

SGCO & Co.LLP

Chartered Accountants

Independent Auditor's Report on Quarterly and Year To date Unaudited Standalone Financial Results of IKF Finance Limited pursuant to the Regulation 52 of SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015 as amended.

To,
The Board of Directors
IKF Finance Limited

1. We have reviewed the accompanying Statement of unaudited standalone financial Results of **IKF Finance Limited** ('the Company') for the quarter and nine months ended 31st December 2021 together with notes thereon ("the Statement") attached herewith, being submitted by the Company pursuant to the requirements of Regulation 52 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended (the "Listing Regulations").
2. This Statement which is the responsibility of the Company's Management and approved by the Board of Directors, has been prepared in accordance with recognition and measurement principles laid down in Indian Accounting Standard 34, (Ind AS 34) "Interim Financial Reporting" as prescribed under Section 133 of Companies Act, 2013 as amended read with relevant rules issued there under and other accounting principles generally accepted in India. Our responsibility is to issue a report on the Statement based on our review.
3. We conducted our review in accordance with the Standard on Review Engagement (SRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the Statement is free of material misstatement. A review is limited primarily to inquiries of the Company personnel responsible for financial and accounting matters and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.
4. Based on our review conducted as above, nothing has come to our attention that causes us to believe that the accompanying Statement, prepared in accordance with the recognition and measurement principles laid down in Ind AS 34 prescribed under Section 133 of the Companies Act, 2013, as amended, read with relevant rules issued thereunder and other accounting principles generally accepted in India, has not disclosed the information required to be disclosed in terms of the Listing Regulations, including the manner in which it is to be disclosed, or that it contains any material misstatement.
5. The unaudited financial results of quarter and nine months ended December 31,2020 were not subjected to limited review and have been certified by the management which has been relied upon by us.

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6. Emphasis of Matter:

We draw attention to Note no. 6 to the statement, which described the uncertainty arising from Covid-19 pandemic and impacting the company's operations and estimates related to impairment of assets, which are dependent on future developments regarding the severity and duration of the pandemic. Our conclusion is not modified in respect of this matter.

7. Other Matters

- a) The Statement includes comparative figures for the Company for the quarter ended September 30, 2021, which have been reviewed by the predecessor firm of statutory auditors vide its report dated November 13, 2021, in which the predecessor auditor has expressed unmodified conclusion.
- b) The numbers and details pertaining to year ended as at 31st March, 2021 and notes related thereto in the Statement have been traced from the Standalone Financial Statements of the Company audited by predecessor firm of statutory auditor vide their unmodified report dated 26th June, 2021. Our conclusion on the Statement is not modified in respect of these matters.

For S G C O & Co. LLP
Chartered Accountants
FRN. 112081W/W100184



Suresh Murarka
Partner
Mem. No. 044739
UDIN: 22044739ACDZMG8989

Place: Mumbai
Date: 14th February 2022

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IKF Finance Limited

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Financial Results for the quarter and nine months ended December 31, 2021

(Rs in Lacs)

	Particulars	Quarter Ended			Nine Months Ended		Year Ended
		December 31, 2021 (Unaudited)	September 30, 2021 (Unaudited)	December 31, 2020 (Unaudited)	December 31, 2021 (Unaudited)	December 31, 2020 (Unaudited)	March 31, 2021 (Audited)
1	Revenue from operations						
	(a) Interest income	5,362.72	5131.07	5078.85	15,822.35	15,576.49	20,295.71
	(b) Fees and commission income	10.75	37.79	53.36	78.94	78.76	110.92
	Total revenue from operations	5,373.47	5,168.86	5,132.21	15,901.29	15,655.25	20,406.63
2	Other income	12.78	2.07	2.50	16.93	13.83	16.29
3	Total income (1 + 2)	5,386.25	5,170.93	5,134.71	15,918.22	15,669.08	20,422.92
4	Expenses						
	(a) Finance costs	3,035.91	2924.73	2775.76	8,853.65	8,634.34	11,609.00
	(b) Impairment on financial instruments	40.87	106.96	367.79	559.28	1,158.14	647.15
	(c) Employee benefits expenses	782.55	759.28	655.23	2,266.10	1,912.18	2,621.34
	(d) Depreciation, amortization and impairment	31.47	31.44	36.44	97.46	110.03	144.14
	(e) Others expenses	250.85	277.61	211.64	691.85	545.41	981.02
	Total expenses	4,141.65	4,100.02	4,046.86	12,468.34	12,360.10	16,002.65
5	Profit before tax (3 - 4)	1,244.60	1,070.91	1,087.85	3,449.88	3,308.98	4,420.27
6	Tax expenses						
	(a) Current tax	270.78	229.88	245.65	716.84	882.33	795.96
	(b) Deferred tax	47.90	53.54	43.93	167.71	-28.94	368.34
	(c) Adjustment of tax relating to earlier periods	0.00	0.00	0.00	0.00	55.43	65.46
7	Net Profit for the period (5 - 6)	925.92	787.48	798.26	2,565.33	2,400.16	3,190.51
8	Other comprehensive income						
	(A) Items that will not be reclassified to profit or loss						
	(a) Remeasurements of the defined benefit plans	5.04	2.33	0.00	9.71	7.98	13.44
	(b) Income tax relating to items that will not be reclassified to profit or loss	-1.27	-0.59	0.00	-2.44	-2.01	-3.38
9	Total Comprehensive Income (7 + 8)	929.69	789.22	798.26	2,572.60	2,406.13	3,200.57
10	Earnings per Share (Rs) (Face Value of Rs.10/- each)						
	- Basic (Not Annualised)	1.79	1.52	1.59	4.96	4.77	6.35
	- Diluted (Not Annualised)	1.79	1.52	1.59	4.96	4.77	6.34

Notes:

- IKF Finance Limited (the 'Company' / 'IKF') has prepared unaudited financial results (the 'Statement') for the quarter and nine months ended December 31, 2021 in accordance with Regulation 52 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended (the 'Listing Regulations, 2015') and the recognition and measurement principles laid down in Indian Accounting Standard-34 interim financial reporting as prescribed under section 133 of the Companies Act, 2013 read with the Companies (Indian Accounting Standards) Rules, 2015 as amended and the relevant provision of the Companies Act, 2013, as applicable.
- The above financial results are reviewed and recommended by the Audit Committee and have been approved by the Board of Directors of the Company at their respective meetings held on February 14, 2022.
- The above financial results for the quarter and nine months ended December 31, 2021 have been subjected to Limited Review by the Statutory Auditors of the Company and the auditors have issued an unqualified review report. The financial results for the quarter ended September 30, 2021 and for the year ended March 31, 2021 were reviewed/audited by S R Battiboi & Co. LLP, Chartered Accountants.
- The Company is engaged primarily in the business of financing and accordingly there is no separate reportable segment as per Ind AS 108 dealing with "Operating Segments"
- On November 12, 2021, Reserve Bank of India issued circular requiring changes to and clarifying certain aspects of income recognition and asset classification norms. The Management has taken necessary steps to comply with norms/changes as and when they became applicable.
- The COVID 19 outbreak across the world has for past 21 months adversely affected the world economy including India. However, in recent times the industry is showing signs of revival signalling a slow but steady return of growth for economy. The impact of the COVID-19 pandemic, on Company's results, including gain/loss on fair value changes, investment, remains uncertain and dependent on actual visibility of growth over coming quarters and steps taken by the government, RBI and other regulators to mitigate the economic impact and foster speedier growth. Further, the Company has assessed the impact of the COVID-19 pandemic on its liquidity and ability to repay its obligations as and when they are due. Management has considered various financial support from banks and other fundraising opportunities in determining the Company's liquidity position over the next 12 months. Based on the foregoing and necessary stress tests considering various scenarios, management believes that the Company will be able to pay its obligations as and when these become due in the foreseeable future. In assessing the recoverability of financial assets (Loans) the Company has considered internal and external sources of information, including credit reports, economic forecasts and industry reports up to the date of approval of these financial results. Since the situation continue to evolve, its effect on the operations of the Company may be different from that estimated as at the date of approval of these financial results. The Company will continue to closely monitor material changes in markets and future economic condition.
- Disclosures for Reserve Bank of India circular on Resolution Framework for Covid-19 related stress dated August 6, 2020 are not applicable to the Company as none of the borrowers opted for the resolution plan.

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- 8 Disclosure on Resolution Framework – 2.0: Resolution of Covid-19 related stress of Individuals and Small Businesses in terms of RBI circular RBI / 2021-22 / 31 DOR. STR. REC.11 /21.04.048 / 2021-22 dated May 5, 2021:

Sl. No	Description	Individual Borrowers		Small businesses
		Personal Loans	Business Loans	
(A)	Number of requests received for invoking resolution process under Part A	-	1.00	-
(B)	Number of accounts where resolution plan has been implemented under this window	-	1.00	-
(C)	Exposure to accounts mentioned at (B) before implementation of the plan	-	92.02	-
(D)	Of (C), aggregate amount of debt that was converted into other securities	-	-	-
(E)	Additional funding sanctioned, if any, including between invocation of the plan and implementation	-	-	-
(F)	Increase in provisions on account of the implementation of the resolution plan	-	0.98	-

- 9 Details of loans transferred / acquired during the quarter ended December 31, 2021 under RBI Master Direction on Transfer of Loan Exposures dated September 24, 2021 are given below:

(i) Details of loans not in default transferred / acquired through assignment during the nine months ended December 31, 2021

Particulars	Transferred	Acquired
Aggregate amount of loans transferred / acquired (Rs. in lakhs)	7356.43	644.22
Weighted average maturity (in Months)	26.05	23.57
Weighted average holding period (in Months)	9.52	8.64
Retention of beneficial economic interest by the originator	10%	10%
Tangible security Coverage	100%	100%
Rating-wise distribution of rated loans	Not Applicable	Not Applicable

- (ii) The Company has not transferred any non-performing assets (NPAs)
 (iii) The Company has not transferred any Special Mention Account (SMA) and loan not in default.
 (iv) The Company has not acquired any loans not in default through assignment.
 (v) The Company has not acquired any stressed loan.

- 10 The Indian Parliament has approved the Code on Social Security, 2020 which subsumes the Provident Fund and the Gratuity Act and rules there under. The Ministry of Labour and Employment has also released draft rules thereunder on November 13, 2020, and has invited suggestions from stakeholders which are under active consideration by the Ministry. The Company will evaluate the rules, assess the impact, if any, and account for the same once the rules are notified and become effective.
- 11 The figures for quarter ended December 31, 2021, are the balancing figures between reviewed figures in respect of the period ended December 31, 2021 and half year ended September 30, 2021
- 12 All Secured NCDS issued by the company are secured by pari-passu charge and / or exclusive charge on receivables under loan contracts, owned assets and book debts to the minimum extent of 100 % or such higher security as per the respective termsheets of outstanding secured NCDs.
- 13 The Compliance related to disclosure of certain ratios and other financial information as required under Regulation 52 (4) of the Listing Regulations is made in Appendix 1.

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Appendix 1
Analytical Ratios and other disclosures based on Standalone financial results:

(Rs in Lacs)

	Particulars	Quarter Ended			Nine Months Ended		Year Ended
		December 31, 2021 (Unaudited)	September 30, 2021 (Unaudited)	December 31, 2020 (Unaudited)	December 31, 2021 (Unaudited)	December 31, 2020 (Unaudited)	March 31, 2021 (Audited)
a)	Debt equity ratio (no. of times) (refer note ii)	3.59	3.41	3.75	3.59	3.75	3.69
b)	Debt service coverage ratio	1.85	2.53	1.97	2.44	1.39	1.54
c)	Interest service coverage ratio	1.42	1.38	1.41	1.40	1.40	1.39
d)	Outstanding redeemable preference shares (quantity and value)	-	-	-	-	-	-
e)	Capital redemption reserve	N/A	N/A	N/A	N/A	N/A	N/A
f)	Debenture redemption reserve	N/A	N/A	N/A	N/A	N/A	N/A
g)	Net worth (refer note iii)	36,559.47	35,637.12	32,183.34	36,559.47	32,183.34	33,989.70
h)	Net profit (loss) after tax	925.94	787.46	798.27	2,565.33	2,400.15	3,190.51
i)	Earnings per share (face value of Rs 10/- each) (not annualized for the interim period)						
	-Basic (Rupees)	1.79	1.52	1.59	4.96	4.77	6.35
	-Diluted (Rupees)	1.79	1.52	1.59	4.96	4.77	6.34
j)	Current ratio	1.03	1.00	1.14	1.03	1.14	0.99
k)	Long term debt to working capital	4.92	4.27	3.74	4.92	3.74	3.74
l)	Bad debts to Account receivable ratio	N/A	N/A	N/A	N/A	N/A	N/A
m)	Current liability ratio	N/A	N/A	N/A	N/A	N/A	N/A
n)	Total debts to total assets (refer note iv)	77.09%	76.04%	77.44%	77.09%	76.04%	77.19%
o)	Debtors turnover	N/A	N/A	N/A	N/A	N/A	N/A
p)	Inventory turnover	N/A	N/A	N/A	N/A	N/A	N/A
q)	Operating margin (%)	N/A	N/A	N/A	N/A	N/A	N/A
r)	Net profit margin (%) (refer note v)	17.19%	15.23%	15.55%	16.1%	15.3%	15.6%
s)	Sector specific equivalent ratios, as applicable.						
	1) Capital Adequacy Ratio (%) (refer note vi)	24.49%	24.99%	21.17%	24.49%	21.17%	23.66%
	2) Gross Stage-3 Assets % (refer note vii)	3.31%	3.46%	1.71%	3.31%	1.71%	2.98%
	3) Net Stage-3 Assets % (refer note viii)	2.47%	2.60%	1.11%	2.47%	1.11%	2.16%
	4) Provision Coverage Ratio for Stage-3 assets (PCR %) (refer note ix)	26.03%	25.36%	35.47%	26.03%	35.47%	28.25%

Notes:

- Certain ratios/line items marked with remark "N/A" are not applicable since the Company is a Non banking financial company registered with the Reserve Bank of India
- Debt equity ratio=[Debt Securities + Borrowings (Other than Debt Securities) + Deposits+ Subordinated Liabilities]/[Equity Share capital + Other equity]
- Net worth = [Equity share capital +Other equity]
- Total debts to total assets=[Debt Securities + Borrowings (Other than Debt Securities)+ Deposits+ Subordinated Liabilities]/Total assets
- Net profit margin = Profit after tax/Total income
- Capital Adequacy Ratio has been computed on a standalone basis as per relevant RBI guidelines
- Gross Stage-3 Assets % (as per Ind AS) = Gross Stage-3 Assets/Gross loan assets
- Net Stage-3 Assets % (as per ind AS) = (Gross Stage-3 Assets less Impairment loss allowance for Stage-3 Assets)/(Gross loan assets less Impairment loss allowance for Stage-3 Assets)
- Provision Coverage Ratio (PCR %) as per Ind AS Carrying amount of Impairment loss allowance for Stage-3 Assets/Gross Stage-3 Assets

For and on behalf of the Board of Directors

Place : Hyderabad

Vasumathi Devi Koganti

Date: February 14,2022

Managing Director