that these are vital elements for mitigating various risks posed by the environment. The Company has established detailed procedures and policies for underwriting across various product categories, based on the credit profile of the customers. While risk is an inherent aspect of any business, the Company, being a financial company is exposed to various numerous risks that are particular to its business and the environment within which it operates, including interest rate volatility, operational risk, economic cycle, credit risk and market risk. The most important among them are credit risk, market risk and operational risk. The Company has the overall responsibility of ensuring that an effective risk management framework is aligned to its objectives. The Risk management committee comprising of senior management personnel has created framework to assess, avoid, manage and mitigate risks across various segments on a continuous basis and reports to the Board, as a monitoring and decision support information base.

INTERNAL CONTROL SYSTEMS & THEIR ADEQUACY

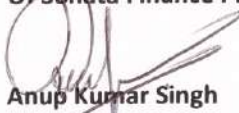
The Company has an adequate internal control system in place to safeguard assets and protect against losses from any unauthorised use or disposition. The system authorises, records and reports transactions and ensures that recorded data are reliable to prepare financial information and to maintain accountability of assets. The Company's internal controls are supplemented by an extensive programme of internal audits, reviews by the management, and documented policies, guidelines and procedures. The Company also has a team of internal auditors to conduct an internal audit which provides that all transactions are correctly authorised and reported.

The Audit Committee of the Board of Directors, comprising of independent directors, periodically reviews the internal audit reports, covering findings, adequacy of internal controls, compliances applicable on the Company. The Audit Committee also meet the Company's Statutory Auditors to ascertain their views on the financial statements, including the financial reporting system, compliance to accounting policies and procedures, the adequacy and effectiveness of the internal control and systems followed by the Company. The Management acts upon the observations and suggestions of the Audit Committee. Further, the company has the financial system and procedures duly audited by M/s BSR & Co. LLP, Chartered Accountants, Mumbai, who have reported that the financial systems are as per the requirements.

CAUTIONARY STATEMENT

The Board of Directors have reviewed the Management Discussion and Analysis prepared by the Management, and the Independent Auditors have noted its contents. Statement in this report of the Company's objective, projections, estimates, exceptions, and predictions are forward looking statements subject to the applicable laws and regulations. The statements may be subjected to certain risks and uncertainties. Company's operations are affected by many external and internal factors which are beyond the control of the management. Thus, the actual situation may differ from those expressed or implied. The Company assumes no responsibility in respect of forward-looking statements that may be amended or modified in future on the basis of subsequent developments, information or events.

On behalf of the Board of Directors
Of Sonata Finance Private Limited


Anup Kumar Singh
Managing Director
DIN: 00173413
Place: New Delhi
Date: May 27, 2022


Pradip Kumar Saha
Director
DIN: 02947368

ANNEXURE-V TO THE BOARD REPORT

The ratio of the remuneration of each Director to the median employee's remuneration and such other details in terms of Section 197(12) of the Companies Act, 2013 read with Rule 5 (1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

S.No.	Requirements	Disclosure
<i>i.</i>	The ratio of the remuneration of each director to the median remuneration of the employees of the Company for the financial year.	Mr. Anup Kumar Singh (MD):94.30:1
<i>ii.</i>	The percentage increase in remuneration of each director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year.	Mr. Anup Kumar Singh (MD): 52.68% Mr. Akhilesh Kumar Singh (CFO): 15% Ms. Paurvi Srivastava (CS): 8%
<i>iii.</i>	The percentage increase in the median remuneration of employees in the financial year.	The percentage increase in the median remuneration of employees in the financial year is around 9%
<i>iv.</i>	The number of permanent employees on the rolls of the Company.	2828
<i>v.</i>	Average percentile increases already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration	Average percentile increases already made in the salaries of employees other than the managerial personnel: 3% The average increase in the managerial remuneration: 11%

Statement in terms of Section 197(12) of the Companies Act, 2013 read with Rule 5 (2) & (3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

Names of the top ten employees in terms of remuneration drawn and the name of every employee, who-

- i.* If employed for a part of the financial year, was in receipt of remuneration for any part of that year, at a rate which, in the aggregate, was not less than eight lacs and fifty thousand rupees per month; - None
- ii.* If employed throughout the financial year or part thereof, was in receipt of remuneration in that year which, in the aggregate, or as the case may be, at a rate which, in the aggregate, is in excess of that drawn by the managing director or whole-time director or manager and holds by himself or along with his spouse and dependent children, not less than two percent of the equity shares of the company. - None
- iii.* If employed throughout the financial year, was in receipt of remuneration for that year which, in the aggregate, was not less than one crore and two lakh rupees - None

List of Top Ten Employees of the Company in terms of remuneration:

S. No	Employee Name & Designation	Previous Organization	Qualification and Experience	Date of Joining	Age	Remuneration received (annually)	% of equity shares held by the employee	Relative of any director of the company
1.	Akhilesh Kumar Singh (Chief Financial Officer)	Microsave&Casphor Micro Credit	Certified Expert in SME Finance from Frankfurt School of Finance and Management, Germany. Graduate In mathematics & holds advance diploma in Rural Technology Development and Management. He has 22 years of experience.	03-04-17	49	5,907,924	-	None
2.	Manish Raj (Chief Account Controller)	Sahara India Financial Co. Ltd.	MBA (Finance) from FMS BHU. He has experience of more than 22 years in Finance.	07-07-18	48	46,30,908	-	None
3.	Bramhanand (Finance Head)	Casphor Micro Credit	CA (Inter), M.com and LLB. He has 21 years of	26-12-05	43	35,24,724	0.0038 %	None

S. No	Employee Name & Designation	Previous Organization	Qualification and Experience	Date of Joining	Age	Remuneration received (annually)	% of equity shares held by the employee	Relative of any director of the company
			experience in microfinance.					
4.	Ashish Singh (Chief Operations-IL)	Casphor Micro Credit	MBA (Finance & Banking). Holds 18 years of experience in microfinance	19-08-06	40	27,44,724	0.11%	None
5.	Vinay Pratap Singh (Chief Operations-JLG)	Casphor Micro Credit	Masters of Business Administration and 21 years of experience in MFI sector.	31-08-09	46	27,44,724	0.106%	None
6.	Tarun Kumar Srivastava (Internal Audit Head)	Casphor Micro Credit	Masters in Social Welfare and Bachelor of Law. Holds 23 years of experience in Microfinance.	01-02-07	51	27,44,724	0.11%	None
7.	Shyam Kanhaiya (IT Head)	NA	Master of Computer Applications and experience of 14 years	04-08-06	41	27,44,724	0.08%	None
8.	Davendra Singh (Chief Compliance Officer)	Sahara India Medical Institute Ltd	Fellow Company Secretary with 34 years of experience.	09-06-16	60	27,21,000	-	None
9.	Richa Sharma (Accounts Head)	Hindustan Glass Works Ltd	Chartered Accountant and experience of 11 years	15-05-13	38	24,44,724	0.076%	None

S. No	Employee Name & Designation	Previous Organization	Qualification and Experience	Date of Joining	Age	Remuneration received (annually)	% of equity shares held by the employee	Relative of any director of the company
10.	Tarandeep Singh (Chief Operations-Cross-Sell)	HDFC Bank, Citi Financial	Graduate in Commerce Holds more than 20 years of experience in Financial Services Sector	03-05-16	42	23,24,724	-	None

On behalf of the Board of Directors
Of Sonata Finance Private Limited


Anup Kumar Singh
Managing Director
DIN: 00173413


Pradip Kumar Saha
Director
DIN: 02947368

Place: New Delhi
Date: May 27, 2022