

SGCO & Co.LLP

Chartered Accountants

Independent Auditor's Report on Security Cover and Compliance with Financial Covenants as at June 30, 2023 under Regulation 54 read with Regulation 56(1)(d) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended) for submission to IDBI Trusteeship Services Limited (the 'Debenture Trustee') and Bombay Stock Exchange (BSE)

To,
The Board of Directors
IKF Finance Limited
40-1-144, 1st Floor, Corporate Centre,
M.G. Road, Vijayawada,
Andhra Pradesh-520010

1. This report is issued in accordance with requirements of email dated August 10, 2023 received from IKF Finance Limited (hereinafter the "Company").
2. We SGCO & Co LLP, Chartered Accountants, are the Statutory Auditors of the Company and have been requested by the Company to examine the accompanying Statement showing 'Security Cover' as per the terms of Debenture Trust Deed for the listed non- convertible debt securities as at June 30, 2023 ("Annexure I") which has been prepared by company from the reviewed financial results and other relevant records and documents maintained by the Company as at quarter ended June 30, 2023 in accordance with Regulation 56(1)(d) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended, (the "SEBI regulations").

This Report is required by the Company for the purpose of submission with IDBI Trusteeship Limited (the "Debenture Trustee") and the BSE to ensure compliance with the SEBI Regulations and SEBI Circular SEBI/HO/MIRSD/MIRSO_CRADT/CIR/P/2023/67 dated May 19, 2023 ("the circular") in respect of its listed non-convertible debt securities as at June 30, 2023 ("Debentures"). The Company has entered into agreement(s) with the Debenture Trustee ("Debenture Trust Deed") in respect of such Debentures, as indicated in the statement.

Management's Responsibility

3. The preparation and completeness of the accompanying Statement (Annexure I) is the responsibility of the management of the Company including the preparation and maintenance of all accounting and other relevant supporting records and documents. This responsibility includes the design, implementation and maintenance of internal control relevant to preparation and presentation of the Statement and applying an appropriate basis of preparation and making estimates that are reasonable in the circumstances.
4. The Management of the Company is also responsible for ensuring that the Company complies with all the relevant requirements of the SEBI circular, SEBI Regulations, Companies Act, 2013 and other applicable laws and regulations, as applicable.
5. The Management is also responsible to ensure that Security Cover Ratio as on June 30, 2023 is in compliance with SEBI circular no. SEBI/HO/MIRSD/MIRSD_CRADT/CIR/P/2023/67 dated May 19, 2023 with the minimum security cover

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requirement of hundred percent as per the SEBI Regulations as given in Annexure I and complied with the applicable financial covenants ("Annexure II) as at that date in accordance with Regulation 56(1)(d) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended, (the "SEBI regulations") attached to this certificate.

Auditor's Responsibility

6. Our responsibility, for the purpose of this certificate is to verify that the particulars contained in the Statement, on the basis of the reviewed unaudited books of accounts and other relevant records and documents maintained by the company and to certify security cover ratio is minimum hundred percent as per the minimum requirement stated in SEBI Regulations and the company is in compliance with the financial covenants as mentioned in the Debenture Trust Deed.
7. We have reviewed the unaudited books of accounts for the quarter ended June 30, 2023, prepared by the Company pursuant to the requirements of Regulation 52 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, and issued an unmodified conclusion dated August 11, 2023. Our review of these unaudited books of accounts for the quarter ended June 30, 2023 was conducted in accordance with the Standard on Review Engagements (SRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Institute of Chartered Accountants of India ("ICAI") respectively.
8. We conducted our examination of the Statement in accordance with the Guidance Note on Reports or Certificates for Special Purposes issued by the ICAI. The Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by the ICAI.
9. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and other assurance and related services engagements.
10. Our scope of work did not involve us performing audit tests for the purposes of expressing an opinion on the fairness or accuracy of any of the financial information or the unaudited books of accounts of the Company taken as a whole. We have not performed an audit, the objective of which would be the expression of an opinion on the unaudited books of accounts, specified elements, accounts or items thereof, for the purpose of this report. Accordingly, we do not express such an opinion.
11. A limited assurance engagement includes performing procedures to obtain sufficient appropriate audit evidence on the reporting criteria. The procedures performed vary in nature and timing from, and are less extent than for, a reasonable assurance and consequently, the level of assurance obtained is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we have performed the following procedures:
 - a) Traced all the amounts relating to assets and liabilities (as mentioned in the Annexure I) to the unaudited books of accounts as at June 30, 2023, and other records of the Company and verified the arithmetical accuracy of the numbers in the statement;
 - b) Verified the amount of security cover as at June 30, 2023, certified by the management and M/s. Hanumaiah & Co. Chartered Accountants dated August 04, 2023

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- c) Obtained statement of receivables hypothecated to Lenders for Listed non-convertible Debentures as at June 30, 2023, certified by the management and M/s. Hanumaiah & Co. Chartered Accountants dated August 04, 2023
 - d) Obtained and read the Debenture Trust Deed and the Information Memorandum in respect of the secured Debentures and noted the security cover percentage required to be maintained by the Company in respect of such Debentures.
 - e) Traced and agreed the principal amount of the Listed non-convertible Debentures outstanding as at June 30, 2023 to the unaudited books of account maintained by the Company as at quarter ended June 30, 2023;
 - f) Obtained and read the particulars of security cover required to be provided in respect of Debentures as indicated in the Debenture Trust Deed and the Information Memorandum and compared it with the information furnished in Annexure I.
 - g) Traced the value of assets indicated in Annexure I of the Statement from management certified Statement of receivables hypothecated to lenders as on June 30, 2023 ("Hypothecated assets reports"). We have checked the Receivable amount of Hypothecated assets reports from Loans Outstanding report as on June 30, 2023.
 - h) Obtained the list of security created in the register of charges maintained by the Company, 'Form No. CHG-9' and 'Form No. CHG 1' filed with Ministry of Corporate Affairs. Traced the value of charge created against assets to the security cover relating to principal value of listed non- convertible debt securities.
 - i) Performed necessary inquiries with the Management and obtained necessary representations;
 - j) With respect to compliance with financial covenants (Annexure II), we have performed following procedures:
 - (i) Compared the financial covenants computed by the management based on unaudited books of accounts for the quarter ended June 30, 2023 with the requirements stipulated in the Debenture trust deed (s) to verify whether such covenants are in compliance with the requirements of the debenture trust deed(s).
 - (ii) Obtained the copies of bank statements and traced the date of repayment of principal and interest due on sample basis for the quarter ended June 30, 2023
 - (iii) Performed necessary inquiries with the management regarding any instances of non- compliance of covenants for the quarter ended June 30, 2023
12. We have no responsibility to update this certificate for events and circumstances occurring after the date of this certificate.
13. Based on the procedures performed by us, as referred to in paragraph 11 above and according to the information and explanations received and management representations obtained, nothing has come to our attention that causes us to believe that:
- (i) The Company has not maintained hundred percent security cover as per the terms of the Information memorandum and Debenture Trust deed. We further state that book value of the asset provided in Annexure I attached to this report is in conformity with books of accounts maintained by the company.
 - (ii) The company has not complied with the applicable financial covenants as per the terms sheet/ offer documents with respect to the extent applicable to them.

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Restriction of use

14. The Report has been issued at the request of the Company, solely in connection with the purpose mentioned in paragraph 2 above and to be submitted with the accompanying Statement to the Debenture Trustees & BSE and is not to be used or referred to for any other person. Accordingly, we do not accept or assume any liability or any duty of care for any other purpose or to any other person to whom this report is shown or into whose hands it may come. We have no responsibility to update this certificate for events and circumstances occurring after the date of this report.

For SGCO & CO. LLP

Chartered Accountants

Firm Reg. No. :- 112081W/W100184

SURESH
PRAHLADRA
MURARKA

Chartered Accountant (Suresh Prahladra Murarka)
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Suresh Murarka

Membership No. :- 044739

UDIN : 23044739BGUNRS9735

Date :- August 11, 2023

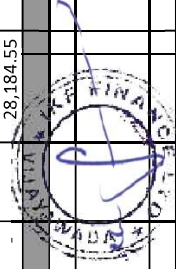
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Column A	Column B	Column C	Column D	Column E	Column F	Column G	Column H	Column I	Column J	Column K	Column L	Column M	Column N	Column O
Particulars	Description of asset for which this certificate relate	Exclusive Charge	Exclusive Charge	Par-Passu Charge	Par-Passu Charge	Par-Passu Charge	Assets not offered as Security	Elimination (amount in negative)	(Total C to H)	Market Value for Assets charged on Exclusive basis	Carrying/book value for exclusive charge assets where market value is not ascertainable or applicable (For Eg. Bank Balance, DSR, market value is not applicable)	Market Value for Par passu charge Assets	Carrying value/book value for par passu charge assets where market value is not ascertainable or applicable (For Eg. Bank Balance, DSR, market value is not applicable)	Total Value=(L+M+N)
		Book Value	Book Value	Yes/No	Book Value	Book Value	Book Value	debt amount considered more than once (due to exclusive plus par passu charge)						
		Book Value	Book Value	Yes/No	Book Value	Book Value	Book Value						Relating to Column F	
ASSETS														
Property, Plant and Equipment		-	-	-	-	-	268.56	-	268.56	-	-	-	-	-
Capital Work-in-Progress		-	-	-	-	-	-	-	-	-	-	-	-	-
Right of Use Assets		-	-	-	-	-	257.86	-	257.86	-	-	-	-	-
Goodwill		-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible Assets		-	-	-	-	-	143.30	-	143.30	-	-	-	-	-
Intangible Assets under Development		-	-	-	-	-	-	-	-	-	-	-	-	-
Investments		-	-	-	-	-	23,531.63	-	23,531.63	-	-	-	-	-
Loans		5,588.38	186,656.44	-	-	-	33,690.49	-	225,935.31	-	5,588.38	-	-	5,588.38
Inventories		-	-	-	-	-	-	-	-	-	-	-	-	-
Trade Receivables		-	-	-	-	-	-	-	-	-	-	-	-	-
Cash and Cash Equivalents		-	-	-	-	-	5,761.01	-	5,761.01	-	-	-	-	-
Bank Balances other than Cash and Cash Equivalents		-	-	-	-	-	2,540.16	-	2,540.16	-	-	-	-	-
Others		-	-	-	-	-	5,280.39	-	5,280.39	-	-	-	-	-
Total		5,588.38	186,656.44				71,473.40		263,718.22		5,588.38			5,588.38
LIABILITIES														
Debt securities to which this certificate pertains		5,025.57	-	-	-	-	-	-	5,025.57	-	5,025.57	-	-	5,025.57
Other debt (sharing par-passu charge with above debt)		not to be filled	-	-	-	-	-	-	-	-	-	-	-	-
Other Debt		-	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt		-	-	-	-	-	16,351.14	-	16,351.14	-	-	-	-	-
Borrowings		-	-	-	-	-	-	-	-	-	-	-	-	-
Bank (Note 1)		-	-	-	-	-	-	-	-	-	-	-	-	-
Term loans and cash credit from Banks			132,541.74				7,853.91		132,541.74					
Debt Securities		-	-	-	-	-	-	-	-	-	-	-	-	-
Others (Note 2)		-	-	-	-	-	-	-	7,853.91	-	-	-	-	-
Term loans from NBFC/ FI and Securitization			28,149.07				-		28,149.07					
Trade payables		-	-	-	-	-	-	-	-	-	-	-	-	-
Lease liabilities		-	-	-	-	-	268.67	-	268.67	-	-	-	-	-
Provisions		-	-	-	-	-	248.89	-	248.89	-	-	-	-	-
Others		-	-	-	-	-	3,461.94	-	3,461.94	-	-	-	-	-
Total		5,025.57	160,690.81				28,184.55		193,900.93		5,025.57			5,025.57
Cover on Book Value														1.11
Cover on Market Value														1.11
		Exclusive Security Cover Ratio	1.11				Par-Passu Security Cover Ratio							



Annexure I


ISIN wise details

Amounts in Lacs

S No	ISIN	Facility	Type of Charge	Sanctioned Amount	Outstanding Amount as on 30.06.2023	Cover Required	Security Required	Actual Cover	Actual Security
1	INE859C07147	Non Convertible Debentures	Fixed Charge	5,000	5,026*	1.10	5,529	1.11	5,588
		Total		5,000	5,026	1.10	5,529	1.11	5,588

* Including Interest Accrued Net of TDS

For IKF FINANCE LTD.


Ch. Sreenivasa Rao
Company Secretary
M. No. 14723



Annexure-II


Financial Covenants		
Bank Of India		
Sr. No	Requirement	As Per Verification
1	Maintain CRAR At 18%	31.18%
2	Gross NPA- Less than 5 %	2.69%

Unifi		
Sr. No	Requirement	As Per Verification
1	Maintain CRAR At 18%	31.18%
2	Gross NPA- Less than 5 %	2.69%

Piramal		
Sr. No	Requirement	As Per Verification
1	Debt to Networth is less than 5 %	2.72
2	Maintain CRAR At 20%	31.18%
3	Gross NPA- Less than 5 %	2.69%
4	NNPA is not more than 4%	2.14%
5	The earnings of the company after tax shall remain positive	Positive

Northern Arc Capital		
Sr. No	Requirement	As Per Verification
1	Maintain CRAR At 20%	31.18%
2	Cumulative ALM (Excluding CC limits) should always be positive in all the buckets upto one year to the extent of at least 10%	Positive
3	Tangible Networth to Gross Loan Portfolio minimum 12%	30.44%
4	Gross NPA- Less than 5 %	2.69%

For IKF Finance Limited


(Ch Sreenivasa Rao)
Company Secretary
Place: Vijayawada
Date: 11.08.2023



IKF Finance Limited

Registered Office: #40-1-144, Corporate Centre, M.G.Road, VIJAYAWADA - 520 010.

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