

SGCO & Co. LLP

Chartered Accountants

Independent Auditors' Report on Standalone Annual Financial Results under Regulation 33 and Regulation 52 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 for the year ended March 31, 2022

To,
The Board of Directors,
IKF Finance Limited

Opinion

We have audited the accompanying standalone annual financial results of IKF Finance Limited (hereinafter referred to as "the Company") for the year ended March 31, 2022, attached herewith, being submitted by the Company pursuant to the requirement of Regulation 33 and Regulation 52 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ("Listing Regulations").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone annual financial results:

- i. are presented in accordance with the requirements of Regulation 33 and Regulation 52 of the Listing Regulations in this regard; and
- ii. give a true and fair view in conformity with the recognition and measurement principles laid down in the applicable Indian Accounting Standards and other accounting principles generally accepted in India of the net profit and other comprehensive income and other financial information for the year ended March 31, 2022.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing ("SAs") specified under section 143(10) of the Companies Act, 2013 ("the Act"). Our responsibilities under those SAs are further described in the Auditor's Responsibilities for the Audit of the Standalone Annual Financial Results section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the standalone annual financial results.

Emphasis of matter

We draw attention to note no. 5 of financial result, which describes the uncertainty caused by the continuing COVID-19 pandemic and the related probable events which could impact the Group's estimates of impairment of loans to customers. Our opinion is not modified in respect of this matter.

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Management's and Board of Directors' Responsibilities for the Standalone Annual Financial Results

These standalone annual financial results have been prepared on the basis of the standalone annual financial statements. The Company's Management and the Board of Directors are responsible for the preparation and presentation of these standalone annual financial results that give a true and fair view of the net profit and other comprehensive income and other financial information in accordance with the recognition and measurement principles laid down in Indian Accounting Standards prescribed under Section 133 of the Act and other accounting principles generally accepted in India and in compliance with Regulation 33 and Regulation 52 of the Listing Regulations. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone annual financial results that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Standalone Annual Financial Results

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

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

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



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

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

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

Other Matter

The comparative financial information of the company for the corresponding year ended March 31, 2021, included in the financial results, were audited by the predecessor auditor who expressed an unmodified opinion on those financial information on June 26, 2021.

The figures for the corresponding quarter ended March 31, 2021 as reported in this financial results have been approved by the Company's Board of Directors, but have not been subjected to an audit.

The statement includes the result for the quarter ended March 31, 2022 being the balancing figure between the audited figures in respect of the full financial year ended March 31, 2022 and the published unaudited year to date figures upto the third quarter of the current financial year, which were subjected to limited review by us, as required under the Listing Regulations.

For SGCO & Co. LLP

Chartered Accountants

Firm's Reg. No.: 112081W/W100184

Suresh Murarka

Partner

Membership No.:- 044739

UDIN :- 22044739AJXXUV7739

Date :- 30th May, 2022

Place :- Mumbai



Financial Results for the Quarter and Year ended March 31, 2022

(Rs in Lacs)

	Particulars	Quarter Ended			Year Ended	
		March 31, 2022 (Unaudited)	December 31, 2021 (Unaudited)	March 31, 2021 (Unaudited)	March 31, 2022 (Audited)	March 31, 2021 (Audited)
1	Revenue from operations					
	(a) Interest income	6076.95	5,362.72	4,719.22	21,899.30	20,295.71
	(b) Fees and commission income	81.26	10.75	32.16	160.21	110.92
	Total revenue from operations	6,158.21	5,373.47	4,751.38	22,059.51	20,406.63
2	Other income	46.38	12.78	2.46	63.31	16.29
3	Total income (1 + 2)	6,204.59	5,386.25	4,753.84	22,122.82	20,422.92
4	Expenses					
	(a) Finance costs	2933.99	3,035.91	2,974.66	11,787.65	11,609.00
	(b) Impairment on financial instruments	-47.49	40.87	-510.99	511.78	647.15
	(c) Employee benefits expenses	981.93	782.55	709.17	3,248.03	2,621.34
	(d) Depreciation, amortization and impairment	31.50	31.47	34.11	128.96	144.14
	(e) Others expenses	327.26	250.85	435.61	1,019.11	981.02
	Total expenses	4,227.19	4,141.65	3,642.56	16,695.53	16,002.65
5	Profit before tax (3 - 4)	1,977.40	1,244.60	1,111.28	5,427.29	4,420.27
6	Tax expenses					
	(a) Current tax	770.20	270.78	-86.37	1,487.04	795.96
	(b) Deferred tax	-267.96	47.90	397.28	-100.25	368.34
	(c) Adjustment of tax relating to earlier periods	10.06	0.00	10.03	10.06	65.46
7	Net Profit for the period (5 - 6)	1,465.10	925.92	790.34	4,030.44	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	1.36	5.04	5.46	11.07	13.44
	(b) Income tax relating to items that will not be reclassified to profit or loss	-0.34	-1.27	-1.38	-2.79	-3.38
9	Total Comprehensive Income (7 + 8)	1,466.12	929.69	794.42	4,038.72	3,200.57
10	Earnings per Share (Rs) (Face Value of Rs.10/- each)					
	- Basic (Not Annualised)	2.84	1.79	1.57	7.80	6.35
	- Diluted (Not Annualised)	2.83	1.79	1.57	7.80	6.34

Balance Sheet as at March 31, 2022

(Rs in Lacs)

Particulars	March 31, 2022 (Audited)	March 31, 2021 (Audited)
ASSETS		
Financial assets		
(a) Cash and cash equivalents	3,377.21	11,793.28
(b) Bank balance other than included in (a) above	2,208.65	3,964.82
(c) Trade receivables	0.00	0.00
(d) Loans	1,56,325.40	1,40,161.15
(e) Investments	6,252.92	4,525.10
(f) Other financial assets	1,800.96	1,018.54
Non-financial assets		
(a) Current tax assets (net)	183.04	217.94
(b) Deferred tax assets (net)	70.34	0.00
(c) Investment Property	114.31	6.47
(d) Property, plant and equipment	260.11	240.52
(e) Right of use asset	10.75	24.77
(f) Intangible assets	154.42	170.57
(g) Other non-financial assets	1,067.42	382.01
TOTAL ASSETS	1,71,825.53	1,62,505.17
LIABILITIES AND EQUITY		
Financial liabilities		
(a) Debt securities	15,186.47	33,687.94
(b) Borrowings (other than debt securities)	1,09,462.84	85,755.89
(c) Subordinated liabilities	6,003.45	5,986.79
(d) Other financial liabilities	2,030.13	2,670.12
Non-financial liabilities		
(a) Provisions	306.37	275.54
(b) Deferred tax liabilities (Net)		27.12
(c) Other non-financial liabilities	99.50	112.08
Equity		
(a) Equity share capital	5,265.91	5,167.49
(b) Other equity	33,470.86	28,822.20
TOTAL LIABILITIES AND EQUITY	1,71,825.53	1,62,505.17

Cash Flow statement for the year ended March 31, 2022

(Rs in Lacs)

Particulars	March 31, 2022 (Audited)	March 31, 2021 (Audited)
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	5,427.28	4,420.27
Adjustments for:		
Depreciation, amortisation and impairment	128.96	144.14
Interest Income	-21,899.30	-20,295.71
Interest expenses	11,787.65	11,609.00
Impairment on financial instrument	511.78	647.15
Lease equalisation	0.00	0.00
Share based payment expense	-6.03	13.09
Net gain/(loss) on financial instrument at fair value through profit and loss (FVTPL)	0.00	0.00
Provision for expenses	6.60	4.83
Employee benefit expenses	81.57	98.26
Rental income on Investment property	-7.63	-6.36
(Profit)/ Loss on sale of property, plant and equipment	-0.07	-0.14
(Profit)/ Loss on sale of immovable Property	6.10	0.00
Cash generated from / (used in) operations before working capital changes and adjustments for interest received and interest paid	-3,963.08	-3,365.47
Adjustments for changes in Working Capital :		
Decrease / (Increase) in trade receivable	26.21	20.87
Decrease / (Increase) in loans	-24,454.76	-21,661.13
Decrease / (Increase) in bank balances other than cash and cash equivalents	1,756.18	-189.89
Decrease / (Increase) in other financial assets	126.85	-330.53
Decrease / (Increase) in other non-financial assets	-685.42	-53.83
(Decrease) / Increase in trade payables	0.00	0.00
(Decrease) / Increase in other financial liabilities	-631.52	-32.01
(Decrease) / Increase in provisions	-39.67	-17.76
(Decrease) / Increase in other non-financial liabilities	-12.59	-6.61
Interest received	22,327.41	17,250.35
Interest paid	-11,836.88	-10,176.00
	-17,387.28	-18,562.00
Income tax paid (net of refunds)	-1,462.20	-922.80
Deferred tax adjustment	0.00	0.00
NET CASH GENERATED FROM / (USED IN) OPERATING ACTIVITIES	-18,849.48	-19,484.80
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	-86.52	-33.46
Purchase of Investment property	-224.11	0.00
Rental income on Investment property	7.63	6.36
Proceeds from sale of property, plant and equipment	0.08	0.54
Proceeds from sale of Investment property	110.00	0.00
Purchase of intangible assets	-27.55	-31.99
Purchase of investments measured at cost	-1,727.82	0.00
NET CASH GENERATED FROM / (USED IN) INVESTING ACTIVITIES	-1,948.29	-58.53
CASH FROM FINANCING ACTIVITIES		
Proceeds from issue of equity shares (including securities premium)	714.39	1,015.18
Share issue expenses	0.00	0.00
Amount received from debt securities	8,000.00	30,500.00
Repayment of debt securities	-25,950.00	-3,300.00
Amount received from borrowings other than debt securities	56,500.00	33,730.08
Repayment of borrowings other than debt securities	-26,861.44	-32,548.05
Amount received from subordinated Liabilities	0.00	2,500.00
Repayment of subordinated debt	0.00	-3,000.00
Payment of principal portion of lease liabilities	-19.13	-41.45
Payment of interest on lease liabilities	-2.12	-4.77
NET CASH GENERATED FROM / (USED IN) FROM FINANCING ACTIVITIES	12,381.70	28,850.99
Net Increase / (Decrease) in Cash and Cash Equivalents	-8,416.07	9,307.66
Cash and Cash Equivalents at the beginning of Year	11,793.28	2,485.62
Cash and Cash Equivalents at the end of the Year	3,377.21	11,793.28

The above Cash Flow Statement has been prepared under the 'Indirect method' as set out in Ind AS 7 on 'Statement of Cash Flows'.

IKF Finance Limited

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Notes:

- 1 IKF Finance Limited (the 'Company') has prepared audited financial results (the 'Statement') for the Quarter ended and the year ended March 31, 2022 in accordance with Regulation 52 of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 as amended (the 'Listing Regulations 2015') and the Accounting Standards specified under section 133 of the Companies Act, 2013 read with the Companies (Indian Accounting Standards) Rules, 2015 as amended and the relevant provisions of the Companies Act, 2013, as applicable.
- 2 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 meeting held on May 30, 2022.
- 3 The above financial results for the quarter and year ended March 31, 2022 have been Audited by the Statutory Auditors of the Company and the auditors have issued an unqualified Audit report. The financial results for the quarter and year ended March 31, 2021 were audited by S R Batliboi & Co. LLP, Chartered Accountants.
- 4 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"
- 5 The COVID 19 outbreak across the world has for past 24 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.
- 6 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.
- 7 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	-	0.18	-

- 8 Details of loans transferred / acquired during the quarter ended March 31, 2022 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 Year ended March 31, 2022

Particulars	Transferred	Acquired
Aggregate amount of loans transferred / acquired (Rs. in lakhs)	16826.23	5779.37
Weighted average maturity (in years)	24.78	20.78
Weighted average holding period (in years)	9.55	12.72
Retention of beneficial economic interest by the originator	10.00%	86.54%
Tangible security Coverage	100.00%	100.00%
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.

- 9 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.
- 10 The figures for quarter ended March 31, 2022, are the balancing figures between reviewed figures in respect of the period ended December 31, 2021 and year ended March 31, 2022
- 11 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.
- 12 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.

Appendix 1

Analytical Ratios and other disclosures based on Standalone financial results:

	Particulars	Quarter Ended			Year Ended	
		March 31, 2022 (Audited)	December 31, 2021 (Unaudited)	March 31, 2021 (Audited)	March 31, 2022 (Audited)	March 31, 2021 (Audited)
a)	Debt equity ratio (no. of times) (refer note ii)	3.37	3.59	3.69	3.37	3.69
b)	Debt service coverage ratio	N/A	N/A	N/A	N/A	N/A
c)	Interest service coverage ratio	N/A	N/A	N/A	N/A	N/A
d)	Outstanding redeemable preference shares (quantity and value)	-	-	-	-	-
e)	Capital redemption reserve	N/A	N/A	N/A	N/A	N/A
f)	Debenture redemption reserve	N/A	N/A	N/A	N/A	N/A
g)	Net worth (refer note iii)	38,736.77	36,559.47	33,989.69	38,736.77	33,989.69
h)	Net profit (loss) after tax	1,465.10	925.92	790.34	4,030.44	3,190.51
i)	Earnings per share (face value of Rs 10/- each) (not annualized for the interim period)					
	-Basic (Rupees)	2.84	1.79	1.57	7.80	6.35
	-Diluted (Rupees)	2.83	1.79	1.57	7.80	6.34
j)	Current ratio	N/A	N/A	N/A	N/A	N/A
k)	Long term debt to working capital	3.00	4.92	3.74	3.00	3.74
l)	Bad debts to Account receivable ratio	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)	Total debts to total assets (refer note iv)	76.04%	77.09%	77.19%	76.04%	77.19%
o)	Debtors turnover	N/A	N/A	N/A	N/A	N/A
p)	Inventory turnover	N/A	N/A	N/A	N/A	N/A
q)	Operating margin (%)	N/A	N/A	N/A	N/A	N/A
r)	Net profit margin (%) (refer note v)	23.61%	17.19%	16.63%	18.22%	15.62%
s)	Sector specific equivalent ratios, as applicable.					
	1) Capital Adequacy Ratio (%) (refer note vi)	24.22%	24.49%	23.66%	24.22%	23.66%
	2) Gross Stage-3 Assets % (refer note vii)	2.72%	3.31%	2.98%	2.72%	2.98%
	3) Net Stage-3 Assets % (refer note viii)	1.82%	2.47%	2.16%	1.82%	2.16%
	4) Provision Coverage Ratio for Stage-3 assets (PCR %) (refer note ix)	33.78%	26.03%	28.25%	33.78%	28.25%

Notes:

- i) 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
- ii) Debt equity ratio=[Debt Securities + Borrowings (Other than Debt Securities) + Deposits+ Subordinated Liabilities]/[Equity Share capital + Other equity]
- iii) Net worth = [Equity share capital +Other equity]
- iv) Total debts to total assets=[Debt Securities + Borrowings (Other than Debt Securities)+ Deposits+ Subordinated Liabilities]/Total assets
- v) Net profit margin = Profit after tax/Total income
- vi) Capital Adequacy Ratio has been computed on a standalone basis as per relevant RBI guidelines
- vii) Gross Stage-3 Assets % (as per Ind AS) = Gross Stage-3 Assets/Gross loan assets
- viii) 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)
- ix) 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
V.G.K Prasad

Place : Vijayawada
 Date: May 30,2022

Chairman